BEFORE THE
NEW YORK STATE
PUBLIC SERVICE COMMISSION

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Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of New York State Electric & Gas Corporation for Electric Service	Case 15-E- ____
Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of New York State Electric & Gas Corporation for Gas Service	Case 15-G- ____
Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Rochester Gas and Electric Corporation for Electric Service	Case 15-E- ____
Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Rochester Gas and Electric Corporation for Gas Service	Case 15-G- ____

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DIRECT TESTIMONY OF CUSTOMER SERVICES, ENERGY EFFICIENCY, AND RETAIL ACCESS PANEL

Mark R. Beaudoin
Joni J. Fish-Gertz
Carl A. Taylor
Theresa B. VanBrooker
Marc P. Webster

May 20, 2015

DIRECT TESTIMONY OF CUSTOMER SERVICES, ENERGY EFFICIENCY, AND RETAIL ACCESS PANEL

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DIRECT TESTIMONY OF CUSTOMER SERVICES, ENERGY EFFICIENCY, AND RETAIL ACCESS PANEL

I. INTRODUCTION

Q. Please state the names of the members on the Customer Services, Energy Efficiency, and Retail Access Panel ("Panel").

A. Our names are Mark R. Beaudoin, Joni J. Fish-Gertz, Carl A. Taylor, Theresa B. VanBrooker, and Marc P. Webster.

Q. Mr. Beaudoin, please state your current position and business address.

A. I am the Director of Customer Services and Systems. My business address is 18 Link Drive, P.O. Box 5224, Binghamton, New York 13902.

Q. Please summarize your educational background and work experience.

A. My Curriculum Vitae ("CV") is set forth in Exhibit __ (CSEERA-1).

Q. Have you previously testified in other proceedings before the New York State Public Service Commission ("PSC" or the "Commission") or any other state or federal regulatory agency or court?

A. No.

Q. Ms. Fish-Gertz, please state your current position and business address.

A. I am the Manager, Efficiency Programs. My business address is 7760 Industrial Park Road, Hornell, New York 14843.

Q. Please summarize your educational background and work experience.

A. My CV is attached as Exhibit __ (CSEERA-1).

Q. Have you previously testified in other proceedings before the PSC or any other state or federal regulatory agency or court?

A. No.

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Q. Mr. Taylor, please state your current position and business address.

A. I am the Vice President of Customer Services. My business address is 89 East Avenue, Rochester, New York 14649.

Q. Please summarize your educational background and business experience.

A. My CV is set forth in Exhibit __ (CSEERA-1).

Q. Have you previously testified in other proceedings before the PSC or any other state or federal regulatory agency or court?

A. No.

Q. Ms. VanBrooker, please state your current position and business address.

A. My title is Director of Customer Services. My business address is 89 East Avenue, Rochester, New York 14649.

Q. Please summarize your educational background and work experience.

A. My CV is set forth in Exhibit __ (CSEERA-1).

Q. Have you previously testified in other proceedings before the PSC or any other state or federal regulatory agency or court?

A. Yes. I submitted testimony in Rochester Gas and Electric Corporation's ("RG&E") last three rate proceedings, Cases 02-E-0198 and 02-G-0199, Cases 03-E-0765 and 03-G-0766, and Cases 09-E-0717 and 09-G-0718. I also sponsored testimony in New York State Electric & Gas Corporation's ("NYSEG") last rate proceeding, Cases 09-E-0715 and 09-G-0716, and rebuttal testimony in NYSEG's electric rate proceeding, Case 05-E-1222. I also submitted testimony in Case 07-M-0906.

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Q. Mr. Webster, please state your current position and business address.

A. My title is Manager of Supplier Relations. My business address is 18 Link Drive, P.O. Box 5224, Binghamton, New York 13902.

Q. Please summarize your educational background and work experience.

A. My CV is set forth in Exhibit __ (CSEERA-1).

Q. Have you previously testified in other proceedings before the Commission or any other state or federal regulatory agency or court?

A. Yes, I have testified on several occasions before the Commission, including in Cases 00-M-0504 and 96-G-0877. I also submitted testimony in support of NYSEG's gas rate filing in Case 01-G-1668 and rebuttal testimony for NYSEG's electric rate filing in Case 05-E-1222. In addition, I have testified before regulatory commissions in Maine and New Hampshire.

Q. What is the purpose of the Panel's testimony?

A. This Panel discusses various customer service-related matters, proposed energy efficiency items, and retail access proposals. First, the Panel discusses NYSEG's and RG&E's (the "Companies") performance under the current performance metrics, and the Companies' proposal to modify the current metrics and threshold levels. Second, the Panel provides an overview of the Companies' current Low Income Programs ("Low Income Programs" or the "Programs"), discusses the Companies' proposal to implement a Budget Balance Forgiveness component, identifies the components of the Low Income Programs and the requested funding levels for each component, and presents the Companies' recommendation to reconcile spending associated with the Low Income Programs. Third, the Panel describes the Companies proposal to hold annual Energy Summits. Fourth, the Panel presents the Companies' recommendation that costs associated with a customer using a credit or debit card (also referred to as plastic) to pay its bill be included in base rates. Fifth, the Panel explains the Companies' proposal concerning the closure of various walk-in offices.

Sixth, the Panel discusses the Companies' recommendation to use a three-year historical average of actual Uncollectible expense to set the level of Uncollectible expense. Seventh, the Panel describes the Companies' proposal to require a deposit in certain identified circumstances. Eighth, the Panel explains the Companies' proposal to implement a trip charge fee. Ninth, the Panel discusses the proposal to provide customer bill and/or outage alerts. Tenth, the Panel explains the recommendation to implement a process to physically shut off meters left physically on without a customer of record.

The Panel also describes the Companies' plans for energy efficiency service delivery for the period 2016 and beyond, including proposed budget levels, a cost recovery method, and the Companies' ability to achieve energy savings targets. Finally, the Panel discusses various retail access-related items, including the Companies' proposal to change the schedule for meetings of the Gas Marketing Operating Group ("GMOG") and to implement an Electronic Data Interchange ("EDI") Testing Deposit.

II. SUMMARY AND IDENTIFICATION OF EXHIBITS

Q. Is this Panel sponsoring any exhibits?

A. Yes. This Panel is sponsoring the following exhibits:

1) Exhibit __ (CSEERA-1) provides the CV for each witness;
2) Exhibit __ (CSEERA-2) sets out the existing Service Quality Performance Metrics for NYSEG and RG&E;
3) Exhibit __ (CSEERA-3) provides the January 21, 2015 attestation letter, which includes NYSEG's and RG&E's performance against their respective Service Quality Performance Metrics as of December 2014;
4) Exhibit __ (CSEERA-4) provides the Standard Deviation Calculations;
5) Exhibit __ (CSEERA-5) contains the NYSEG and RG&E proposal for Performance Metrics and correlated Revenue at Risk;
6) Exhibit __ (CSEERA-6) provides the Companies' calculations for the proposed Budget Balance Forgiveness Program;
7) Exhibit __ (CSEERA-7) shows the funding amounts included in revenue requirements, by Program component, for the Low Income Programs for NYSEG and RG&E, respectively;
8) Exhibit __ (CSEERA-8) contains the estimated cost of renting local facilities throughout the state for energy summits;
9) Exhibit __ (CSEERA-9) shows the percentage growth per year in plastic (credit/debit card) transactions;

10) Exhibit __ (CSEERA-10) provides the Companies' estimated fees associated with the use of plastic payments by customers;
11) Exhibit __ (CSEERA-11) includes the percentage of customer payments by channel at NYSEG and RG&E;
12) Exhibit __ (CSEERA-12) provides statistics for payment and representative-assisted transactions by NYSEG and RG&E customers at walk-in offices and through other methods;
13) Exhibit __ (CSEERA-13) shows the distance from RG&E's Waring Road walk-in office to its East and West Avenue walk-in offices;
14) Exhibit __ (CSEERA-14) provides the percentage and dollars of write-offs for NYSEG and RG&E for the period July 2012 to June 2014;
15) Exhibit __ (CSEERA-15) contains the arrears at NYSEG and RG&E aged greater than 90 days;
16) Exhibit __ (CSEERA-16) reflects the arrears at NYSEG and RG&E aged greater than 90 days for the 2014 time period;
17) Exhibit __ (CSEERA-17) shows the number and value of residential write-offs from July 2013 to June 2014;
18) Exhibit __ (CSEERA-18) includes the write-off percentage for customers who meet certain criteria;
19) Exhibit __ (CSEERA-19) contains additional Uncollectible expense data;
20) Exhibit __ (CSEERA-20) demonstrates the correlation between FICO scores and customer write-offs;

21) Exhibit __ (CSEERA-21) shows the number of payments collected in the field;

22) Exhibit __ (CSEERA-22) includes the calculation to perform the set up and testing of the Companies' EDI test system; and

23) Exhibit __ (CSEERA-23) provides an index of the Panel's workpapers. A copy of the workpapers will be provided to New York State Department of Public Service Staff ("Staff").

III. CUSTOMER SERVICE-RELATED MATTERS

A. Customer Service Quality Measures

Q. Please describe the current Customer Service Performance Mechanisms at NYSEG and RG&E.

A. Exhibit __ (CSEERA-2) shows the Companies' four regulatory Customer Service Performance Mechanisms (PSC Complaint Rate, Calls Answered within 30 seconds, Customer Interaction Service Index, and Percent of Estimated Meter Reads), and associated targets and revenue adjustments. These measures and revenue adjustments were approved as part of Commission's September 21, 2010 Order Establishing Rate Plan in Case 09-E-0715, et al. ("2010 JP").

Q. Please summarize the Companies' recent performance under these metrics.

A. Exhibit __ (CSEERA-3) contains the Companies 2014 attestation letter filed with the Commission, which shows that during this period the Companies' exceeded relevant targets. These results are shown in the following table.

Table 1: 2014 Results – Customer Service Quality Measures

Company	Description of Measure	Target	2014 Result
RG&E	% of Calls Answered in 30 seconds	> 77.0%	82.6%
RG&E	Percent of Estimates	< 6.0%	5.5%
RG&E	Contact Satisfaction	> 85.0%	88.8%
RG&E	PSC Complaint Rate - annualized	< 1.80	0.6
NYSEG	% of Calls Answered in 30 seconds	> 63.0%	68.3%
NYSEG	Estimated Reads	< 6.1%	5.0%
NYSEG	Contact Satisfaction	> 87.0%	90.4%
NYSEG	PSC Complaint Rate - annualized	< 1.00	0.3

Q. Is the Panel proposing changes to the current Customer Service Performance Mechanisms in place at NYSEG and RG&E?

A. Yes. The Panel recommends that the metrics be modified to eliminate Percent of Estimates.

Q. Please explain the Companies' rationale for proposing to eliminate this measure.

A. The historic performance for Percent of Estimates by both NYSEG and RG&E demonstrates that this is not an ongoing area of concern, indicating that it is not driving performance one way or another. The Companies are also confident that an increase in Percent of Estimates is highly correlated with an increase in customer calls, potential customer dissatisfaction, and complaints to the Commission so this separate measure is not necessary. No other New York electric utility has this measure and only one gas utility, National Fuel Gas Distribution Company, has such a measure.

Q. Please explain the basis for the Panel's proposal that these are the appropriate Customer Service Performance Metrics.

A. The proposed metrics are proven measures focused on the customer. These measures will allow us to continue to measure how well we are meeting customer expectations. Additionally, upon review of metrics used at other New York state utilities, these are the three measures that are fairly consistent and are being measured at the majority of the companies.

Q. Is the Panel recommending any change to the targets for the existing measures?

A. Consistent with previous target setting, we calculated targets for Contact Satisfaction and Percent of Calls Answered in Thirty Seconds using two standard deviations from the mean performance from 2010 through 2014. Based on this analysis, we propose new targets for Contact Satisfaction at both NYSEG and RG&E. The proposed targets are 89.5% and 88% for NYSEG and RG&E, respectively, which are derived by rounding the results of the standard deviation analysis. We believe the current targets for Percent of Calls Answered in 30 Seconds are set appropriately at 63% (NYSEG) and 77% (RG&E). The results of the statistical analysis for these two measures are shown in the table below and included as Exhibit __ (CSEERA-4).

Table 2: Standard Deviation Calculations

Customer Contact Satisfaction			
	NYSEG		RG&E
2014	90.4%		88.8%
2013	91.9%		90.2%
2012	92.0%		90.6%
2011	90.5%		91.1%
2010	91.8%		90.1%
Mean	91.3%		90.2%
Std. Dev	0.8%		0.9%
Target	**89.7%**		**88.4%**

Calls Answered within 30 Seconds			
	NYSEG		RG&E
2014	68.3%		82.6%
2013	68.0%		80.0%
2012	67.1%		84.7%
2011	64.3%		80.7%
2010	67.0%		79.7%
Mean	66.9%		81.5%
Std. Dev	1.6%		2.1%
Target	**63.8%**		**77.3%**

Furthermore, although the Companies' performance related to PSC complaints has been very strong, we believe the current targets are sufficiently challenging and adequately reflect customer expectations. Upon review of targets set for New York state utilities, NYSEG and RG&E have targets that are consistent with, if not lower than, those in place at other companies. We have proven that we are committed to exceptional customer service, and the results of our PSC Complaint Rate reflect this commitment. Accordingly, we propose that the targets for this measure remain at the current level.

Q. Are the Companies proposing a change to the current revenue adjustment threshold levels?

A. Yes. The Companies propose a symmetrical revenue adjustment design. By symmetrical, we mean to indicate that there would be both positive and negative revenue adjustments associated with Contact Satisfaction and Percent of Calls Answered in Thirty Seconds. The Companies take their service quality measures seriously and are committed to delivering excellent customer service. We believe the current negative threshold levels are adequate to ensure a high level of customer service. We also recommend that performance only slightly above the target should not trigger an incentive. To encourage continuous improvement for the benefit of customers, the Companies propose a positive revenue adjustment for superior performance.

Q. Do the Companies have a proposal for the revenue adjustment schedule for Customer Service Quality Measures?

A. Yes. The table below (also included as Exhibit __ (CSEERA-5)) illustrates the proposed measures with associated targets and revenue adjustments. The Companies propose that the positive incentives mirror the existing negative incentives. This approach provides a balanced approach for measuring the Companies' performance. The Companies also propose implementation of incentives that mirror potential penalties for the two measures indicated. The Companies would not be eligible for an incentive until the level of performance hits the first trigger. Additionally, the Companies recommend that positive incentives only be implemented for Contact Satisfaction and Calls Answered in 30 Seconds. Because we are not recommending a change to the target for the PSC Complaint Rate, the Companies are not proposing incentives for that measure.

<u>Table 3: Proposed Measures, Targets and Associated Revenue Adjustments</u>

Proposed Performance Measures	NYSEG Performance Thresholds	NYSEG Recommended Revenue Risk or Incentive	RG&E Performance Thresholds	RG&E Recommended Revenue Risk or Incentive	
PSC Complaint Rate	1.0	Target ($)	1.7	Target ($)	
	>1.0	$ (800,000)	>1.7	$ (500,000)	Negative
	>1.1	$ (1,600,000)	>1.8	$ (1,000,000)	
	>1.2	$ (2,400,000)	>1.9	$ (1,500,000)	
	>1.3	$ (3,200,000)	>2.0	$ (2,000,000)	
Contact Satisfaction Index	>95%	$ 3,200,000	>94%	$ 2,000,000	Positive
	>94%	$ 2,400,000	>93%	$ 1,500,000	
	>93%	$ 1,600,000	>92%	$ 1,000,000	
	>=92%	$ 800,000	>=91%	$ 500,000	
	89.5%	Target ($)	88%	Target ($)	
	<89.5%	$ (800,000)	<88%	$ (500,000)	Negative
	<88%	$ (1,600,000)	<87%	$ (1,000,000)	
	<87%	$ (2,400,000)	<86%	$ (1,500,000)	
	<86%	$ (3,200,000)	<85%	$ (2,000,000)	
Calls Answered in 30 Seconds	>69%	$ 2,320,000	>82%	$ 1,200,000	Positive
	>68%	$ 1,740,000	>81%	$ 900,000	
	>67%	$ 1,160,000	>80%	$ 600,000	
	>66%	$ 580,000	>79%	$ 300,000	
	63%	Target ($)	77%	Target ($)	
	< 63.0 %	$ (580,000)	< 77.0 %	$ (300,000)	Negative
	< 62.0 %	$ (1,160,000)	< 76.0 %	$ (600,000)	
	< 61.0%	$ (1,740,000)	< 75.0%	$ (900,000)	
	< 60.0 %	$ (2,320,000)	< 74.0 %	$ (1,200,000)	
Maximum Revenue Risk or Revenue		**$ 8,720,000.0**		**$ 5,200,000**	

B. <u>Low Income Programs</u>

Q. Please describe the Companies' Low Income Programs.

A. The Programs cover both electric and gas service and consist of three separate financial components: 1) Bill Reduction; 2) Arrears Forgiveness; and 3)

Reconnect Fee Waiver. The Programs also include a fourth component for energy efficiency and budget management education and support. A customer needs to be a Home Energy Assistance Program ("HEAP") recipient in order to qualify for the Programs. The Bill Reduction portion of the Programs includes a monthly bill reduction for electric service and/or gas service, as applicable. In addition, the Companies refer customers to an energy services agency, such as the New York State Energy Research and Development Authority ("NYSERDA"), for energy efficiency and/or budget counseling.

In order to qualify for the Arrears Forgiveness portion of the Programs, the customer must have arrears on his or her account generally between the amounts of $240 and $1,500. To receive the Arrears Forgiveness, the customer must be making monthly payments in full and on time. The customer has 36 months to complete the program. Each time the customer makes a payment, 1/24th of his/her arrears is credited and displayed on the next bill. Once a customer successfully eliminates the arrears, the customer continues his/her enrollment in the Bill Reduction program.

The Companies apply the Reconnect Fee Waiver to any HEAP recipient if his/her service is disconnected for non-payment and subsequently reconnected. The Companies provide this as an additional benefit for financially vulnerable customers.

The Companies refer customers participating in either the Bill Reduction program or the Arrears Forgiveness to NYSERDA on a schedule mutually agreed to by NYSEG or RG&E and the agency. NYSERDA offers programs such as replacement of old, inefficient appliances, installation of high-efficiency lighting, materials to reduce drafts in homes, installation of insulation for attics and sidewalls, tips to save energy, and workshops offering energy saving information and budget counseling.

Q. What is the purpose of the Programs?

A. The Companies designed the Programs to help vulnerable customers. The Programs provide the opportunity for bill relief via a bill reduction to the customer and, potentially, a monthly arrears forgiveness that provides the customer an incentive to pay the bill on time. In addition, the energy efficiency benefits offered by NYSERDA allow customers to be better positioned to afford their bills for years to come. The Programs in essence "helps customers help themselves." Customers see reduction in their debt each month when a payment is made in full and on time, providing a greater incentive to develop good payment habits in order to receive the monthly benefit. By developing good and consistent payment habits, customers participating in the Programs avoid the danger of disconnection for non-payment.

Q. Are the Companies' Programs successful in achieving their goals?

A. Yes. The Programs offer the following multiple customer benefits: 1) a per-meter bill reduction; 2) an opportunity to reduce or eliminate arrears; 3) Reconnect Fee Waiver; and 4) referral to NYSERDA's energy efficiency and budget counseling programs. Customers are placed on Budget Billing, which allows them to plan for their monthly expenses and to increase potential success in the programs. Participation in the Programs encourages the customer to build consistent payment habits and be positioned for greater success in the future.

Q. Are the Companies proposing any changes to the Programs?

A. Yes. The Companies propose one modification to their Programs. We have been monitoring our Arrears Forgiveness program as we currently have a "drop out" rate of between 50% and 60%. We have been focusing on the key reasons for the customer dropping out. Based on our analysis, we conclude that a primary reason that a customer drops out is the variability of the bill (e.g., a high month that becomes unaffordable to a customer). To help address this issue, the Companies propose to implement a Budget Balance Forgiveness component.

Q. Would this modification require additional funding?

A. Yes. The Budget Balance Forgiveness component would require additional funding. Exhibit __ (CSEERA-6) includes the Companies' proposed funding level and we explain this proposal in more detail later.

Q. What is the benefit to the customer from this new component?

A. An important benefit of this new component will be stability in a customer's monthly bill. This stability will allow customers (who are already struggling to pay their bill) to know the exact amount of their monthly obligation. This stability, coupled with energy efficiency education, can help lower the customers' overall energy burden.

Q. Please explain in detail the components and requested funding for each Program.

A. The table below shows the overall revenue requirements for the components of the Programs.

Table 4: Low Income Program Funding

	NYSEG	RG&E
Forecast HEAP participants	70,842	43,497
Monthly Bill Reduction	$14,405,000	$5,591,493
Arrears Forgiveness	$1,500,000	$1,129,865
Reconnect Fee Waiver	$55,000	$113,000
Administrative Costs	$1,048,500	$739,159
Budget Balance Forgiveness	$1,940,000	$1,221,000
Total	$18,948,500	$8,794,517

Specific details for each component are as follows:

Monthly Bill Reduction

The 2010 JP includes specific bill reduction amounts for gas and electric (heat and non-heat) as well as “combination” customers. For consistency purposes, we are proposing that these amounts remain the same. The table below shows these amounts.

Table 5: Bill Reduction Amounts by Type

Customer Type	NYSEG	RG&E
Electric Non-Heat	$ 9.57	$ 5.00
Electric Heat	$ 18.57	$ 24.00
Gas Non-Heat	$ 6.60	$ 2.00
Gas Heat	$ 13.00	$ 5.60
Combined Electric Heat/Gas Non-Heat	$ 25.17	$ 26.00
Combined Gas Heat/Electric Non-Heat	$ 22.57	$ 10.60

All HEAP recipients are eligible for the Bill Reduction component of the Programs. To calculate the revenue requirement, we looked at the number of customers who received HEAP during the test year, and determined which of the monthly reductions (from above) would apply for each.

Q. Please explain the difference between the bill reduction amounts offered at NYSEG and RG&E.

A. The differences are a result of history and available funding. Both Companies have had Programs for many years. Historical discount amounts were the baseline for determining the amounts approved in the Companies' 2010 JP. The historical baseline was updated to reflect available funding for NYSEG and RG&E by commodity.

Table 6: Forecast Revenue Requirements – Bill Reductions

NYSEG	Total	Gas Heat	Elec Heat	Non Heat	Discount Gas Heat	Discount Electric Heat	Discount Non Heat	Total Electric	Total Gas	Total Discount by Type
Gas Only	7,981	7,904	0	71	$1,233,050	$0	$6,065	$0	$1,239,115	$1,239,115
Electric Only	32,054	0	10,321	21,734	$0	$2,299,820	$2,495,894	$4,795,714	$0	$4,795,714
Combination	30,807	29,984	827	536	$8,058,960	$207,176	$103,925.00	$0	$0	$8,370,061
								$4,795,714	**$1,239,115**	**$14,404,890**

RG&E	Total	Gas Heat	Elec Heat	Non Heat	Discount Gas Heat	Discount Electric Heat	Discount Non Heat	Total Electric	Total Gas	Total Discount by Type
Gas Only	2,771	2,660	-	111	$ 178,718	$ -	$ 2,668	$ -	$ 181,386	$ 181,386
Electric Only	7,684	-	2,914	4,771	$ -	$ 839,136	$ 286,240	$ 1,125,376	$ -	$ 1,125,376
Combination	33,042	31,865	582	923	$ 4,033,537	$ 173,690	$ 77,504	$ 2,079,516	$ 2,155,296	$ 4,284,731
Total								**$ 3,204,892**	**$ 2,386,601**	**$ 5,591,493**

Arrears Forgiveness

The Arrears Forgiveness program is available to all customers in the Bill Reduction program who have arrears between $240 and $1,500. To calculate this requirement, we looked at test year data as shown in the following table.

Table 7: Forecast Revenue Requirements – Arrears Forgiveness

	HEAP Customers In Range	Average Arrears	Total Annual Arrears Forgiveness
NYSEG	8,846	$652	$1,499,565
RG&E	5,804	$721	$1,129,865

Reconnect Fee Waiver

For the Reconnect Fee Waiver, the Companies based the revenue requirement on the historical spend for this program for NYSEG and RG&E during the test year. The Companies forecast a revenue requirement of $55,000 for NYSEG and $113,000 for RG&E.

Budget Balance Forgiveness

The Companies forecast the new Budget Balance Forgiveness component by doing a review of customers who have defaulted from the Arrears Forgiveness program. Specifically, because the Arrears Forgiveness program requires a customer to be on Budget Billing, we assessed the range of budget deficits for these customers at the time of default. The data revealed a range of deficit from $200 to $1,200. Based on this review, the Companies recommend that a reasonable budget forgiveness amount for this component would be $500. To determine the revenue requirement, the Companies multiplied this value by the average annual number of customers who defaulted from the Arrears Forgiveness program from 2011 to 2014.

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Table 8: Forecast Revenue Requirement – Budget Balance Forgiveness

	Average Number of Customer Removed From LIAF Program	Budget Balance Forgiveness	Total Annual Budget Balance Forgiveness
NYSEG	3,879	$500	$1,939,500
RG&E	2,442	$500	$1,221,125

As part of the Stipulation Regarding Low Income Program contained in Appendix I of the 2010 JP, administrative expenses were funded at 30% of the Arrears Forgiveness and Reconnect Fee Waiver budget. The Companies' current proposal assumes the same percentage for administrative expense, but we have included the new Budget Balance Forgiveness budget in calculating the overall proposed administrative expense requirement. The Budget Balance Forgiveness program, like the Arrears Forgiveness and Reconnect Fee Waiver, will require manual intervention and administrative oversight.

Table 9: Forecast Revenue Requirement – Administrative Expense

	NYSEG		RG&E	
Arrears Forgiveness	$	1,499,565	$	1,129,865
Reconnect Waiver	$	55,000	$	113,000
Budget Balance Forgiveness	$	1,939,500	$	1,221,125
Administrative Expense	**$**	**1,048,220**	**$**	**739,197**

The table below shows the forecast funding requirements for the Companies' Programs compared to the levels currently in place. We strongly believe that this increase in funding is in the best interest of customers as it will enable us to assist the most vulnerable customers in meeting their energy needs.

Table 10: Low Income Program Funding Comparison

	NYSEG		**RG&E**	
	2010 JP	**Proposed**	**2010 JP**	**Proposed**
Forecast HEAP participants	56,000	70,842	41,000	43,497
Monthly Bill Reduction	$ 10,115,336	$ 14,405,000	$ 5,270,669	$ 5,591,493
Arrears Forgiveness	$ 1,611,220	$ 1,500,000	$ 1,149,820	$ 1,129,865
Reconnect Fee Waiver	$ 92,000	$ 55,000	$ 107,000	$ 113,000
Administrative Costs	$ 510,966	$ 1,048,500	$ 377,046	$ 739,159
Budget Balance Forgiveness	$ -	$ 1,940,000	$ -	$ 1,221,000
Total	$ 12,385,522	$ 18,948,500	$ 6,945,535	$ 8,794,517

Q. How do the Companies propose handling any over- or under-spending for the Programs?

A. The Companies propose to fully reconcile all components of the Programs.

Q. Do you have any additional comments concerning the Programs?

A. Yes. Overall, we believe the Programs have been very successful and are of great benefit to our vulnerable customer population. Since 2010, the Programs have assisted 167,000 HEAP eligible customers in lowering their monthly energy costs as well as assisting approximately 55,000 customers in the Arrears Forgiveness program. The Programs allow customers to see progress each month in reducing arrears, eventually eliminating the debt, and allowing the customer/family to be in a better financial position for the future. Furthermore, although the number of HEAP recipients has increased at both NYSEG and RG&E, the total federal funding available to assist these customers has been reduced. This fact makes the utility programs an even more critical component to ensuring that this group of customers has access to safe and reliable energy service.

Q. Please explain what is shown in Exhibit __ (CSEERA-7).

A. This exhibit shows the funding amounts included in revenue requirements by Program component for the Programs for NYSEG and RG&E, respectively.

Q. Are you aware of other proceedings underway related to Low Income Programs in New York?

A. Yes. We are aware and are actively participating in other proceedings, including, for example, Case 12-M-0476.

C. <u>Energy Summits</u>

Q. Please describe the Companies' proposal for Energy Summits.

A. NYSEG and RG&E propose that we hold annual Energy Summits throughout our territories every year to educate customers and offer customers opportunities to meet Energy Service Companies ("ESCOs"), members of the Commission and Staff, community leaders, and other experts in the energy industry. The Companies propose to host 11 Energy Summits per year.

Q. Why are NYSEG and RG&E proposing the Energy Summits?

A. NYSEG and RG&E recognize that the energy industry in New York State is in a period of transition. Customers will be provided with more choices for energy supply and other energy products. We believe that educating customers, and providing customers an opportunity to ask questions from suppliers and experts, will allow customers to make more informed decisions regarding their energy supply and other related products. The Energy Summit is a way to bridge customers' knowledge gaps and provide them with an opportunity to see first-hand what vendors have to offer.

Q. Where will the Energy Summits be held?

A. Initially, we expect that the Energy Summits will be held in Lancaster, Rochester (two Summits), Auburn/Geneva, Binghamton, Oneonta, Elmira, Liberty/Brewster, Mechanicville, Plattsburgh, and Ithaca. For some areas, such as Auburn/Geneva, we may hold the meeting in between the two cities to draw customers from both areas.

Q. Are the Energy Summits a one-time meeting or ongoing?

A. We believe the Energy Summits should be ongoing for the foreseeable future. The changes that are occurring within the energy industry will not all occur at once. Initially, there may be some changes to the retail access markets, while additional distributed energy resources and energy services and products may develop over the next few years. By holding these meetings annually, we anticipate being able to slowly and steadily build customers' understanding of the energy market and their role within it, the emerging products that are available, and how customers can maximize the value of those products for themselves. NYSEG and RG&E want to be a partner with the customer in the development of the energy market and view these Energy Summits as a key part of that development.

Q. What are the expected costs of the Energy Summits?

A. Based on our analysis, the annual costs are estimated to be approximately $30,000, including the costs of renting local facilities throughout the service area, and are shown in Exhibit __ (CSEERA-8). Because these sessions will potentially benefit all customers, the Companies propose to recover the costs from all customers.

D. Emergency Preparedness

Q. Please describe the Companies' proposal concerning Emergency Preparedness.

A. The Companies' proposal concerning Emergency Preparedness is presented by the Emergency Preparedness/Storm Panel. In support of that proposal, we recommend that $50,000 be reflected in the revenue requirement to create informational videos to help educate customers on how to prepare for an emergency and how to react during any emergency and $112,000 be included to support high-volume call answering service.

E. Credit/ Debit Cards

Q. Please explain the Companies' proposal for credit and debit card payments.

A. The Companies propose to include in base rates the cost of a customer making a credit card payment to address customer convenience and satisfaction. The remainder of this testimony will refer to credit and debit cards as "plastic."

Q. Would you please explain why NYSEG and RG&E are making this proposal?

A. Yes. Using plastic as a payment method has experienced a substantial increase in growth over the last four years (Exhibit __ (CSEERA-9)), and every day more customers inquire about the ability to pay their NYSEG and RG&E bills with plastic. Exhibit __ (CSEERA-9) shows that the use of plastic (credit, debit, pre-paid cards) has increased significantly over the past 10 years. According to a 2013 Federal Reserve Payments Study, of every $100 spent by consumers, nearly $67 is in a form other than cash or check.[1] This program is being offered for customer convenience and satisfaction for all customers. Additionally, as explained below, for those customers who are recipients of public aid, it may also save money. Results of the Companies' Customer Contact Satisfaction Surveys indicate customer's dissatisfaction with these fees. By enabling customers to pay their NYSEG or RG&E bills by plastic without a fee, the Companies will enhance the quality of service provided to customers. We also anticipate that customer satisfaction will increase.

Additionally, plastic is also very well-suited to self-service options, such as automated phone payment or payment through the web, which provide the customer 24/7 convenience and rapid processing. Plastic can also be used at the payment kiosks located in our walk-in offices and service centers. Offering this payment option, along with all of those currently available, will help build customer satisfaction and allow customers to choose the payment option that best meets their needs.

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[1] Federal Reserve System, The 2013 Federal Reserve Payments Study (Dec. 19, 2013), available at, https://www.frbservices.org/files/communications/pdf/research/2013_payments_study_summary.pdf (Section 2 Summary of Findings, pg. 12).

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Q. Please address the cost savings that customers receiving state and federal benefit payments may realize.

A. Customers who receive state and federal benefit payments (which include social security recipients) must be paid either via a direct deposit to a bank or credit union account or to a Direct Express® Debit MasterCard account. Customers who receive their payments on the Direct Express® Debit MasterCard pay the merchant fee when they use the card to pay their NYSEG or RG&E bill. This unfortunately causes these customers an added economic disadvantage. Some customers who are already on fixed incomes are put in the position to pay more for the same service because they must pay via the government-issued Direct Express® Debit MasterCard. The Companies' proposal would level the playing field. By including the plastic cost in base rates, customers who are forced to pay with the Direct Express® Debit MasterCard would no longer face the additional fee.

Q. How do the Companies propose to recover any fees or costs associated with a customer's plastic payment?

A. The Companies propose that any costs associated with this payment option be considered among the general costs of doing business similar to fees paid for other payment methods (such as autopay and one-time direct debit) and be included in the Companies' revenue requirements. There would be no "special" fee charged to customers paying with plastic.

Q. Do major credit card companies offer utilities separate credit card rates?

A. Yes. Both Visa and MasterCard offer utilities a flat fixed rate per transaction fee which is less than the percentage charged to a typical retail store. In addition, the acquirer charges a fee for its services which is a small amount per transaction. The acquirer is a financial institution or merchant bank (such as Bank of America) that contracts with the merchant for credit card acceptance, and enables credit card payments from customers.

Q. Have the Companies estimated the fees associated with customer use of plastic?

A. Yes. The Companies have estimated this cost to be $319,282 for NYSEG and $176,015 for RG&E in the Rate Year. The details for the Rate Year estimates are included in Exhibit __ (CSEERA-10).

Q. What are the major assumptions that the Companies included in the above cost estimates?

A. The costs to process these transactions have steadily increased over the last five years, but are still significantly less than the $2.95 our customers are currently charged using a third-party vendor. Currently, the estimated cost per transaction is $1.093.

Q. With the acceptance rate being a forecast, what mechanism would be in place to ensure associated costs are not over- or under-collected?

A. It is difficult to forecast acceptance rates for this new program since there is no baseline for utilities offering this type of plastic payment option to customers. Customer economics and demographics also make it difficult to derive acceptance rates for a new program. As a result, the Companies recommend an annual true-up for any over- or under-collections.

F. <u>Walk-In Offices</u>

Q. How many walk-in offices do the Companies currently operate?

A. The Companies currently operate 21 walk-in offices throughout New York State. NYSEG has 13 walk-in offices as follows: Auburn; Binghamton; Brewster; Elmira; Geneva; Hornell; Ithaca; Lancaster; Liberty; Lockport; Mechanicville; Oneonta; and Plattsburgh. RG&E has 8 walk-in offices as follows: Belmont; Canandaigua; East Avenue (Rochester); Fillmore; Geneseo; Sodus; Waring Road (Rochester); and West Avenue (Rochester).

Q. Please explain the Companies' proposal concerning walk-in offices.

A. Over the last several years, the Companies have carefully considered the role of customer offices. Given advances in technology and self-service options, as well as changing customer behaviors, we conclude that staffing a customer office is not always the best use of resources. We also recognize that there is not a "one size fits all" solution for the offices. Some offices have a significant amount of customer traffic, while others see very little traffic. The Companies propose closing offices that have a history of either a low volume of traffic or a low volume of transactions that require interaction with a customer service representative.

Q. Which offices do the Companies recommend for closure?

A. At this time, the Companies propose closing the following offices:

1) NYSEG - Lancaster, Liberty, and Mechanicville; and
2) RG&E - Belmont, Fillmore, Geneseo, and Waring Road.

Q. Please explain the Companies' reasons for recommending the closure of these walk-in offices.

A. The Companies have found that the walk-in office traffic in these offices is small compared to all of the Companies' customer service transactions. Additionally, every service that is provided in the walk-in offices is done on a larger scale through our web site, Interactive Voice Recognition ("IVR"), and customer relations centers.

Q. Please explain what is meant by the term "small" to describe office traffic.

A. The Companies performed an analysis and split our transactions into two types of transactions: 1) payment transactions; and 2) representative-assisted (rep-assisted) transactions. We found that for NYSEG, only 3.98% of customer payment transactions were done at a walk-in office by a customer representative as shown in Table 11.

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Table 11: NYSEG Percent of Payments By Channel

NYSEG Division Payments by channel	2014 Total	% of total payments
DSS Agency Payment	87,077	0.87%
Walk-in Office Payment	397,381	3.98%
Kiosks	119,102	1.19%
Collection Agency Payment	11,366	0.11%
Direct Debit	2,575,724	25.77%
Other - 3rd Party	4,074,835	40.77%
EDI	62,098	0.62%
KUBRA	2,401,729	24.03%
Western Union	221,110	2.21%
Walmart	38,751	0.39%
Field Rep Payment	4,790	0.05%
Grand Total	9,993,963	100.00%

For RG&E, 6.91% of payment transactions were done in an office as shown on Table 12.

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Table 12: RG&E Percent of Payments By Channel

RG&E Division Payments by channel	2014 Total	% of total payments
DSS Agency Payment	119,757	2.61%
Walk-in Office Payment	317,734	6.91%
Kiosks	76,041	1.65%
Collection Agency Payment	7,444	0.16%
Direct Debit	1,077,622	23.44%
Remittance Payment	1,475,580	32.10%
Other - 3rd Party	729	0.02%
KUBRA	1,468,116	31.94%
Western Union	45,617	0.99%
Walmart	8,083	0.18%
Grand Total	4,596,723	100.00%

The overwhelming majority of customer payments are done through other channels. See Exhibit __ (CSEERA-11). It is clear that NYSEG's and RG&E's walk-in offices only account for a fraction of all the payments made to the Companies from all its various payment avenues. The data also demonstrates that the walk-in offices the Companies propose to close make up a small fraction of the walk-in office total.

Q. Please further discuss the number of walk-in office payments.

A. For the entire analysis period, at NYSEG, customers made 397,381 payments at all 13 walk-in offices combined. At RG&E, customers made 317,734 payments at all 8 walk-in offices. This information is summarized in the tables below. Breaking this data down even further shows that the offices we recommend closing make up a very low percentage of the overall walk-in office payments.

Table 13: NYSEG 2014 Payments By Office

NYSEG	Total WIO payments for 2014	Percent of payments
Elmira Office	3,144	0.79%
Ithaca Office	6,483	1.63%
Hornell Office	8,327	2.10%
Mechanicville Office	13,551	3.41%
Oneonta Office	17,714	4.46%
Liberty Office	18,228	4.59%
Plattsburgh Office	20,555	5.17%
Brewster Office	21,059	5.30%
Lancaster Office	22,682	5.71%
Auburn Office	28,841	7.26%
Geneva Office	29,792	7.50%
Lockport Office	45,893	11.55%
Binghamton Office	121,592	30.60%
Corporate	39,520	9.95%
Grand Total	397,381	100.00%

Table 14: RG&E 2014 Payments By Office

RG&E	Total WIO payments for 2014	Percent of payments
Belmont	3,823	1.20%
Geneseo	7,895	2.48%
Fillmore	9,712	3.06%
Canandaigua	24,161	7.60%
Sodus	25,545	8.04%
East Ave Rochester	49,260	15.50%
Waring Road Rochester	94,463	29.73%
West Avenue Rochester	102,869	32.38%
Corporate	6	0.002%
Grand Total	317,734	100.00%

Q. Please describe the different ways customers make payments.

A. Customers can pay in multiple ways:

1) Direct debit transactions (one time through our IVR or recurring through their bank);
2) Remittance payments (i.e., customers pay with a check by mail);
3) Third party payments (i.e., our web site pay agent Kubra, Western Union and Wal-Mart); and
4) Department of Social Services ("DSS") Payments.

Q. Do the walk-in offices provide services that are not available elsewhere?

A. The Companies considered this carefully. We contemplated whether there were any transactions that could only be provided at a walk-in office or would be better accomplished at a walk-in office. We found that the same functions performed in the walk-in office were also performed with customer representatives via telephone, as well by customers over the internet.

Q. Please explain the conclusion reached by the Panel with respect to transactions performed by the walk-in offices.

A. We found that all transactions done by the walk-in offices are being performed elsewhere in greater numbers and with existing technology. There is no reason to think that we cannot move 100% of these transactions from the walk-in offices to our other contact methods and complete all the necessary work, while still satisfying the customers' needs.

Q. Please explain the basis for the Companies' conclusions.

A. We reviewed the number of representative-assisted transactions executed in each office for all of 2014. The table below shows annual transactions for both NYSEG and RG&E.

Table 15: Rep-Assisted Transactions

RG&E Division	2014 Total Rep-Assisted Transactions
Geneseo	277
Belmont	283
Fillmore	853
Canandaigua	1,525
Sodus	3,479
Rochester	51,354
Grand Total	57,771

NYSEG Division	2014 Total Rep-Assisted Transactions
Mechanicville	574
Lancaster	1,405
Liberty	2,594
Hornell	4,297
Oneonta	4,374
Brewster	5,300
Auburn	5,987
Ithaca	6,020
Geneva	8,493
Elmira	10,058
Plattsburgh	10,753
Lockport	13,310
Binghamton	23,430
Grand Total	96,595

We also compared the number of representative-assisted transactions performed in the walk-in offices to the same transactions performed through other channels (i.e., call center, voice response, and web). Overall, the results show that only 2% of representative-assisted transactions are taking place in a walk-in office.

Table 16: NYSEG and RG&E Overall Transactions

NYSEG Overall Transactions		
Avenue	**Total Number of transaction per avenue**	**% of overall Transactions**
Internet Transactions	6,228,933	42%
IVR Transactions	5,792,258	39%
WIO Transactions	231,677	2%
Telephone Rep Transactions	2,497,748	17%
Grand Total	**14,750,616**	**100%**

RG&E Overall Transactions		
Avenue	**Total Number of transaction per avenue**	**% of overall Transactions**
Internet Transactions	3,225,933	41%
IVR Transactions	2,799,382	36%
WIO Transactions	149,660	2%
Telephone Rep Transactions	1,648,547	21%
Grand Total	**7,823,522**	**100%**

Additionally, the data for NYSEG clearly shows that the number of transactions performed in the Mechanicville, Lancaster, and Liberty offices are consistently lower as compared to other offices. The data for RG&E shows that the number of transactions performed in the Geneseo, Belmont, and Fillmore offices is consistently low compared to other offices. After reviewing these numbers, the Companies are confident that with appropriate communications, we could close these offices without any negative impact to customers. The analysis associated with walk-in offices is contained in Exhibit __ (CSEERA-12).

Q. Please explain the reasons RG&E proposes to close the RG&E Waring Road office.

A. Unlike the other offices identified above, the Waring Road office in the Town of Irondequoit has a relatively significant amount of customer traffic. RG&E proposes to close this office due to significant safety and security concerns.

Q. How does RG&E recommend the traffic at the Waring Road office should be handled?

A. RG&E would guide customers to on-line self-service (via the internet or voice response) or to our other two remaining Rochester-based offices (East Avenue and West Avenue) should customers desire a face-to-face interaction regarding their RG&E service. RG&E would relocate existing customer representatives from the Waring Road office to the East Ave and West Ave offices to handle the expected increased volumes.

For reference, Exhibit __ (CSEERA-13) shows the distance from the Waring Road Office to the East and West Avenue office. The East and West Avenue offices are only 3.2 and 6.1 miles from Waring Road, respectively. Both the East and West Avenue offices are accessible via public transit. We show this exhibit to illustrate that shifting traffic to these sites would not pose a significant inconvenience for customers.

Q. Will RG&E realize any savings associated with the closure of the Waring Road office?

A. RG&E projects its will save approximately $57,120 per year by eliminating the lease of the Waring Road site.

Q. Please address how the Companies plan to evaluate the impact of closing the offices identified above in the period following their closure.

A. Approximately six months after closing these offices, the Companies propose meeting with Staff to review the impacts. NYSEG and RG&E will make available the responses from the Customer Contact Satisfaction Surveys and our customer appeals inquiries and complaints. We will review the results and discuss the impacts of the office closures with Staff. During those discussions, we will also identify whether additional closure of other walk-in offices is appropriate.

G. <u>Uncollectible Expense</u>

Q. Please discuss the Companies' recommendations concerning Uncollectible expense.

A. For purposes of this testimony, Uncollectible expense indicates write-off expense net of recoveries. Despite our best efforts to control these costs, NYSEG and RG&E have continued to experience increases in Uncollectible expense. An appropriate amount must be included in rates to adequately account for these increases. The Companies propose to set the Uncollectible expense level based on a three-year historical average (2012-2014) of actual Uncollectible expense.

Q. Please explain the process in which a customer account gets written off.

A. When service to a customer is stopped, NYSEG or RG&E issues the customer a final bill. If the amount due on the account is not paid within a specified period of time (70 days), it is written off the books as an Uncollectible expense.

Q. How much has the Uncollectible expense increased at NYSEG and RG&E during the most recent three-year historical period, 2012-2014?

A. As shown in Exhibit __ (CSEERA-14), from 2012 to 2014, the Companies' Uncollectible expense increased 46% for the NYSEG Electric business, 15% for the NYSEG Gas business, 17% for the RG&E Electric business, and 32% for the RG&E Gas business.

Q. To what do the Companies attribute the increase in the expense level?

A. The best indicator of Uncollectible expense is the level of arrears. NYSEG and RG&E have significant exposure in terms of customer arrears. As a general rule, after ninety days past due, collectability decreases 20% per month. As of February 28, 2015, approximately 52% of the arrears at NYSEG were aged greater than ninety days and at RG&E, the level was approximately 63% as demonstrated in Exhibit _ (CSEERA-15). These percentages result in an increase of 9% for NYSEG and 7% for RG&E for the same time period in 2014 as shown in Exhibit __ (CSEERA-16).

Q. Are there key factors that impact arrears?

A. Yes. The key factors include the following:

1) Colder than normal winters in 2013-2014 and 2014-2015. The winter of 2013-2014 was one of the coldest winters in recent memory for New York State.
2) The higher commodity costs coupled with higher energy use in the cold-weather months means higher bills for customers.

3) A reduction in Federal funding.

4) Economic Climate: In general, the economy has been slow to recover over the past few years. Many customers have been challenged in their ability to stay current with their utility bills and have had no ability to pay down arrears.

5) Minimum Payment Agreements: Utilities in New York State must comply with applicable consumer protection regulations. As part of these regulations, utilities must offer customers payment agreements with terms as low as $10 per month on arrears with no initial down payment. NYSEG has a significant number of customers with these minimum payment terms. On average, these agreement terms extend nearly eleven years. The impact of these minimum agreements is an increase of Uncollectible expense since the likelihood of a customer ever paying the balance in full is very small.

6) Life Support and Medical Hardship: In addition to minimum payment agreement terms, utilities must also provide special protections to customers who require life support equipment and those who have certain medical hardship situations. While the customer is enrolled as a life support or medical hardship customer, the utility cannot pursue collection of the balance.

7) DSS Abeyance: Utilities must also abide by applicable provisions of the Social Services statutes when working with customers. When a customer

is under a payment promise from the DSS, the utility must hold the arrears on the account in abeyance. NYSEG and RG&E have a significant number of customers who have balances held in abeyance. If the customer goes off social services, the utility is then able to collect on the past due balance. However, the reality is that most customers will not be in a position to pay the balance, resulting in an Uncollectible expense.

8) Voluntary Measures Requested by the Commission: At the periodic request of the Commission, NYSEG agreed to specific voluntary actions in recent heating seasons. These voluntary actions included a temperature threshold for service terminations, no field collection activity for elderly, blind, and/or disabled customers and agreement to initiate service for applicants with a HEAP payment. These voluntary actions also contributed to increasing both the balance of the arrears and significantly increased the average age of the receivable. As noted above, the further the receivable ages from the due date, the lower the probability of collection and the higher the probability of write-off.

Q. What Uncollectible expense do the Companies propose be included in rates?

A. NYSEG and RG&E have undertaken numerous efforts in an attempt to minimize arrears and mitigate Uncollectible expense, including:

1) Continuing to provide $400,000 a year of shareholder funding for Project SHARE;

2) Making outbound calls to all customers who previously received HEAP assistance to provide information on qualifying and applying for assistance;
3) Providing HEAP information and outreach through schools, IVR , and bill and web messages;
4) Linking to the New York State Office of Temporary and Disability Assistance ("OTDA") website to let customers know "How to Apply" for HEAP;
5) Participating in Human Services Conferences across New York State to provide outreach on assistance, ways to manage heating bills, budget billing, and similar programs;
6) Providing information to customers concerning how to use energy wisely;
7) Providing customer outreach to raise awareness about commodity prices and how they impact heating bills;
8) Making outbound reminder calls to customers who fall thirty days in arrears;
9) Making outbound calls to customers in danger of field disconnect;
10) Leaving door hangers to remind customers to make payments;
11) Building relationships/partnerships with additional outside agencies to provide resources to our at risk customers; and
12) Having Customer Advocates performing field visits and outreach to local agencies to obtain assistance for at risk customers.

In addition, the Companies anticipate that the following proposals in this case will help minimize arrears and Uncollectible expense:

1) Enhancements to the Companies' Low Income Programs to address affordability for vulnerable customers; and
2) Collection of residential security deposits as a condition of service for customers: 1) who have never used NYSEG or RG&E service in his/her name and has a high risk credit score; or 2) who are not currently receiving gas and/or electric service, but have a prior NYSEG or RG&E account with an unpaid debt.

Q. What Uncollectible expense do the Companies propose be included in rates?

A. As noted above, the Companies propose that the Uncollectible expense be based on a three-year historical average (2012 to 2014) of actual Uncollectible expense. The Revenue Requirements Panel further discusses setting the level of Uncollectible expense for the Rate Year.

Q. Does the Panel expect the Uncollectible expense to decrease as the economy recovers?

A. While some economic indicators may relate closely to the ability to pay, such as lowered unemployment rates, we do not have empirical evidence that suggests a direct relationship between improvements in the overall economy and collection of unpaid utility bills. As mentioned earlier, the level of arrears at NYSEG and RG&E continues to remain high. As the Companies experience normal attrition of these arrears accounts, we will continue to see high Uncollectible expense.

H. Deposits

Q. Please summarize the Companies' proposal concerning deposits.

A. NYSEG and RG&E request that they be permitted to collect deposits as a condition of service based on 16 NYCRR § 11.12(e), which states:

> A utility may demand and hold deposits from new or current residential customers as a condition of utility service if the commission after investigation and hearing so authorizes such practice, upon a finding that the collection and maintenance of such deposits is cost-effective for the utility as a whole without regard to the utility's cash flow and the availability of capital to the utility.

Q. Are the Companies requesting that the Commission conduct a separate investigation and hearing as required by 16 NYCRR § 11.12(e)?

A. No. The Companies request that the Commission address the issue in this rate case. For all practical purposes, the Commission could undertake the requisite investigation and make the necessary findings on the issue following a hearing in this rate case so that a separate hearing is not necessary.

Q. Please describe the Companies' proposal concerning security deposits.

A. As explained above, as a condition of service, upon application, NYSEG and RG&E propose to require an up-front deposit from any residential applicant who:

1) Has never had NYSEG or RG&E service in his/her name and has a high risk credit score; or
2) Is not currently receiving gas and/or electric service, but has a prior NYSEG or RG&E account with an unpaid debt.

Q. How does this differ from what is currently allowed?

A. Under current regulations, a utility cannot request a deposit from a new residential customer unless such new customer is considered short-term or seasonal (see 16 NYCRR § 11.12(b)). When a request is made for service, most customers will indicate they will have service for one year or more when they realize that if they are deemed short-term, a security deposit will be required.

Q. Please explain the Companies' rationale for focusing on residential deposits.

A. Residential customers account for 94.55% of the accounts and 91.71% of the write-off dollars for NYSEG and 96.52% of the accounts and 93.41% of the write-off dollars for RG&E (Exhibit __ (CSEERA-17)). Factors such as very low deposit coverage, meter access, winter/special protections, and payment agreement regulations contribute to high Uncollectible rates for residential customers.

Q. On average, what is the term of service for residential accounts that go to write-off?

A. On average, 54% of residential write-offs are from customers whose service was active for less than one year. Additionally, experience shows that 72% of residential write-offs come from customers with service less than two years. Exhibit __ (CSEERA-18) contains information concerning these residential write-off levels.

Q. Why is it necessary for the Companies to expand their capability to request residential deposits?

A. The current deposit specifications are not focused on the residential population that the Companies have found to be its greatest financial risk. In addition, higher Uncollectible costs are borne by all customers. Deposits reduce the burden of all customers through reduced Uncollectible expenses, while providing "at risk" customers an incentive to pay in order to have the deposit returned to them.

Q. How did the Panel choose the proposed criteria for use in determining whether to require a deposit?

A. Through experience, the Companies have found that, when write-offs occur, very often the customer involved had no prior service with NYSEG or RG&E or had a prior unpaid debt. In order to verify the correlation between these attributes and actual financial risk, we looked at residential customer accounts written off for NYSEG and RG&E from July 2013 through June 2014. Simply put, the results set forth in Exhibit __ (CSEERA-19) show that 67.3% of accounts written off at NYSEG and 61.0% of accounts written off at RG&E would have met one of the proposed criteria for collecting a security deposit (before taking the high risk credit score into consideration).

Q. What methodology did the Companies use for performing the analysis?

A. As noted above, the Companies analyzed residential write-off data from July 2013 through June 2014.

Q. What were the results of the analysis?

A. As demonstrated in Exhibit __ (CSEERA-19), on average, 46.4% of the NYSEG customers had no prior service and 20.9% had a prior unpaid debt, and at RG&E 33.0% of the customers had no prior service and 28.0% had a prior unpaid debt.

Q. What conclusions did the Companies draw from this analysis?

A. The analysis shows those customers with prior unpaid debt or no prior service with NYSEG or RG&E make up the vast majority of customers who create write-offs. Therefore, we conclude that these customers pose a greater financial risk and/or a greater level of uncertainty. Furthermore, customers with no prior service and a poor credit history pose an even greater financial risk.

Q. How do the Companies propose to evaluate credit risk for a customer with no prior service?

A. We propose using a credit or FICO score. FICO scores are proven models of predicting credit risk based on variables the utility does not have at its disposal. Using this information would allow us to secure deposits on higher risk customers while avoiding deposits on lower risk customers. FICO scores are the best known and most widely used credit scores in the United States and are utilized by all credit bureaus (Equifax, Experian, and TransUnion). These are the same credit scores financial institutions use to make decisions on loans. The scores are based on a 300- to 850-point scale.

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Q. What FICO score do the Companies propose to use to identify a customer as a higher risk factor?

A. A FICO score less than 660 or no score would be deemed to be a higher risk factor since these customers are deemed to be below average to poor credit customers. Customers with a FICO score of 660 or greater are deemed to be lower risk by lenders. As shown in Exhibit __ (CSEERA-20), 27% of consumers have a score of less than 660. A new customer with a score of 650 or higher would not be charged a deposit.

Table 17: FICO Data

Score Range	Credit Rating
760 – 850	Excellent
700 – 759	Very Good
660 – 699	Good
620 – 659	Below Average
580 – 619	Poor
Below 579	Very Poor

Source: Fair Isaac Corporation

Q. How would the amount of deposit be determined for a customer?

A. Current regulations have specific criteria for maintaining residential deposits. These criteria are listed in 16 NYCRR § 11.12(h) of the Commission's regulations. NYSEG and RG&E will continue to fully comply with regulations for holding and refunding residential deposits. The Companies propose to hold the equivalent of two months' average bill as a deposit. This amount will accrue interest and will help the Companies guard against unpaid final bills. The average bill would be calculated based on the prior 12 months' usage at the premise.

When inadequate usage exists, a security deposit will be calculated based on the square footage of the location, taking into consideration whether the service is gas and/or electric and how the service will be used.

Q. Are the Companies proposing any exceptions to the suggested deposit requirement?

A. The policy is subject to exceptions in compliance with regulatory requirements. Specifically, we will exclude a customer from this requirement if:

1) The customer is a known recipient of Public Assistance, Supplemental Security Income or additional state payments; or
2) The customer is known to be 62 years or older (unless the customer has had service shut off for non-payment in the past six months).

Q. Please explain the Companies recommendation concerning a refund policy on deposits.

A. We will adhere to refund regulations as stated in 16 NYCRR § 11.12(h) of the Commission's regulations. Specifically, if a customer is not delinquent on his or her bill for a one-year period, we will refund the deposit with interest.

Q. How would NYSEG and RG&E assure that customers were paid interest on their deposits?

A. NYSEG and RG&E currently assess deposits only under certain circumstances. Our billing system is equipped to apply interest, at an amount specified by the Commission, on all accounts that have a deposit amount paid.

Q. What expenses do NYSEG and RG&E expect to incur as a result of implementing this deposit policy?

A. Administrative support costs for implementing this policy will be minimal as our billing system is already capable of systematically handling deposit requests, interest, and refunds.

I. Trip Charge Fee

Q. Please explain the Companies proposal to implement a trip charge fee.

A. The Companies request the ability to charge a fee to customers who wait for our field employee to be present to terminate service to make a payment in the field. That is, customers wait until a field employee makes the trip to terminate service and then want to make payment to the field representative. This recommendation seeks to incentivize customers to make the payment prior to the Companies having to do a truck roll.

Q. Please identify the amount of the Companies' proposed fee.

A. The Companies recommend setting a nominal $10 fee. The intent is to drive customer behavior. Our goal in implementing this fee would be to reduce, over time, the number of payments received in the field.

Q. Do the Companies have data identifying the number of payments collected in the field?

A. Yes. Exhibit __ (CSEERA-21) shows the number of payments collected in the field in 2014.

J. Customer Bill and/or Outage Alerts

Q. Please explain the Companies' proposal concerning customer bill and/or outage alerts.

A. The Companies are currently in the process of implementing technology that will allow customer bill and/or outage alerts consistent with applicable state and federal requirements. This project will be completed in 2015. Accordingly, the Companies propose that the ongoing costs of these alerts be recovered in rates.

Q. What specifically will this technology enable the Companies to do?

A. Once this technology is in place, customers will be able to enroll to receive alerts related to outages and/or their personal energy usage and costs. The customer will be able to choose which channel(s) they prefer to receive the alerts, including by email, SMS text message, or a recorded phone message. Customers may choose to receive bill alerts by one, two, or all three channels.

Q. What are the anticipated costs of providing automated alerts?

A. The table below shows the estimated cost for NYSEG and RG&E:

Table 18: Bill/Outage Alerts

	Rate Year Cost
Total NYSEG	$ 205,096
Total RG&E	$ 157,699
Grand Total	$ 362,795

These costs are based upon an estimated number of customers opting to receive alerts. Based on bids from vendors, the estimated costs per channel are:

1) recorded messages cost \$0.07 each for a 30 second message; 2) SMS text messages cost \$0.04 each; and 3) email cost \$0.01 each. Lower cost tiers are available as an increased volume of messages are sent. To estimate costs, the Companies assumed the overall costs would be split between outage alerts and bill alerts.

Q. Why are the Companies proposing to implement alerts?

A. Customers are asking for alerts. The Companies heard this clearly during our 2014 focus groups. Outage alerts will help increase customer satisfaction and reduce anxiety associated with outages. We are confident that implementing these alerts will be of great benefit to customers.

K. <u>Gas Safety</u>

Q. Please explain the Companies' proposal concerning gas safety.

A. There have been changes in expectations for utilities to minimize the number of gas meters left physically on without a customer of record. The Companies forecast an increase in operating expense in order to meet this expectation.

Q. Please further explain the Companies' recommendation to address this issue.

A. Historically, NYSEG and RG&E, along with other gas utilities, have had a certain number of gas meters in a "soft off" status. This indicates the meter is on, but there is no customer of record. Due to increasing safety concerns, utilities are now expected to ensure the meters are physically shut off after a certain amount of time. The Companies support mitigating this safety concern and developed their proposal in response to such concerns.

Q. Did the Companies develop the forecasted cost to implement this process change?

A. The Companies estimate implementation costs of $1,120,000 and $820,000 for NYSEG and RG&E, respectively.

Q. How were these amounts calculated?

A. There are two components to the costs. The first is an estimated resource requirement to perform both disconnects and reconnects of the meters. We anticipate that there will be a significant amount of field work associated with this process change and have estimated the equivalent of approximately 11 additional resources would be required to perform this work. Additionally, we have included an administrative expense to address difficult to access meters. The Companies based this administrative expense forecast on the historic cost to pursue a replevin. RG&E has historically pursued a replevin (legal order to seize the meter) in extreme collection situations. The breakdown of costs is shown on the following table.

Table 19: Gas Safety

	NYSEG	RG&E	Total
Resource Cost	$ 700,000	$ 400,000	$ 1,100,000
Administrative Costs	$ 420,000	$ 420,000	$ 840,000
Total	$ 1,120,000	$ 820,000	$ 1,940,000

Q. Please further explain the Companies' position.

A. The Companies understand this ongoing safety concern and remain committed to mitigating it. In addition to the recommendation from this Panel, NYSEG's and

RG&E's Gas Engineering, Delivery and Operations Panels propose additional funding for outside disconnects of low pressure service and to relocate meters from inside to outside to improve access.

IV. ENERGY EFFICIENCY

Q. Please briefly describe the Companies' plans for energy efficiency service delivery for 2016 and beyond.

A. The Companies plan to continue to provide both electric and gas energy efficiency services to all customer market sectors to which they currently provide these services and initially in a very similar manner to the way in which those services were provided in EEPS II, particularly during 2015. The Companies propose the continuation of services, including, but not limited to, direct installation, appliance recycling, and customer incentives. Over time, the Companies will work within the context of the evolving REV framework and in consultation with NYSERDA to make appropriate enhancements and modifications to the energy efficiency services provided.

Q. Please describe the customer market sectors the Companies propose serving.

A. The Companies plan to continue to serve the residential electric and gas, non-residential electric and gas (including both small and large non-residential customers), and multifamily market sectors (which may be served as either residential or non-residential customer accounts). As directed in the Commission's February 26, 2015 Order Adopting Regulatory Policy Framework and Implementation Plan in Case 14-M-0101 (the "REV Order"), and cooperatively with Staff and the other utilities, the Companies will also develop a large customer self-directed program, which will be operational by January 1, 2017.

Q. Are the Companies currently limited in serving multifamily buildings and, if so, how do the Companies propose addressing those limitations?

A. Currently, the Companies are limited to serving only those multifamily buildings with between 5 and 50 units. These building size limitations were established in the original order for the multifamily program. The Companies have had opportunities to serve multifamily properties above and below this threshold, and in the past have had to deny service to these customers. Beginning January 1, 2016, the Companies propose serving all eligible multifamily buildings regardless of size. Additionally, the Companies now only provide electric energy efficiency services to multifamily building dwelling units and plan to expand to offer natural gas services as well, where appropriate.

Q. Are the Companies requesting additional funding to expand the multifamily offerings?

A. No. The Companies plan to utilize the existing funding as needed to support the portfolio of program offerings, including those to the expanded group of eligible multifamily customers.

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Q. Please provide the cost for delivery of energy efficiency services in 2016, as well as a brief explanation of how those costs were developed.

A. The Companies' proposed cost for delivery of electric energy efficiency services in 2016 is $17,035,451 for NYSEG and $10,482,078 for RG&E, matching the REV-ordered budgets for 2016. The Companies' proposed cost for delivery of gas energy efficiency services in 2016 is $2,038,215 for NYSEG and $2,720,749 for RG&E, which is equal to the ordered budgets for 2015, in accordance with the direction in Appendix C of the REV Order. Appendix C provides that "Utilities should be prepared to implement 2016 gas portfolios and propose budgets for the three year cycle pursuant to the same approach as taken here with the electric portfolios, to be addressed in a forthcoming Order."

Q. Does this budget include all costs associated with the delivery of energy efficiency services?

A. No. These budgets include all costs associated with the delivery of energy efficiency services, except utility employee costs which are included with other staffing costs in the testimony of the Revenue Requirements Panel, and Utility Shareholder Incentives, which we will discuss later.

Q. Please provide an explanation of the proposed cost recovery method.

A. The Companies propose recovering both electric and gas energy efficiency costs through a Utility Energy Efficiency Surcharge.

Q. Do the Companies propose recovering other energy efficiency costs through the Utility Energy Efficiency Surcharge?

A. Yes. The Companies propose recovery of the earned Utility Shareholder Incentives for the 2009 – 2011 (EEPS I) period through the Utility Energy Efficiency Surcharge, beginning January 1, 2016.[2] The Companies also anticipate achieving targets for the EEPS II period which ends December 31, 2015, and similarly anticipate recovering those earnings via the Utility Energy Efficiency Surcharge. The Companies would also expect to recover future energy efficiency shareholder earnings in a similar manner.

Q. Do the Companies expect to achieve the 2016 energy savings targets provided in the REV Order?

A. The REV Order provided both budgets and targets for utilities for 2016 as follows: For the NYSEG electric portfolio, the target was 53,557 MWh and for the RG&E electric portfolio, the target was 31,776 MWh. Although the Companies support the Commission's directive to achieve energy efficiency targets in 2016 at a level equal to 2015 targets, because of technical, market and economic impacts, the same level of savings in 2015 will cost more than was allowed in the REV Order for 2016 budgets. The Companies are not requesting additional funding for 2016, and for that reason and because of these factors, the

[2] The Companies completed required filings for $3,913,370 in earned Utility Shareholder Incentives, according to various Orders in Case 07-M-0548 et al. (Energy Efficiency Portfolio Standard) and Staff guidance. This amount represents earnings for both NYSEG and RG&E and for both electric and gas energy efficiency achievements for EEPS 1 (2009 – 2011).

Companies do not anticipate achieving the full energy efficiency targets for 2016 as set forth in the REV Order.

Q. Are the projected energy savings and costs for energy efficiency in the future impacted by evaluation findings?

A. Yes. EEPs I and II evaluation studies have shown that some savings calculations in the current New York Technical Resource Manual ("TRM") rely on a greater number of operating hours than the actual hours as found in the field for furnaces and boilers in the Residential Gas HVAC Program, and for interior lighting measures in the Small Business Direct Install and the Commercial/Industrial Rebate programs. Other studies point to lowering the TRM savings attributed to recycled refrigerators and freezers in the Refrigerator/Freezer Recycling Program. The Companies' anticipate the adoption of a revised TRM in 2015 with an effective date for new savings calculations of January 1, 2016.

Q. Does the correction of these TRM savings calculations impact either the amount of energy savings achieved or the cost of delivering energy efficiency services?

A. Yes. The TRM savings corrections lower the amount of energy savings which can be achieved from affected projects. Downward adjustments to the savings assumptions in the TRM will also affect program budgets by increasing the cost per unit of energy saved. For example, if savings from a measure are reduced by 50%, it will require twice as many units of that measure to achieve the savings target. If the rebate for the measure is left unchanged, the program rebate budget will need to be twice as large as it was before the TRM changes. Other program costs, such as administration and processing, may also increase because the through-put of units in the program has now doubled. This in turn changes the run rate of the program, the cost to achieve one MWH or Dth of first year savings. If the budget is not increased, the amount of energy savings which can be achieved with the same budget will be lower than it was prior to the TRM savings corrections.

Q. Have the Companies considered modifying (lowering) customer incentives to extend the current incentive budget to cover the additional savings requirements?

A. Yes. The Companies have frequently lowered (and in some cases also increased) incentive amounts to react to market conditions, participation rates, and the availability of budgeted incentive dollars, and plan to continue this practice. It is important to note that incentives cannot be lowered so much as to eliminate their effectiveness to incent customers to participate in energy efficiency programs. Consequently even with potential incentive rate reductions, the Companies project the available budget will likely not allow the full achievement of the 2016 targets.

Q. Is the Panel aware of any other technical, market or economic factors which may affect future energy savings and associated costs for delivery of these services?

A. Yes. Changing building codes and standards will lower achieved savings for some individual measures and equipment. For example, recent building code changes required a flow rate reduction for shower heads and faucet aerators which will lower the reported savings for low flow versions of showerheads and faucet aerators. Similarly, an expected future increase of the minimum efficiency requirements for residential furnaces will lower the savings associated with energy efficiency furnaces. Additionally, the trending of measures to higher cost technologies (for example, the recent movement away from CFLs and fluorescent tubes to LED lighting options) will increase the costs of achieving savings. As is the case with most services offered over time, some energy efficiency delivery costs will increase based on inflation and other factors. Finally, as energy efficiency programs mature, more resources are often needed to get to "hard to reach" customers because the easier to reach customers have already participated.

Q. Do the Companies anticipate any utility financial incentives or penalties to be earned or assessed with respect to the potential achievement of all or part of the energy savings targets for 2016?

A. No. Based on communications received from Staff and the language in the REV Order, the Companies are not aware of any utility financial incentive or penalty which will be assessed for 2016. However, with the acknowledgement that the Companies will strive to achieve as much of the assigned energy savings targets as is possible given the concerns previously expressed regarding the funding level which will likely not allow full achievement of the targets, the Companies request that any potential penalty which might otherwise be assessed for failure to achieve the entire target be waived for 2016. The Companies further propose that they would not be subject to any potential penalties for not achieving energy efficiency targets for the 2016 period.

V. RETAIL ACCESS

A. Gas Marketer Operating Group

Q. Are NYSEG and RG&E proposing a change to their Gas Marketer Operating Group ("GMOG") schedule?

A. Yes, we are. We are proposing that instead of the mandated two meetings per year, we hold just one meeting per year. Currently, the first annual meeting is held at the end of the winter supply season, generally in late March or April. The second meeting is held just before the winter supply period starts in late September or October. We are proposing that we hold a single meeting in the fall, prior to November 1, to ensure that all ESCOs are prepared to operate during the winter gas withdrawal season.

Q. Please explain the Companies' reason for proposing the change.

A. Our experience is that there is not a lot to discuss at the spring meeting. NYSEG's and RG&E's natural gas retail access programs are mature and robust. Our Supplier Relations Team and Natural Gas Supply department speak with natural gas ESCOs daily on operations, supply, and billing issues on an ongoing basis. Our interactions are so frequent that there are almost no instances where ESCOs have outstanding questions for a GMOG meeting since they can get answers to their questions as they arise rather than waiting for a meeting at a future date.

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Q. If the communications are so frequent, why are NYSEG and RG&E proposing to keep the Fall GMOG meeting?

A. We believe that the fall meeting still holds the critical purpose of formally ensuring that all parties are ready for the winter heating season. During the Fall GMOG meetings, NYSEG and RG&E review our procedures for issuing System Alerts and Operational Flow Orders. We ensure that all parties have sufficient gas in storage and we answer any questions about supply points and interconnections. It is important that all ESCOs hear the same message on the topics covered at the fall meeting.

Q. Will NYSEG and RG&E still hold other ESCO meetings?

A. Yes. However, these meetings will be held as the need arises rather than on a pre-set schedule. For instance, in January 2011, a significant leak was discovered in the Millennium Pipeline in Johnson City, New York. NYSEG and RG&E held an impromptu GMOG meeting to discuss the problem and the remedy. We explained to the ESCOs that they would need to continue to deliver gas and, if NYSEG and RG&E needed to take their gas to serve firm customers, how they would be compensated. The ESCOs were extremely cooperative and the ensuing dialogue ensured that operations during the remediation period were smooth. This demonstrates that holding GMOG meetings when necessary can be far more productive than holding to a set schedule.

B. EDI Testing Deposit

Q. Please explain the proposal of NYSEG and RG&E to implement an EDI Testing Deposit.

A. NYSEG and RG&E propose that all new ESCOs should provide a cash deposit of $1,800 prior to the beginning of EDI testing. If an ESCO goes into production within 60 days of completing EDI testing, we will return their deposit. However, if an ESCO does not go into production, NYSEG and RG&E will keep the deposit and apply it to our general revenues.

Q. What is the basis for the Companies proposal that ESCOs provide a deposit?

A. Most ESCOs who perform EDI testing go into production soon after testing. However, some ESCOs test and either wait many months or never go into production. In essence, the ESCO had NYSEG and RG&E use a spot in our test batch and use our testing resources (i.e., Company personnel and EDI test system) for something that never benefits customers. Customers pay for the testing setup and EDI test system through delivery rates. If an ESCO tests and then goes into production, then that ESCO can benefit the general customer population by offering supply services to everyone. If an ESCO tests and is subsequently delinquent in going into production or never goes into production, it has used resources that were funded through delivery rates. As a result, customers never obtain a benefit or may have that benefit delayed greatly. To ensure that ESCOs are serious, NYSEG and RG&E recommend that new ESCOs have some financial incentive, albeit a small one, to go into production and serve customers.

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Q. Would NYSEG and RG&E charge an ESCO $1,800 at each Company?

A. Yes, we would. If an ESCO applies to serve electric customers at NYSEG and electric customers at RG&E, we would charge them $1,800 at each Company. Further, if the ESCO applies as a separate gas ESCO and electric ESCO (i.e., two different ESCOs run by the same people or parent company), they would be required to pay the $1,800 for each commodity being tested.

Q. Please explain how NYSEG and RG&E determined the $1,800 figure.

A. NYSEG and RG&E looked at a "typical" amount of time necessary to perform setup and testing in our EDI test system. We evaluated the effort necessary by Supplier Relations, IT, and EDI Operations. Based on our analysis, we found that it takes, on average, 30 hours per ESCO to set up and perform EDI testing. We priced out the cost of testing at $60 per hour to arrive at our figure of $1,800. This calculation is shown in Exhibit __ (CSEERA-22).

Q. Would NYSEG and RG&E offer interest on the deposit?

A. No. The deposit will only be held for a short amount of time, and we are committing to collecting and returning the funds in a speedy fashion. As a result, the potential interest accrual should be minimal. The time to calculate the interest would cost more than the interest earned on the deposit.

Q. Are you aware of another utility that requires a deposit?

A. Yes. National Grid charges a deposit of $10,000 for single bill ESCOs and $5,000 for dual bill ESCOs. The deposit is returned within 3 months after the ESCO begins serving customers.

VI. CONCLUSION

Q. Does this complete your testimony at this time?

A. Yes.