STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Joint Petition of National Grid PLC and KeySpan Corporation for Approval of Stock Acquisition and other Regulatory Authorizations	Case 06-M-0878
Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery New York for Gas Service	Case 06-G-1185
Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery Long Island for Gas Service	Case 06-G-1186

DIRECT TESTIMONY AND EXHIBIT OF

DONNA M. DEVITO

Dated:January 29, 2007
Albany, New York

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Q. Please state your name and address.

A. Donna M. De Vito, 5 Empire State Plaza, Suite 2101, Albany, NY 12223.

Q. By whom are you employed?

A. I have been employed by the Consumer Protection Board (CPB) since April 2004 in the position of Utility Analyst.

Q. Describe your work experience.

A. I became employed by the New York State Department of Public Service in 1977 in the Accounting Division, where I was primarily responsible for analysis of utility compliance filings to Public Service Commission ("PSC") orders and preparation of session items for special accounting petitions, as required in the NYS Uniform System of Accounts and Public Service Law. My other assignments related to research, evaluation, and the development of policy changes and procedure revisions as necessary or required. In 1993, I transferred to the Office of Utility Efficiency and Productivity, and performed comprehensive utility management and operations audits for NYS utility companies, which included the overall management of the consultant contractors for the project audit areas and process for completion, and the oversight of the analysis of utilities' compliance and implementation of the Commission ordered audit recommendations. As part of a DPS reorganization in 1998, my areas of responsibility expanded in the Business Advocacy Group of the Office of Consumer Education and Advocacy (OCEA). My responsibilities included: the application and interpretation of all electric and gas rules and tariffs in the areas of economic development incentives and customer service; execution of procedures and policies related to all state and federal laws and regulation as they pertain to electric and gas service quality and competitive provider practices; implementation of the DPS economic development policies for competitive businesses and residential market issues; and analysis of matters including consumer protection issues, billing and disconnection of utility services, the impact of tariff rate incentives and document qualification criteria for utility and state economic development programs. My responsibilities also included dispute resolution between commercial and industrial customers through both negotiation and mediation, as applicable, in the areas of rates, electric and gas line installations, franchise area infringement, gas interruption penalties, stray voltage, customer deposit application, service classification, and all related billing disputes. I was promoted in 1999. In 2003, when the Business Advocacy Group of OCEA merged with the Office of Economic Development and Policy Coordination, my job responsibilities remained the same. In April 2004, I accepted a promotion to Utility Analyst with the CPB.

Q. Describe your current responsibilities at the Consumer Protection Board.

A. My responsibilities include evaluating the quality of service provided by New York State utilities and recommending proposals, where necessary, to improve the cost effective delivery of high quality customer service. I am also responsible for analysis of the programs to assist low income utility customers and evaluation of proposals affecting the protections provided to consumers. I also participate in interagency organizations such as the Low Income Forum (LIFE) and the HEAP Interagency Task Force to maximize the effectiveness of low income customer programs through education and coordination, and to enhance existing programs.

Q. Have you previously submitted testimony before the PSC?

A. Yes. I submitted testimony in Case 95-W-1168, concerning United Water New Rochelle's compliance with directives and recommendations made by the Public Service Commission as a result of a management and operations audit. I also submitted testimony in Case 04-E-0572, Consolidated Edison Company of New York, Inc.'s (Con Edison) electric rate proceeding; Case 04-G-1047, National Fuel Distribution Corporation

(NFG); Case 05-E-0934 and 05-G-0935, Central Hudson Gas and Electric Corporation (CH); Case 05-E-1222, New York State Electric and Gas Corporation (NYSEG) and Case 05-G-1494, Orange and Rockland Utilities, Inc. (O&R). In the Con Edison, NFG, CH, NYSEG and O&R cases, I addressed customer service incentive mechanisms, the application of threshold levels for specific measures and the appropriate penalty to be assigned to each specific customer service indicator. In the CH, NYSEG and O&R proceedings, I addressed aspects of the residential low income assistance programs, including the application criteria and measures, and enhancement opportunities to ensure that the programs operate in a cost effective manner and meet the needs of the low income consumer.

Q. What is the purpose of your testimony?

A. I address four issues as part of the stand-alone rate filings for KeySpan Energy Delivery New York (KEDNY) and KeySpan Energy Delivery Long Island (KEDLI, and, jointly, the Companies). My recommendations are also applicable to the rate plans associated with the proposed transaction between National Grid plc (National Grid) and KeySpan Corporation (KeySpan). In Part I, I address the Companies' proposals to maintain their Customer Service Quality Performance Mechanism (SQPM or

Mechanism) with a modification to the threshold level measure of the PSC Complaint Rate component. In Part II, I address the Companies' proposals to continue and expand the On-Track Programs for their low-income customers. In Part III, I address KEDNY's continuance of the Reduced Residential Rate Service and its introduction in KEDLI. In Part IV, I address the issue of Reconnect Fees for KEDLI's low income customers.

Q. Are there any Exhibits associated with your testimony?

A. Yes. I have attached Exhibit___(DMD), consisting of one schedule, which contains a copy of all responses to information requests that I reference in this testimony.

Q, Please summarize your position for each of the areas identified above.

A. Regarding service quality issues, I concur with the Companies' proposal to continue, with modification, the PSC's current Complaint Rate measure, and the existing Monthly Contractor Customer Survey measure. However, I recommend a larger downward adjustment to the PSC Customer Complaint threshold rate to reflect actual performance and offer a meaningful incentive for the Companies to maintain performance. I also propose to revise the method of calculating the revenue adjustments for all SPQM thresholds to use a sliding scale with linear ranges to better maintain the incentive to improve service quality. Further, I recommend the addition of a new measurement, "Telephone Response within 30 Seconds", with an incremental revenue incentive equal to 10 basis points to strengthen the Companies' commitment to quality customer service.

Regarding the Company On-Track Programs for low income customers, I recommend that existing programs be continued, with enhancements in three areas: (1) modifications of program design in the following areas: expand program duration from 18 to 24 months, increase the minimum arrears balance limitation enrollment criteria to enhance the program safety-net for low income customers, and the adoption a 12-month rolling enrollment with all reporting done on a 12-month annual basis, without change to maximum enrollment; (2) additional program oversight with specific reporting requirements to improve understanding of, and accountability for, program status, and (3) appropriate program expansions only after evaluation of each current Program's past performance, including the specific incremental costs and details of program enrollment.

Third, for the Residential Reduced Rate Services for Heating and Non-heating customers, I recommend continuation of the discount at least at the current level of benefit to low-income customers in KEDNY service territory, and that comparable reduced rates are established for KEDLI.

Finally, I recommend that reconnection fees charged by KEDLI be eliminated for qualifying low income customers, to enhance affordability and for policy and program consistency with KEDNY.

PART I – SERVICE QUALITY

Q. Please summarize current Customer Service Quality Performance Mechanisms for KEDNY and KEDLI.

A. As approved by the Commission in the Settlement Agreement in Case 97-M-0567, the KEDNY and KEDLI programs each consist of two measurements: PSC Customer Complaint Rate and the Monthly Contractor Survey. The PSC Complaint Rate measurement is based on an annual average of monthly complaints to the Commission per 100,000 customers as received and calculated by the Department of Public Service's (DPS) Office of Consumer Services. The Monthly Contractor Survey measurement quantifies the level of customer satisfaction achieved using an outside contractor to conduct interviews based on a random sample of customers who have contacted KEDNY or KEDLI during the month. The survey results are used to determine customer satisfaction on a scale of one to ten, with ten being the highest. The performance threshold is based on a percentage of customers that rate the company at least six out of ten.

For each measure, the Companies' actual performance is compared to performance thresholds. The SQPMs for both Companies are penalty only (revenue adjustment) incentive programs. Each measure has a current maximum penalty assessment of twenty basis points of pre-tax return on common equity (revenue requirement equivalent), for an annual total penalty risk of forty (40) basis points for each Company.

Q. What are the current performance thresholds for each SQPM measurement and the associated revenue adjustments for each Company?

A. The PSC Complaint Rate threshold is currently 8 per 100,000 for both KEDNY and KEDLI. For the Monthly Contractor Survey, the target performance level is 84.8% and 83.4% satisfaction for KEDNY and KEDLI, respectively. The annual revenue adjustment for each measure is assessed an annual maximum penalty of 20 basis for both Companies. Based on the Companies' responses to CPB-146 and CPB-167, the current value of 20 basis points is $3,564,270 for KEDNY and $3,162,651 for KEDLI.

Q. Have the Companies proposed to continue the SQPM in the current cases?

A. Yes. Both KEDNY and KEDLI have proposed continuation of their Programs with the two SQPM measures as currently administered, with one exception. They propose to change the threshold targets for the PSC Complaint Rate to reflect the new methodology initiated several years ago to calculate the metric in the PSC's Quick Resolution System (QRS). The revised QRS methodology records complaints only if the customer has been unable to resolve the issue with the utility. As a result, fewer complaints are recorded by the PSC than when the existing SQPM was established. The Companies have proposed to reduce the number of complaints per 100,000 customers that would trigger a revenue adjustment from eight to five. (Cianflone Testimony)

Q. Do you believe the current KEDNY and KEDLI SQPMs are reasonable?

A. In part. The PSC Complaint Rate from PSC complaint statistics provides outside verification of customer service efforts and performance. The Monthly Contractor Survey provides the Companies with information to monitor and improve performance on a timely basis, and the threshold appears to be set at a level that provides an appropriate incentive. However, the overall scope of the SQPM at both Companies is limited and may not capture the impact of customer service slippage or identify problems on a timely basis. Based on my review of the SQPM component measurements and program statistics for KEDNY and KEDLI, modifications to the threshold criteria for PSC Complaint Rate and the addition of a "Telephone Response within 30 Seconds" measurement are required to help improve customer service and protect customers from performance slippage.

Q. Please summarize KEDNY's and KEDLI's performance on the PSC Complaint Rate and Monthly Contractor Surveys.

A. PSC Complaint Rate results for KEDNY and KEDLI from December 2000 – 2006, did not exceed 1.6 per 100,000 customers for KEDNY and 1.0 per 100,000 customers for KEDLI and no penalties were incurred. The average December 12-month PSC Complaint Rates per 100,000 customers were:

KEDNY and KEDLI - PSC Complaint Rates

Twelve months ended December 2002- 2006:

	2002	2003	2004	2005	2006
KEDNY	1.3	0.8	1.2	1.5	1.3
KEDLI	1.0	1.0	0.8	0.7	0.7

In addition, the annual PSC Complaint rate has been below 1.6 and 1.0 for KEDNY and KEDLI, respectively, since July 2003, the first month for which 12 months of post-QRS PSC Complaint Rate data was available. The trend for KEDNY shows a steady increase of over 60% from 0.8 to 1.3 in that period, suggesting that customer service has declined. For KEDLI, the PSC Complaint Rates for the same period have improved by 30% and have been stable for the last two years.

An analysis of the Monthly Contractor Survey statistics as provided in the attachments to CPB-145 and CPB-166, show that the Companies have exceeded the performance thresholds for the past five years (2001-2005). Performance results were not available for 2006. KEDLI's annual results show a steady decline for the past four years from 89.0% to 85.7% - a decrease of 3.3%. Moreover, for 2005, the threshold was not met in 4 out of 12 months. This may be an indication of declining customer service. For KEDNY, the rate remained consistent with an average of 88.3% for the five year period, a high of 88.9% and a low of 87.0%.

Q. Do you agree with the Companies' proposed change to the SQPM threshold for the PSC Complaint Rate?

A. No. The PSC Complaint Rate measurement thresholds in both the current SQPM and the proposed modification by the Companies do not reflect the results of actual performance, and do not provide the level of financial risk to encourage the Companies to maintain or improve overall customer service performance. This proceeding offers an opportunity to consider target levels that will provide an incentive for continued responsiveness to customers and help prevent service deterioration. My review of the Companies' PSC Complaint Rate performance for each month and on average since implementation of the QRS in July 2002 shows that the Companies' proposed threshold is not adequate. Complaints would have to increase by 300% to 500% over 2005 average levels for KEDNY and KEDLI, respectively, before the Companies would incur any financial consequence.

Q. What is your proposal regarding the PSC Complaint Rate?

A. I propose that the PSC Complaint Rate thresholds be established for KEDNY at 1.6 – 2.6, and for KEDLI at 1.1 – 2.1, with the revenue adjustments of 20 basis points applied on a linear sliding scale as follows:

	PSC Annual Complaint Rate	Basis Point Adjustment
KEDNY:		
Target:	<1.6	0
	≥1.6 and <1.7	1

Adjustment increases by 1 basis point for each increment of .1 in the complaint rate up to a maximum of:

≥2.6	10

KEDLI:

Target:	<1.1	0
	≥1.1 and <1.2	1

Adjustment increases by 1 basis point for each increment of .1 in the complaint rate up to a maximum of:

≥2.1	10

My proposed thresholds reflect 125% of the average performance over the past five years in order to provide an allowance for random variations in the data measuring service quality. The sliding scale for imposition of revenue adjustments will encourage continued efforts to improve and maintain customer service even when the initial threshold is exceeded.

Q. Does your proposal penalize KEDNY and KEDLI if they maintain their recent service quality performance?

A. No. The companies' PSC Complaint Rates would have to substantially increase for them to be assessed revenue adjustments under my proposal. The adjustments are necessary to establish appropriate targets that recognize historic and recent actual performance and are indicative of satisfactory service quality in New York State. Under my proposal, the

Company would incur no penalty if historic performance is maintained, and is afforded protection from random performance variance.

Q. Please elaborate on your proposal to add a Telephone Response measure.

A. Many customers rely on being able to reach their utility by phone with a service or billing question or problem. A Telephone Response measure is calculated as the percentage of total customer service calls taken by the Company that are answered within 30 seconds. This measure exists in regulatory plans for many NYS utilities (National Grid, Con Edison, NFG, NYSEG and RG&E). I recommend the introduction of a "Telephone Response Rate within 30 Seconds" ("Telephone Response") with an additional penalty equal to 10 basis points, or approximately $1.8 and $1.6M for KEDNY and KEDLI, respectively. Although both Companies currently maintain telephone response data (DPS-231), it is inconsistent in measurement period (within 20, 30, or 45 seconds), combines data both with and without a voice message system, and length of time statistics have not been maintained. Addition of this measure with consistent measurement parameters will make it easier to assess responsiveness to customer needs.

In 2006 (through November), KEDNY's performance in responding to non-emergency calls (with IVR) in 30 seconds ranged from a low of 43.57% to a high of 74.90%, with an average monthly performance of 64.49%. KEDLI measures all calls answered within 30 seconds and has maintained records since September 2004. The average rate for the 26 month period is 52.83%, with a low of 38.70% and a high of 69.3%.

The inconsistent measurement periods and parameters should be reconciled in order to establish a historic baseline and make appropriate measurements and evaluation possible. I recommend that the Companies collect data for the following criteria at a minimum: emergency calls answered in 30 seconds, all calls answered within 30 seconds as a percent of all calls offered to both customer service representatives and to an IVR. I recommend that the current performance threshold be adjusted to reflect current performance and the need for improvement. The actual telephone response measures and thresholds should be determined by a collaborative with DPS staff and interested parties in this proceeding, and also consider measures used and performance thresholds in other NYS utilities.

The addition of the Telephone Response measure provides additional help, will enhance the overall SQPM and will aid the Companies in getting the information they need to quickly handle customer inquiries.

Q. What are the KEDNY and KEDLI positions on SQPM reporting requirements?

A. In their Joint Petitions for the Merger and rate plans, the Companies propose to continue reporting performance on SQPM measures in their annual reports to the Commission. Adequate reporting requirements are vital to the public and regulators in order to assess compliance with established thresholds and the maintenance of standards over time for all NYS utilities. More care and vigilance are necessary without exception if a merger of KEDNY and KEDLI occurs. In order to assess the effect of the merger on a timely basis and to effectively monitor the consolidation of management and administrative changes to both programs, I propose quarterly reporting on all measures for five consecutive years to all active parties in this case, with an annual meeting of interested parties to assess the status, need for evaluation and modification of the service quality Mechanisms. (See DPS-18)

PART II - LOW INCOME PROGRAMS

Q. Please summarize KEDNY and KEDLI's current On-Track programs for low-income customers.

A. The On-Track programs for KEDNY and KEDLI have been in existence since 1993 and 1998, respectively. KEDNY's program was initiated in

1994 upon approval of a settlement in Case 93-G-0941 which included an agreement to develop a low income plan for payment-troubled heating customers. In Case 97-M-0567, the On-Track program was extended to KEDLI as part of pilot program. In 2000, (Case 99-G-1469, The Brooklyn Union Gas Company and KeySpan Gas East Corp. Multi-year Restructuring Agreement), the programs were continued and the program period was expanded from 12 to 18 months. The current programs are limited to 1,200 participants for KEDNY and 200 for KEDLI, and are funded at $698,000 and $80,000, respectively.

The On-Track programs are designed to assist low income heating customers with a comprehensive approach providing financial management, energy conservation education and budgeting tools, consistent customer support, and social service referrals. Income-eligible residential natural gas customers receive: (1) financial analysis and counseling to establish an affordable payment plan with individual follow-up by a consumer advocate, (2) a payment plan that reduces arrears balances and prevents termination during program participation with a potential arrears balance forgiveness of up to $400 over the 18-month program period, (3) referral to conservation and weatherization programs, (4) a gas appliance services program which offers heating equipment repair and replacement for a limited number of income eligible customers, and (5) a home energy course to provide additional energy and financial management information. The programs encourage timely bill payment, offer financial and energy management education, and provide consistent customer support and social service referrals to program participants.

Q. Do KEDNY and KEDLI propose continuation of the programs?

A. Yes, and both companies propose to expand program participation. In Ms. Cianflone's testimony in Case 06-G-1185 and Case 06-G-1186 for KEDNY and KEDLI, respectively, the Companies propose to maintain their current commitment to the On-Track programs with all existing program criteria, and to double the level of participation from 1,200 to 2,400 for KEDNY, and from 200 to 400 for KEDLI. They also propose to double the amount included in rates for the programs, with incremental costs of $698,000 per 18-month program for KEDNY and $80,000 per 18-month program for KEDLI.

Q. Have you analyzed the performance of the On-Track programs?

A. Yes. I analyzed the KEDNY and KEDLI program content, costs and effectiveness. I also reviewed data provided for residential disconnections in KEDNY and KEDLI for the past three years. My assessment of services provided to low income customers and the cost effectiveness of the programs was restricted due to the inadequacy and inconsistency of current and projected cost information and the limited detail for program incentives provided. I discuss each program separately below.

Q Do you support the Company proposals?

A. I strongly support the substance of the programs, but I have some concerns that should be addressed before they are expanded as proposed. Specifically, I am concerned that I did not have adequate data to fully evaluate programs, and with evidence that participation and benefits have declined while the need for the assistance provided by the programs has increased.

Q. What did your analysis disclose concerning participation in the KEDNY On-Track program?

A. For the past six years, encompassing four 18-month program periods from January 2000 to December 2005, the KEDNY On-Track program enrollment has declined every year. I could not reach a definitive conclusion as to the reasons for this decline, however, because in January 2003, the Company decreased its program enrollment goal from 1500 to 1200. The Company's explanation for the reduction is that it set the enrollment goal at a more realistic level, suggesting that the level of customer interest in the program had declined (CPB-127). At the time the goal was reduced, however, the program had 1,482 participants -- 99% of the target enrollment of 1,500 for which it was funded. (CPB-148, CPB-149 and CPB-159)

My analysis also included the other On-Track program incentives and the status of residential terminations. The arrears forgiven per participant over the six-year period decreased from $387 to $198 – a negative 49%, and the total arrears forgiven by program year from January 2000 to December 2005 went from $549,100 to $312,800 – a 43% decrease. (CPB-153) At the same time, residential service terminations for all KEDNY customers rose from 19,866 customers in 2004 to 28,727 customers in 2006 – a 45% increase in three years (CPB-152, DPS-117).

Q. What were the results of your review of program costs for KEDNY?

A. My review and evaluation of actual program expenses and related program benefits was limited by a lack of detail in Company-provided information and inconsistent reporting between periods. For example, the "Other" expense category shows a steady rise from $146,347 in 2001 to $388,421 in 2005 – a 165% increase without explanation of the cost items included. Additional cost information provided by the Companies in CPB-

230 related to the "Other" category did not reconcile to the information previously provided in CPB-156. The "Appliance Service" program incentive has decreased in funds spent from $129,266 in 2001 to $34,125 in 2005 - a 72% decrease. (CPB-156, DPS-194) Further, the Company did not provide detail as to the cost of benefits provided to participants, the impact of program modifications, or a reconciliation of current and proposed budget spending for the program expansions.

Q. What did you find in your analysis of the KEDLI On-Track program?

A. KEDLI's On-Track program participation has decreased each year from near full enrollment in 2001 to only 62%. The data for the arrears forgiven incentive over the past approximately four to five years (three 18-month program years with data for the program unavailable before June 2001), indicates that the arrears forgiven per program participant decreased 44% from $267 to $149, and the total program arrears forgiven declined from $46,200 to $16,000 – a 65% decrease (CPB-132). At the same time, in the last three years (2004-2006), residential customer terminations have increased 34.0% (CPB-229). Data provided for "Appliance Service" was incomplete. (CPB-137)

Q. What did you find concerning the cost of the KEDLI program?

A. Actual expenses for the past five years provide limited detail for specific cost areas, and the information provided in CPB-137 appears to be inconsistent with the costs identified in DPS-194. The cost information provided by the Companies in CPB-230 related to the "Other" category did not reconcile to the information previously provided in CPB-137. The program cost for "Labor" has steadily increased by 10% in a program with decreasing enrollment. Finally, allocation factors were not provided in either interrogatory response for any expenses.

Q. What are your overall conclusions for both programs?

A. The On-Track programs for KEDNY and KEDLI offer comprehensive programs with elements that are structured to address the multiple needs of low-income customers. However, the data cited above strongly suggest that program performance is declining, while inadequate data makes the quantification and evaluation of program benefits provided in relation to costs very difficult. No information was provided to determine the effectiveness of program referrals for energy conservation, other social services or for contacts with the Companies' Customers Advocates, and it appears that detailed cost information is not maintained by either Company. The Companies stated that they only track and report enrollments, completions, and defaults. No other qualitative assessments of program effectiveness are prepared, or proposed in the future. Relating program costs and benefits to amounts allowed in rates was further complicated by reporting based on the 18-month program period.

Possible reasons for the declining participation could be the value of program benefits to customers in relation to the customer's ability to pay current bills with the minimum payment on their arrears balance, the level of discounts to current bills, the amount of arrears forgiveness, the quality of the education and training to support customers or the Companies' overall commitment to the success of the programs. Again, precise conclusions are elusive given the available information.

Q. What do you propose?

A. The current low income programs should be continued at the present enrollment levels. However, I recommend re-design of several incentive criteria after thorough evaluation of the current program. It is apparent that the programs are under-utilized and administration is not effective, but the absence of reports to evaluate the programs precludes effective design of specific improvements at this time. However, sufficient enrollment data has been provided in rate case documents to conclude that revision and evaluation is essential to achieve the maximum benefit intended with all the available funds provided. In addition, I recommend that the program expansion proposals for KEDNY and KEDLI be considered, but implementation be deferred pending the review and evaluation of the current program and implementation of appropriate reporting requirements and evaluation reports within a collaborative process.

For the current On-Track programs for both KEDNY and KEDLI, I recommend modification to each as follows: lower the threshold for program participation related to the minimum arrears balance, increase the total value of arrears forgiven per participant, and lengthen the program period to 24 months. In addition, I recommend that program enrollment be based on a 12-month rolling enrollment basis using the maximum program participation number as a guideline. In order to assess the status of the programs, I recommend the establishment of specific reporting requirements and an annual program evaluation that includes specific measurements of performance and identification and quantification of all costs areas. Also, administrative expenses should be limited to a defined percentage of the total program annual funding in order to maintain the appropriate balance between program cost and benefits provided, and should not be more than 7%. These measures can improve program participation and improve accountability.

Finally, although I support the expansion of this program because of the evident need demonstrated by the increase in terminations on both systems, I recommend that any such expansion take place only after a full review of the performance and costs of the current program undertaken through a collaboration of interested parties. This will assure that low income customers receive all the benefits the On-Track programs are intended to provide, on a cost-effective basis, and will assure accountability for the efficient use of ratepayer funds. The CPB is prepared to work to ensure that program enhancements are in place before the heating season of 2007-2008, and we urge other parties to devote the necessary resources to accomplish this goal.

PART III – RESIDENTIAL REDUCED RATE SERVICE

Q. What proposal has KEDNY made concerning its Residential Reduced Rate Service?

A. KEDNY is proposing to continue its residential reduced rate service which offers a discounted customer charge for up to 52,000 customers who meet income-based eligibility requirements as evidenced by their participation in specified government programs. The CPB supports the proposal and recommends that it be adopted.

Q. Does KEDLI also offer a residential reduced rate service?

A. No, it does not.

Q. Is it proposing such a service in its current rate filing?

A. No, it is not.

Q. What do you recommend?

A. I recommend that KEDLI be directed to adopt a program comparable to KEDNY's both in scope and in percentage discount offered.

PART IV - RECONNECT FEES

Q. What is the status of reconnect fees at KEDNY and KEDLI?

A. KEDLI waives reconnect fees for customers with demonstrated financial hardship. KEDNY charges reconnect fees for all customers to re-establish service.

Q. What have the Companies proposed?

A. They have proposed to maintain their current implementation of reconnect fees.

Q. What do you propose?

A. I recommend that the reconnect fee be waived for all customers that meet the income criteria established for Reduced Rate Residential Service. This assistance is currently offered by KEDLI for customers demonstrating financial hardship and should be continued, and the benefit should be established for KEDNY. The additional financial hardship of a reconnect fee after termination for non-payment of current bills would not likely change payment behavior for the most needy when in a crisis they can barely afford the cost of current charges for natural gas.

Q. Does that conclude your testimony?

A. Yes.

EXHIBIT