

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission as to
The Rates, Charges, Rules and Regulations of
Orange and Rockland Utilities, Inc. For Gas
Service

Case 05-G-1494

DIRECT TESTIMONY
OF
DONNA M. DEVITO

Dated: March 30, 2006
Albany, New York

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1 Q. Please state your name and address.

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

3

4 Q. By whom are you employed?

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

7

8 Q. Describe your work experience.

9 A. I became employed at the New York State Department of Public Service
10 in 1977 and was assigned to the Accounting Division in the position
11 Assistant Public Utility Accountant and, the following year was promoted
12 to the next level. In that capacity, I was primarily responsible for analyzing
13 utility compliance filings to Commission orders and preparation of session
14 items for special accounting petitions, as required in the NYS Uniform
15 System of Accounts and Public Service Law. Other assignments included
16 research, evaluation and the development of policy changes and
17 procedure revisions. In 1993, I transferred to the Office of Utility
18 Efficiency and Productivity, and performed comprehensive utility
19 management and operations audits for upstate and downstate utility
20 companies, which included management of the consulting contractors and
21 follow-up with each utility for Commission ordered implementation of audit
22 recommendations. In 1998, as part of a departmental reorganization, my
23 work assignments changed and areas of responsibility expanded as part

1 of the Office of Consumer Education and Advocacy (OCEA). I was
2 promoted in April 1999. In OCEA, I was part of the Business Advocacy
3 Group, and my responsibilities included: the application and interpretation
4 of all electric and gas rules and tariffs in the areas of economic
5 development incentives and customer service; execution of procedures
6 and policies related to all state and federal laws and regulations as they
7 pertain to electric and gas for service quality and competitive provider
8 practices; implementation of department economic development policies
9 for competitive businesses and residential market issues; and analysis of
10 matters including consumer protection issues, billing and disconnection of
11 utility services, the impact of tariff rate incentives and document
12 qualification criteria for utility and state economic development programs.
13 My responsibilities also included dispute resolution between commercial
14 and industrial customers and the utilities through both negotiation and
15 mediation, as applicable, in the areas of rates, electric and gas
16 installations, franchise area infringement, gas interruption penalties, stray
17 voltage, customer deposit application, service classification, and billing
18 disputes. In 2003, the Business Advocacy Group of OCEA merged with
19 the Office of Economic Development and Policy Coordination, and my
20 responsibilities remained the same. In April 2004, I accepted a promotion
21 to Utility Analyst with the CPB.

22

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

2 A. My responsibilities include evaluating the quality of service provided by
3 New York State utilities and recommending proposals, where necessary,
4 to improve the cost effective delivery of high quality customer service. I
5 am also responsible for analysis of programs to assist low income utility
6 customers and evaluation of proposals affecting protections provided to
7 consumers.

8

9 Q. Have you previously submitted testimony before the Public Service
10 Commission?

11 A. Yes. I submitted testimony in Case 95-W-1168, concerning United Water
12 New Rochelle's compliance with directives and recommendations made
13 by the Public Service Commission as a result of a management and
14 operations audit. I also submitted testimony in Case 04-E-0572,
15 Consolidated Edison Company of New York, Inc.'s electric rate
16 proceeding; Case 04-G-1047, National Fuel Gas Distribution Corporation;
17 and Case 05-E-0934 and Case 05-G-0935, Central Hudson Gas & Electric
18 Corporation in the areas of customer service incentive mechanisms, the
19 application of threshold levels for specific measures, and the appropriate
20 penalty to be assigned to each specific customer service indicator. Also,
21 in Central Hudson Gas & Electric Corporation's proceeding, I addressed
22 several aspects of its residential low income assistance program, including
23 the application criteria and measures to ensure that the program operates

1 in a cost effective manner. Most recently, I submitted testimony in Case
2 05-E-1222, New York State Electric and Gas Corporation's (NYSEG)
3 electric rates proceeding, in the areas of customer service incentive
4 measurement and threshold level targets and enhancements of the low
5 income program.

6

7 Q. What is the purpose of your testimony?

8 A. I address O&R's proposal to continue its current low income program that
9 includes a request for an increase in funding. I agree that O&R should
10 continue a gas low income program, but I recommend that its program be
11 based on the gas low income program approved in C.03-G-1671 for
12 Consolidated Edison Company of New York, Inc., O&R's affiliate. I also
13 recommend that the revised low income program include an arrears
14 forgiveness program, educational outreach directed at low income
15 customers, and reporting requirements.

16

17 Q. Please summarize O&R's gas low income program.

18 A. O&R current gas low income program was approved in C. 02-G-1553, by
19 Commission Order issued October 23, 2003 (Joint Proposal dated June
20 24, 2003). The program provides any O&R gas customer who receives a
21 grant under the Home Energy Assistance Program ("HEAP"), a monthly
22 bill credit of \$5.00 from the Company. The program, which was
23 implemented on November 1, 2003, is funded at \$200,000 per year for the

1 three-year term of the rate plan. To the extent that expenditures over the
2 three-year term are more or less than \$600,000, O&R is permitted to defer
3 that amount.

4

5 Q. Does O&R provide any other gas low income financial assistance?

6 A. No.

7

8 Q. What is the current status of O&R's gas low income program?

9 A. The program is scheduled to continue through October 31, 2006.

10

11 Q. Has O&R proposed to continue that program?

12 A. Yes. In the testimony by O&R's witness Ms. Jane J. Quin, the Company
13 has proposed to maintain its current commitment to each HEAP recipient
14 of \$5.00 per month. In addition, O&R has proposed to increase funding
15 for this program by \$25,000, to a total of \$225,000 per year. The Company
16 has stated that based on its experience, this increase is necessary to
17 provide funding for all eligible participants. There has been a steady
18 increase in low income gas customer participation in this program from
19 2004 to 2005.

20

21 Q. Is the gas low income program effective in meeting the current goals?

22 A. The current program is based on a total expenditure dollar amount of
23 \$600,000 for three years, and does not provide a target for the total

1 number of participants. There are no specific reporting requirements.
2 Using only the financial limit established as a parameter for this program,
3 O&R appears to be effectively meeting the program goal established in
4 the current program.

5
6 Q. Have you analyzed O&R's gas low income program?

7 A. Yes. I have analyzed the gas low income program using historical
8 information, interrogatory responses filed in this case, and previous
9 Commission orders. The Company's first gas low income program was
10 established in C.99-G-1695 and program budget and details were outlined
11 in Appendix L. of the Settlement Agreement dated September 11, 2000.
12 That three-year program addressed weatherization, customer arrears,
13 customer aggregation and also provided outreach and education for low
14 income customers. It was implemented on November 1, 2000. The total
15 annual budget for this low income program was \$200,000.

16 The current low income program, approved in the settlement
17 agreement in C. 02-G-1553, is dramatically different from the original
18 program. Its sole element is a customer credit of \$5.00 per month for
19 HEAP recipients.

20 I have three main concerns regarding O&R's current program: (1)
21 the assistance provided is limited in scope, (2) the level of program
22 funding may not be sufficient, and (3) the program benefit is fixed.

23

1 Q. Why should O&R's low income program be modified?

2 A. The program should be modified for several reasons. First, O&R has
3 proposed a significant rate increase, including increases to its SC1 rates.
4 Company Exhibit G-7, Schedule 2, Page 1 of 6 illustrates the residential
5 delivery bill increases that would result from the Company's proposal. If
6 the proposed increase to the residential customer charge is approved as
7 proposed in this proceeding, it would effectively eliminate approximately
8 half of the \$5.00 monthly assistance benefit currently provided to
9 customers. A residential customer using 25ccf of gas would pay an
10 additional \$4.38 per month and a residential customer using 75ccf of gas
11 would pay an additional \$7.59 per month under the Company's proposal.
12 The current benefit of the \$5.00 credit would be eliminated entirely for
13 customers consuming more than approximately 35ccf of gas per month.

14 Second, natural gas prices are expected to remain through the rate
15 year at levels that are high by historical standards, as explained in the
16 testimony of CPB witness Mr. Niazi. Third, O&R's current low income
17 program should be modified to better meet the needs of low income
18 customers in O&R's service territory. The scope of assistance should be
19 expanded to encompass elements that were included in O&R's previous
20 low income program, such as arrears forgiveness and customer
21 education for conservation and safety. In addition, the funding should be
22 expanded beyond the \$200,000 level that has been in place since 2000.

1 The increase in funding will provide expanded coverage for the increasing
2 number of HEAP recipients.

3

4 Q. Please elaborate on your proposed enhancements to O&R's current low
5 income program.

6 A. Recent Commission decisions, including for National Fuel Gas Distribution
7 Corporation (NFG) in C. 04-G-1047, and New York State Electric & Gas
8 Corporation (NYSEG) in C. 03-E-0359, include comprehensive low
9 income programs that provide benefits beyond a fixed monthly credit.
10 These programs are designed to provide assistance that, to some extent,
11 is tailored to the needs of individual low income customers, thereby
12 effecting improvements for participants. These programs include, in
13 addition to a basic service charge reduction or rate discount, budget
14 billing, arrearage forgiveness, waiver of late payment fees during program
15 participation, educational outreach for conservation and safety, and a
16 referral program to other community assistance resources. Programs
17 containing these additional elements are under consideration for NYSEG
18 (C. 05-E-1222) and Central Hudson (C. 05-E-0934 and C. 05-G-0935).

19

20 Q. Explain the intent of comprehensive low income programs in New York
21 State.

22 A. The overall intent of comprehensive low income programs is to provide a
23 level assistance that will allow low income customers to avoid termination

1 of service. Recent and forecasted future increases in energy costs have
2 made multifaceted programs even more essential to low income
3 customers. High energy prices are especially burdensome to low income
4 customers, since they are most likely to spend a greater proportion of their
5 disposable income on energy. With limited resources, the increases in
6 energy costs may place a low income household in the position of
7 choosing between paying energy bills and paying for other necessities,
8 such as food, medicine or rent, or incurring unmanageable debt. The
9 programs offered by the utilities identified above provide a combination of
10 benefits that will provide both long and short term benefits – for example,
11 increasing energy affordability for the customer, reducing uncollectible bill
12 balances for the company, and increasing revenues collected for the
13 benefit of all ratepayers.

14

15 Q. What effect will the company's request to increase funding have on the
16 current program?

17 A. Although a step in the right direction, the effect will be minimal. The
18 additional \$25,000 in funding is required to maintain the current customer
19 bill credit for all eligible customers (Testimony of Company witness Ms.
20 Jane J. Quin, p. 19). This funding increase is not intended to increase the
21 per-customer benefit, only to continue the existing \$5.00 bill credit. In
22 calendar year 2005, O&R had 5,551 gas customers receive HEAP
23 assistance (Response to CPB Information Request 7).

1 Q. What do you propose?

2 A. I propose implementation of a low income program that is based on the
3 program in place for Consolidated Edison's gas operations, as approved
4 in C. 03-G-1671. That program should also be enhanced to provide
5 arrears forgiveness including waiver of late payment fees during program
6 participation. O&R should also refer program participants to other
7 community assistance resources and conduct outreach and education
8 efforts targeted to low income customers. In addition, the program should
9 include specific reporting requirements to facilitate review by the parties of
10 the effectiveness of the program. Funding for the overall low income
11 program should be established at a level that is consistent with that
12 recently approved by the Commission for other utilities, on a per-HEAP-
13 recipient customer basis.

14

15 Q. Please explain your proposed program.

16 A. Under my proposal, O&R would implement a low income program
17 targeted at low income residential customers taking service under SC1,
18 Residential and Space Heating Service. To qualify for the program, a
19 customer must have received a HEAP grant in the proceeding 12 months.
20 As with Con Edison's program, these customers will pay the full SC1
21 delivery rate, including the full minimum charge (the charge for the first 3
22 therms (ccf) or less of monthly gas usage), except that the usage for
23 between 4 therms and 90 therms will be reduced by 25% of the full

1 delivery rate for usage within that block. As in the Con Edison program,
2 the percentage rate reduction shall not exceed 30% or be less than 20%
3 of the full delivery rate. A customer receiving the low income rate
4 reduction will be subject to all other applicable rates and charges of the
5 service classification.

6 If a multi-year plan is developed, it should include measures to
7 adjust the percentage discount in certain circumstances, to roll over
8 unused funds to subsequent years and to credit customers for any
9 aggregate shortfall in total program spending. A low income program with
10 a percentage reduction from delivery tariff rates offers additional benefits
11 to needy customers in periods of rising energy costs and avoids the
12 inflexibility of a fixed benefit.

13

14 Q. What enhancements of the Con Edison program should be applicable to
15 O&R in this case?

16 A. The program should include an arrears forgiveness component, which
17 would be in addition to, and separate from, the rate discount portion of the
18 program. It would be a one-time opportunity to assist O&R's payment-
19 troubled, low income residential customers who are unable to pay their
20 regular monthly bills, and as a result have entered into one or more
21 payment arrangements with the Company. To qualify for this portion of
22 the program, a customer must have an arrears balance, agree to budget
23 billing and have entered into at least one payment arrangement with the

1 Company. In order to remain in the program, the customer must pay
2 current charges, in full, each month. Program participants would have
3 their arrearages reduced over a 2-year period by 1/24th each month. The
4 program would provide eligible customers a one-time opportunity for a
5 fresh start, should they continue to make timely payment of their current
6 charges.

7

8 Q. What reporting requirements should be established to monitor program
9 progress and determine effectiveness?

10 A. The program should also be accompanied by rigorous quarterly and
11 annual reports. At a minimum, the reports should include monthly data on
12 the number of enrolled customers, with additions and departures shown
13 separately. The report should also identify the reasons customers depart
14 the program. In addition, O&R should include an evaluation of the
15 effectiveness of the program, including its impact on collections cost
16 expense, uncollectible accounts and arrearage balances, and revenues
17 collected from customers who might have defaulted on their arrearages.
18 The overall objective of evaluation is to determine whether the program is
19 cost-effective and productive.

20

21 Q. Does this conclude your testimony?

22 A. Yes, at this time.