

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of
Central Hudson Electric and Gas Corporation
Cases 08-E-0887 and 08-G-0888
November 2008

Prepared Testimony of:

Frances E. Hart
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Office of Industry and
Government Relations and Office
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Environment
State of New York
Department of Public Service
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1 Q. Please state your name and business address.

2 A. Frances E. Hart. My business address is Three
3 Empire State Plaza, Albany, New York, 12223-
4 1350.

5 Q. By who are you employed?

6 A. I am employed by the New York State Department
7 of Public Service, with the title of Utility
8 Analyst III, in the Retail Access Section of the
9 Office of Industry and Government Relations and
10 the Renewables Section of the Office of Energy
11 Efficiency and the Environment (previously known
12 as the Office of Electricity and the
13 Environment).

14 Q. Please summarize your educational background.

15 A. I received a Bachelor of Arts Degree in English
16 from Nazareth College of Rochester, Rochester
17 New York, in 1968. Between 1971 and 1973, I was
18 enrolled in graduate studies at the School of
19 Social Welfare, State University of New York at
20 Albany, with a concentration in Policy and
21 Program Development. In May 1990, I completed
22 degree requirements at Siena College in
23 Loudonville, New York for a Bachelors Degree in
24 Business Administration with a major in

1 Accounting.

2 Q. Please summarize your work experience.

3 A. My work experience prior to April 2008 is
4 summarized in Exhibit__ (FEH-1). Since April
5 2008, I have been working in the Retail Access
6 Section of the Office of Industry and Government
7 Relations. This office is responsible for the
8 coordination of Department activities with
9 various local, state, and federal agencies, as
10 well as quasi-governmental organizations, with
11 particular emphasis on the creation of
12 opportunities to promote economic development
13 and business growth and oversight of the retail
14 competitive energy market in New York. My
15 primary focus in this office has been
16 maintaining, and where necessary, expanding and
17 refining, the retail access infrastructure,
18 including the Uniform Business Practices
19 governing the interrelationships between
20 distribution utilities, energy service companies
21 (ESCOs) and customers. I also monitor the bill
22 formats of distribution utilities to ensure
23 compliance with certain unbundling requirements,
24 and New York Electronic Data Interchange (EDI)

1 Standards, which govern the exchange of retail
2 access data between distribution utilities and
3 ESCOs. I am also responsible for compiling
4 electric and gas migration statistics for
5 posting on the Department web site.

6 Since March 2007, I have also been working in
7 the Renewables Section of the Office of Energy
8 Efficiency and the Environment. This Office has
9 primary responsibility for the Department's
10 energy efficiency and renewable energy efforts,
11 and oversees environmental compliance with the
12 certification process for utility generation and
13 transmission facilities and develops utility-
14 related environmental policies. I currently
15 serve as the Environmental Disclosure Label
16 Administrator and collect fuel and emissions
17 information on instate and adjacent states
18 generation facilities and instate load serving
19 entities (LSE) energy purchases in order to
20 calculate a disclosure label for each LSE. In
21 this capacity, I conduct periodic surveys of
22 distribution utilities, suppliers and energy
23 brokers to develop an estimate of the number of
24 customers currently purchasing renewable energy

1 and their related load and oversee the list of
2 suppliers offering green energy products on the
3 Department's web site.

4 Q. Have you previously testified before the
5 Commission?

6 A. Yes, my previous involvement in Department
7 proceedings is summarized in Exhibit __ (FEH-2).

8 Q. What is the purpose of your testimony in this
9 proceeding?

10 A. The purpose is to address the proposed rate year
11 expenses associated with retail access
12 activities; specifically a \$351,000 request for
13 a Competition Education Campaign Fund to promote
14 retail access as described in the testimony of
15 Company witness Van Tassell, and the disposition
16 of deferred credit balances associated with the
17 Education Fund as described in the testimony of
18 the Company's Revenue Requirement Panel.

19 I will oppose the Company's request for a rate
20 year allowance for the Competition Education
21 Campaign Fund. However, I will recommend that
22 certain non-recurring educational initiatives
23 listed in the Company's Exhibit__ (JRV-2) be
24 funded from deferred balance credits arising

1 from unspent Competition Education Campaign Fund
2 collections from prior years. This proposal
3 would result in a minor reduction in the amount
4 of the net deferred credits that the Company
5 proposes to offset against the net deferred
6 debits as of June 30, 2009, as described in the
7 testimony of the Company Revenue Requirement
8 Panel at pages 49-50. I also endorse the
9 recommendation of Staff witness Silverstein
10 regarding the need for the Company to file
11 reports with the Office of Consumer Services
12 detailing Outreach & Education activities and
13 related expenditures.

14 Q. What is the basis for your proposals?

15 A. After the Company had filed its testimony in
16 this proceeding, an Order Determining [The]
17 Future of Retail Access Programs was issued on
18 October 27, 2008 in Case 07-M-0458. That Order
19 establishes guidelines for determining whether
20 and how various retail access programs would be
21 continued. Central Hudson's request for a rate
22 year allowance for the Competition Education
23 Campaign Fund was to support the continuation of
24 various retail access programs which previously

1 may have been designated as promotional
2 programs. However, continued funding by Central
3 Hudson for some of these programs would be
4 inconsistent with the Commission's determination
5 in the Order. Further, considering the recent
6 increase in customer participation levels in
7 retail access and the extensive educational and
8 promotional efforts supported by Central Hudson
9 in the past, continuing some retail access
10 promotional activities in the rate year is not
11 warranted.

12 Q. Do you agree with Company witness Van Tassell
13 that there has been significant growth in the
14 number of electric and gas customers migrating
15 to ESCOs?

16 A. Yes. Until 2007, Central Hudson averaged less
17 than 5,000 electric and 6,600 gas customers a
18 month in retail access, which was the lowest
19 level of migration in the state. As of August
20 2008, which is the most recent data available,
21 Central Hudson now has more than 13,000 electric
22 and 10,000 gas customers enrolled with ESCOs.

23 Q. What factors do you believe may have caused
24 these increases in migration levels?

1 A. I believe several factors have contributed to
2 these changes. I agree with the factors cited
3 in Company witness Van Tassell's response to
4 Staff interrogatory DPS-158, attached as
5 Exhibit__ (FEH-3), that customer awareness of
6 retail access has changed due to the combined
7 promotional efforts of the Department, the
8 utility, and the ESCOs. Further, increases in
9 energy bills in 2007 and 2008, as indicated in
10 Exhibit___ (FEH-4), have focused customer's
11 attention on savings opportunities and also
12 spurred ESCOs' interest in entering Central
13 Hudson's market. An increase in the number of
14 participating suppliers in Central Hudson's
15 service territory, as documented by Mr. Van
16 Tassell at page 3, lines 6-8, would also
17 increase the level of marketing activity
18 sponsored by ESCOs. Generally, information
19 about the retail competitive market in New York
20 and Central Hudson's market specifically, is now
21 more readily accessible from a variety of
22 information sources. Finally, the introduction
23 of the ESCO Referral Program in the spring of
24 2006 and the accompanying educational campaign

1 for this program appears to have been successful
2 in encouraging customers to try commodity
3 service from an ESCO as indicated by the new
4 enrollments shown in the Company's response to
5 Staff interrogatory DPS-379 attached as Exhibit
6 ___ (FEH-5).

7 Q. How has the Company documented the level of
8 customer awareness regarding energy generally
9 and retail access specifically?

10 A. The Company has conducted annual surveys to
11 gauge the level of customer awareness and
12 understanding since 2002. Such surveys tend to
13 raise the interest of the participants in the
14 subject matter of the survey, as well as the
15 interest of their friends and neighbors. Over
16 time these surveys result in increasing the
17 awareness of the general population through
18 contact with the survey participants.

19 Q. Have the survey results tended to confirm that
20 the level of customer awareness is high?

21 A. Yes. For example, the 2007 survey report states
22 that 89% of residential and 93% of business
23 customers believed the following statement was
24 true: "Energy competition means customers can

1 shop for lower energy prices". There is also an
2 increasing awareness of 'green' power by
3 residential customers. In 2007, 71% of those
4 surveyed had heard or read about 'green' power
5 compared to only 29% of the 2003 survey
6 participants. It is possible, that this
7 heightened interest in 'green' power may also
8 have contributed to increases in electric
9 migration since 2006.

10 Q. How would the heightened interest in 'green'
11 power contribute to increases in electric
12 migration since 2006?

13 A. Central Hudson customers interested in
14 supporting renewable energy would have to take
15 service from an ESCO or make arrangements to
16 purchase renewable energy certificates (RECs)
17 from 'green' brokers because Central Hudson does
18 not sponsor its own program for customers who
19 want to go 'green'.

20 Q. Please summarize the Company's efforts to
21 educate customers and/or promote retail access
22 programs during this period.

23 A. Since 2005, Central Hudson has jointly sponsored
24 three Market Expos and six Energy Fairs. The

1 Company's response to Staff interrogatory DPS-
2 156, attached as Exhibit___ (FEH-5), displays
3 the dates and participants for Market Expos and
4 Energy Fairs. Generally an Expo is designed to
5 help commercial and industrial customers
6 evaluate their energy supply options by
7 providing a forum where customers have an
8 opportunity to hear from, and speak with, a
9 number of ESCOs all in one location. Generally
10 Expos are targeted, by invitation, to specific
11 classes of commercial customers and therefore
12 the potential participants will be small.
13 Energy Fairs on the other hand are for the
14 general body of customers and will include both
15 educational and promotional presentations on,
16 for example, switching to alternative sources
17 for heating homes and businesses, cost of
18 retrofitting equipment to reduce consumption,
19 assistance in paying for energy services,
20 demonstrations of energy products, tips on how
21 to conserve energy and offers available from
22 ESCOs. Energy Fairs are generally publicized
23 via newspaper, flyers, TV adds, and outreach by
24 participating vendors and are not limited to a

1 specific target population. Both programs
2 benefit customers by providing free
3 opportunities to learn more about, or solicit
4 offers from, ESCOs. The Company may use bill
5 messages or bill inserts to focus customers
6 attention on the Energy Choice program and the
7 ESCO Referral Program. The Company has refined
8 and expanded the information on its web site
9 regarding retail access and suppliers
10 participating in its market. Also, printed
11 materials explaining the competitive market are
12 made available to participants at trade shows or
13 other community events, and the Company's
14 customer service representatives are trained to
15 handle retail access inquiries or complaints.
16 Since the initiation of the Competition
17 Education Campaign Fund in 2004, the Retail
18 Market Initiatives Collaborative, comprised of
19 Company, Staff, ESCO and intervenor
20 representatives, has identified opportunities to
21 streamline the switching process for customers
22 and/or ESCOs and determined which educational or
23 promotional activities should be supported by
24 the rate allowance for the Campaign Fund. The

1 Company has also used the results from annual
2 ESCO satisfaction surveys to improve the
3 information exchange between the utility and
4 ESCOs.

5 Q. Has the Company proposed to continue some or all
6 of these programs during the rate year?

7 A. Yes. Company witness Van Tassell proposed at
8 page 5 that the current rate allowance for the
9 Competition Education Campaign Fund be continued
10 with provision for deferral where the actual
11 expenditures in the rate year are less than the
12 allowance. Company Exhibit JRV-2 differentiates
13 proposed rate year Fund expenditures between
14 Recurring Annual Expenses (\$181,000) and One-
15 Time Costs (\$170,000) for a total allowance of
16 \$351,000.

17 Q. What is your recommendation regarding the rate
18 year allowance for the Competition Education
19 Campaign Fund?

20 A. I recommend that the allowance for this Fund be
21 reduced to zero; there is no longer a need for
22 targeted funds to support retail access
23 initiatives.

24 Q. Does that mean that the programs proposed by

1 Company witness Van Tassell should be
2 discontinued?

3 A. Not necessarily. Some programs may be continued
4 through funding by ESCOs. If some of the
5 programs proposed by Central Hudson are
6 educational they may continue because the Retail
7 Access Order at page 13 requires utilities to
8 continue to provide objective outreach and
9 education information on the availability of
10 retail access. I will also recommend that
11 certain one time costs for specific projects, as
12 described below, be funded from the existing
13 deferred balances associated with the Campaign
14 Fund. I also recommend continuation of the
15 Retail Market Initiatives Collaborative because
16 the Retail Access Order at pages 10 and 13
17 anticipates that utilities will continue to work
18 collaboratively in designing and implementing
19 promotional programs supported by the ESCOs, as
20 well as education programs supported by the
21 utilities.

22 Q. Please summarize the Company's rate year request
23 regarding retail access activities in the rate
24 year and your recommendations.

1 A. Company witness Van Tassell at page 4 of his
2 testimony, and as itemized in Exhibit__JRV-2,
3 proposed to continue to fund several projects
4 that are reflected in current rates including
5 Market Expos (\$38,000), Energy Fairs (\$32,000)
6 and a Competition Awareness and Understanding
7 Survey (\$10,000), with the caveat that the
8 Company be allowed to determine the level of
9 interest or participation before actually
10 conducting the survey. Although Exhibit JRV-2
11 includes the cost of conducting an ESCO
12 Satisfaction Survey (\$10,000) during the
13 proposed rate year, the testimony of Company
14 Witness Van Tassell at page 4 recommends that
15 this survey be discontinued, as well as the ESCO
16 Ombudsman, which was not separately itemized in
17 Exhibit JRV-2. Exhibit JRV-2 also includes
18 provision for a one-time expenditure of \$60,000
19 for a "Customer Survey". A description of this
20 survey can be found in the Company's response to
21 Staff interrogatory DPS-159 attached as
22 Exhibit____ (FEH-7), which displays a list of
23 proposed projects suggested by members of the
24 Retail Market Initiatives Collaborative.

1 According to this list the Company would conduct
2 a survey of customers who had not switched to an
3 ESCO to discover what has kept them from
4 switching (item number 2).

5 Q. Are any of these proposals consistent with the
6 recent Order on the Future of Retail Access
7 Programs in Case 07-M-0458?

8 A. No. That Order at page 14 specifically relieves
9 utilities of the obligation to perform
10 [awareness] surveys in the future and finds that
11 surveys of ESCO satisfaction are no longer
12 necessary. Although the 'Customer Survey'
13 proposed by the Retail Market Collaborative is
14 not a customer awareness survey, the knowledge
15 gained from such a survey would benefit the
16 ESCOs more than the general body of ratepayers,
17 and therefore, if conducted, should be funded by
18 the ESCOs, not ratepayers.

19 With respect to the ESCO ombudsman, the
20 Commission, at pages 9-10 of the Order, found
21 that irrespective of the nomenclature, the
22 essential functions of an ombudsman should be
23 continued such that there should be a single
24 contact person at a utility to whom ESCO

1 inquiries, complaints, or disputes should be
2 directed.

3 Q. How would these adjustments modify the Company's
4 rate year allowance request as detailed in
5 Company Exhibit JRV-2?

6 A. Elimination of the ESCO Satisfaction and
7 Awareness & Understanding Surveys would reduce
8 the rate year allowance designated for
9 'recurring annual expenses' by \$20,000. In
10 addition, the projected one-time costs of
11 \$60,000 for a Customer Survey would also be
12 eliminated. Finally, there are no incremental
13 expenses associated with retaining the ombudsman
14 function.

15 Q. What other activities does the Company propose
16 to fund from the rate year allowance for the
17 Competition Education Campaign Fund?

18 A. Exhibit JRV-2 also lists projected 'recurring
19 annual expenses' of \$79,000 for 'Promotional
20 Materials' and \$70,000 for 'Energy Fairs and
21 Market Expos'.

22 Q. Is ratepayer funding for these programs
23 appropriate?

24 A. No. The Commission, at page 10 of the Retail

1 Access Order, has determined that the obligation
2 for funding promotional programs should be
3 shifted to ESCOs and found that programs such as
4 ESCO referral, market match, market expos, and
5 energy fairs fall into the category of
6 promotional programs. Accordingly, utilities
7 were authorized, but not required, to continue
8 market match, market expos and energy fairs, as
9 long as ratepayers do not bear the cost of the
10 programs

11 Q. The Retail Access Order states that ESCO
12 Referral Programs also fall into the category of
13 programs that are 'primarily promotional'.
14 Therefore, is Central Hudson obligated to
15 continue its ESCO Referral Program?

16 A. Yes. The Order at page 13 directs utilities to
17 continue existing ESCO Referral Programs with
18 the proviso that ongoing costs for this program
19 would be transferred to ESCOs, as new rates are
20 developed.

21 Q. How would the Company's rate year allowance
22 request be affected by these changes?

23 A. The \$79,000 in recurring annual expenses for the
24 category labeled "promotional materials" would

1 be eliminated. Also, recurring annual expenses
2 of \$70,000 for Energy Fairs and Market Expos
3 listed under the category 'annual events' would
4 also be eliminated.

5 The Company's request for rate year funding for
6 the Competition Education Campaign Fund, as
7 detailed in Exhibit __JRV-2, does not reflect
8 any expenditures for the ESCO Referral Program
9 because the costs to develop the program were
10 incurred in 2006 and, according to Company
11 witness Van Tassell's response to DPS
12 interrogatory 528 attached as Exhibit__ (FEH-8),
13 operating expenses for the ESCO Referral Program
14 during the test period in this case were
15 minimal. The only cost for the program was the
16 time spent by call center personnel to respond
17 to customer inquiries or requests to enroll.
18 Going forward, the Company's cost to retain this
19 program would continue to be minimal.

20 Q. Are there projected expenses for other
21 activities included in the rate year request for
22 the Competition Education Campaign Fund?

23 A. Yes. The Company estimated 'recurring rate
24 year' expenses of \$8,000 for its participation

1 at fairs, trade shows and conferences, and
2 \$4,000 for subscriptions and other miscellaneous
3 expenses. In addition, the Company included one
4 time costs of \$3,000 to replace some display
5 materials.

6 Q. Are these expenditures appropriate?

7 A. These expenses may be appropriate, but should be
8 eliminated from the rate year request for the
9 Campaign Fund. The Retail Access Order at page
10 13 requires utilities to continue to provide
11 customers with objective outreach and education
12 information concerning the availability of
13 retail access. The cost of this educational
14 effort would fall within the ambit of usual
15 utility O&E budgets for customer education
16 programs. To the extent that these remaining
17 projected expenses as described in Company
18 Exhibit JRV-2 are educational, rather than
19 promotional in nature, they could be funded from
20 the rate year allowance for Informational and
21 Institutional Advertising, or other operating
22 expense line items, depending upon the nature of
23 the expense. The Company's Annual Outreach &
24 Education Plan and associated budget and

1 expenditures should reflect the details of
2 Central Hudson's efforts to disseminate
3 information on retail access programs as
4 required by the Retail Access Order.

5 Q. Should the Company's proposed initiatives to
6 spend approximately \$107,000 for certain non-
7 recurring initiatives, which are identified in
8 JRV-2 as E-bid System (\$75,000), Enhanced
9 Mailing Functions (\$12,000) and Web Site
10 Enhancements (\$20,000), be funded?

11 A. Yes. These initiatives, have already been
12 endorsed by the Retail Market Collaborative, are
13 primarily educational in nature, have a direct
14 customer benefit, or will provide the Company
15 with the capability to target bill messages or
16 inserts to the customers who would most benefit
17 from the information. The E-bid system which is
18 identified as item 4 in the Company's response
19 to Staff interrogatory DPS-159, attached as
20 Exhibit____ (FEH-7), allows customers to
21 solicit, unprompted, rate quotes from eligible
22 suppliers through the Company's web site portal
23 with no obligation to enroll with any supplier.
24 This program efficiently facilitates the

1 exchange of information between an individual
2 customer and one or more potential suppliers,
3 and is particularly helpful for small and medium
4 sized commercial customers who cannot afford the
5 time to attend an energy fair or trade show or
6 to phone individual suppliers to obtain quotes.
7 Central Hudson's cost estimate is based on the
8 implementation costs experienced by Orange &
9 Rockland for a similar program. The \$12,000
10 for 'Enhanced Mailing Functions' (item #12 on
11 FEH-8) would enable Central Hudson to target
12 bill messages or inserts to ESCO customers. The
13 \$20,000 one time cost for 'Web Site
14 Enhancements' (item #8 on FEH-8) would enable
15 the Company to expand and refine the information
16 on retail choice on its web site.

17 Q. Since the Order on the Future of Retail Access
18 Programs was issued, has the Company modified
19 its recommendations regarding retail access
20 expenditures in the rate year?

21 A. Yes. The Company's response to interrogatory
22 MI-77, attached as Exhibit___ (FEH-9),
23 recognizes that the Order relieves the Company
24 of the obligation to conduct certain customer

1 and ESCO surveys. According to this response,
2 the Company's rate year forecast contains
3 \$189,000 of electric expense and \$33,000 of gas
4 expense intended for these activities which
5 could be removed from the Company's rate year
6 expenses.

7 Q. What is the Company's current position on its
8 request for funds for the E-bid, Enhanced
9 Mailing and Web Site update projects?

10 A. As indicated in Exhibit___ (FEH-9), the Company
11 expects to fulfill its commitments for the new
12 projects, other than the Customer Survey
13 (\$167,000 less \$60,000 equals \$107,000), that
14 were negotiated in the Company's Commission-
15 ordered retail access collaborative.

16 Q. How do you believe these 'new' projects should
17 be funded?

18 A. Because these expenses are non-recurring in
19 nature, they should not be funded through a rate
20 year allowance for the Campaign Fund or any
21 Operations and Maintenance line item request. I
22 recommend that the \$107,000 for these programs
23 come from the existing deferred balance
24 associated with over collection of Competition

1 Education Fund monies in prior periods as
2 described in the testimony of the Company's
3 Revenue Requirement Panel at page 34-35 and
4 Exhibit RRP-7. According to the Company, the
5 amount of the deferred balance associated with
6 the Education Fund as of October 31, 2008 is
7 \$635,781. According to the testimony of the
8 Company's Revenue Requirement Panel at page 53,
9 the Education Campaign Fund deferred balance is
10 one of the items to be updated.

11 Q. Would your recommendation materially change the
12 existing deferred balances?

13 A. No. Exhibit RRP-7, schedules A and B project
14 deferred credits of \$251,000 for electric and
15 \$50,000 for gas, as of July 1, 2009, associated
16 with the prior year deferrals for the
17 Competition Education Campaign Fund. My
18 recommendation to continue to defer up to
19 \$107,000 in Campaign Fund collections from prior
20 periods and use those funds for the three
21 projects I have recommended would reduce the
22 amount of the deferred credit for the Campaign
23 Fund to \$196,000 and \$40,000 for electric and
24 gas operations, respectively.

1 Q. In summary the effect of your recommendations
2 would result in (1) no rate year allowance for
3 the Competition Education Campaign Fund and (2)
4 lower deferred balance credits to be disposed of
5 in this proceeding?

6 A. Yes, subject to update.

7 Q. When do you expect the Company to complete the
8 E-Bid, Enhanced Mailing and Web Site Updates
9 initiatives?

10 A. It is possible that these projects could be
11 completed prior to the beginning of the rate
12 year in this proceeding but if not, they should
13 be completed no later than June 30, 2010.

14 Q. Does this complete your testimony?

15 A. Yes it does.