

DIRECT TESTIMONY
OF
SUSAN M. ROYCE

1 Q. Please state your name and business address.

2 A. My name is Susan M. Royce, and my business address is Central Hudson
3 Gas & Electric Corporation (“Central Hudson” or the “Company”), 284
4 South Avenue, Poughkeepsie NY 12601.

5

6 Q. In what capacity are you employed by Central Hudson?

7 A. I am the Director of Community Relations & Consumer Outreach.

8

9 Q. Please summarize your education and experience.

10 A. I hold an AAS Degree in Business Administration from Dutchess
11 Community College, and have been employed by Central Hudson since
12 1970. I have been in management positions at the Company since 1980.
13 From 1980 until 1990, I held positions related to the administration of the
14 Company’s compensation and benefits programs. In 1990, I was
15 promoted to the position of Methods & Procedures Development
16 Coordinator in the Customer Services Group. In June 1993, I was
17 promoted to Regulatory Methods & Procedures Coordinator, and in April
18 1994 I was assigned to my current position of Director of Community
19 Relations & Consumer Outreach.

20

21 Q. What are your responsibilities in your present position?

22 A. As Director of Consumer Relations & Consumer Outreach, my
23 responsibilities focus on discerning and meeting the needs of the

SUSAN M. ROYCE

1 Company's special-needs' customers. In concert with this, I am
2 responsible for consumer education programs, public participation and
3 training programs for Company employees in customer-contact positions.
4 It is also my responsibility to work with Public Service Commission (PSC)
5 Staff and various Company representatives on the investigation and
6 resolution of consumer complaints.

7
8 Q. Have you appeared as a witness before this Commission?

9 A. Yes. I previously submitted testimony in Case and 95-G-1034.

10

11 Q. Please describe the purpose of your testimony.

12 A. The purpose of my testimony is to recommend certain changes to the
13 Company's existing low-income program, Enhanced Powerful Opportunity
14 Program (EPOP), and also the continuation of the amended EPOP.

15

16 Q. What is the current EPOP enrollment level?

17 A. EPOP commenced on September 1, 2007, and as of July 1, 2008 (ten
18 months later) we report 374 active customers on EPOP. EPOP was
19 designed to serve a maximum of 800-1000 customers. The lower-than-
20 design enrollment is a major factor leading us to propose changes to
21 EPOP at this time.

22

23 Q. What amendments to EPOP are you proposing?

SUSAN M. ROYCE

1 A. Our experience with EPOP suggests the current program does not provide
2 a sufficient benefit to motivate eligible low-income customers to want to
3 enroll, or, once enrolled, to maintain their account balance. The
4 amendments I am proposing would increase customer participation levels
5 through increasing the monthly benefits as well as arrears forgiveness
6 benefits paid to participants.

7
8 Q. What are the present eligibility requirements for EPOP?

9 A. In order to enroll in EPOP, customers must be HEAP-eligible and receive
10 a HEAP benefit annually on their Central Hudson account. They must
11 also have the ability to pay the discounted budget bill on time and in full
12 each month and unless they can do so, they are not enrolled in the
13 Program. It appears to us that the requirement to pay the discounted bill
14 on time and in full each month is acting to reduce customer's motivation to
15 apply to the EPOP at the existing monthly benefit levels. The monthly
16 (non-discounted) budget bill for EPOP customers ranges from a high of
17 \$654 per month to a low of \$100, with the average presently at \$260. The
18 average monthly discount given is \$81, resulting in an average discounted
19 monthly budget amount of \$179 for EPOP customers. The monthly
20 discount range under EPOP is likely not sufficient, based on the current
21 state of the economy and the rising energy prices. Low-income heating
22 customers typically have high energy bills, for a number of reasons (poor
23 living conditions, little or no energy conservation awareness, many other

1 personal and significant issues leaving energy as the least of their worries,
2 etc.). Bottom line, if customers feel they cannot pay the discounted
3 budget bill, they likely lose the motivation to apply for the Program.

4

5 Q. How does the current Program structure impact the arrears forgiveness
6 benefits paid under EPOP?

7 A. If an EPOP customer does not pay their discounted monthly budget on
8 time and in full, they will not receive an arrears forgiveness benefit for that
9 month. To compound the problem, the discount is taken away, and the
10 customer is required to pay the non-discounted amount before future
11 discounted budgets will be given and future arrears forgiveness benefits
12 applied. Once a customer falls behind, it is extremely difficult for them to
13 catch up. Currently, 105 (or 28.1%) participants have a past-due EPOP
14 amount.

15

16 Q. Does the Company have recommendations for changes to EPOP to
17 increase enrollments on the program and help customers receive the
18 maximum benefits provided by the program?

19 A. We believe the basic EPOP structure is an appropriate model; it works as
20 a “hand-up” rather than a “hand-out” and should be continued; however,
21 we are proposing some modifications to encourage customer enrollment
22 and commitment to the program.

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SUSAN M. ROYCE

1 Q. What changes are you proposing?

2 A. We have no recommendations for change to the eligibility criteria; we feel
3 the current requirements are fair and reach out to the neediest customers.
4 We will continue to actively promote the Powerful Opportunity Program to
5 encourage customer enrollment. We feel if certain changes are made to
6 the benefits received under the Program, more customers will be attracted
7 to participate.

8

9 Q. Are you recommending changes to the discounted budget bill?

10 A. Yes. We feel low-income customers are challenged when it comes to
11 affording the current charges, even with the discount amount. To assist
12 low-income customers with the escalating price of energy, we would like to
13 see the monthly budget discount amounts increased. Exhibit __ (SMR-1)
14 attached shows the current and recommended discount amounts; you will
15 note we are suggesting a higher discount for the higher usage accounts.
16 For example, customers with a budget amount between \$100 and \$190
17 previously received a budget discount ranging from \$25 to \$100,
18 depending on their household size and income. The proposed increase
19 provides a range from \$50 to \$125. Customers with a budget amount of
20 \$191 to \$270 previously received a monthly budget discount between \$50
21 and \$125; we are proposing a new range from \$100 to \$175. Lastly,
22 customers with a monthly budget of \$271 or more received a discount of
23 \$75 to \$150; and we are proposing these discounts be raised to \$150 to

SUSAN M. ROYCE

1 \$225. This is a significant enhancement to the Program; not only does it
2 make the customer's current budget amount affordable, but it could also
3 result in the customer receiving the arrears forgiveness benefit, which is
4 only given if their EPOP account is kept current.

5
6 Q. Are there other changes you propose making to the monthly discounted
7 budget benefit?

8 A. Yes. Once a customer completes 24 months on EPOP (or up to 36
9 maximum), they are removed from the Program and expected to pay a
10 non-discounted amount, based on usage and current pricing. At the end
11 of this period it may be likely the customer still meets the criteria of low-
12 income; and in a matter of time may again fall behind with their bill
13 payments. We suggest customers successfully completing EPOP, but still
14 meeting EPOP criteria with the exception of having a past-due amount
15 owed to Central Hudson, continue to receive the discounted budget bill at
16 their current address for the life of the EPOP program, or until they no
17 longer meet the requirements (i.e. they must still receive HEAP on the
18 account). If the customer does not pay on time and in full, the discount
19 would be taken away for that month and the customer would be expected
20 to pay the non-discounted amount. Normal collection activity would
21 resume for unpaid or late payments.

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SUSAN M. ROYCE

1 Q. Are you proposing any other revisions to the arrears forgiveness
2 component?

3 A. Yes. We are suggesting the past-due cap of \$2,400 be lifted together with
4 the maximum monthly arrears forgiveness amount of \$100. Currently,
5 customers with enrollment arrears of more than \$2,400 receive a
6 maximum forgiveness benefit of \$100 per month; and at the end of their
7 participation in the program they are responsible for the balance to be
8 paid. Naturally, we would offer a deferred payment agreement for this
9 amount. However, rather than having the customer responsible for this
10 debt after successful completion of the program, we recommend at the
11 onset of enrollment, the customer's arrears, no matter what the amount,
12 be forgiven at 1/24th each month, when the current discounted budget bills
13 are paid in full and on time. Currently, there are 41 customers with an
14 arrears amount of more than \$2400 (or 11% of the total customers
15 enrolled). About 40% of the customers enrolled in EPOP (140 customers)
16 with an arrears amount of less than \$1,000.

17

18 Q. Is the Company seeking any other changes to EPOP?

19 A. Yes, we would like to add a new benefit to the program for customers who
20 pay on time and in full on their EPOP account. We propose a benefit be
21 given after the EPOP customer pays on time and in full for four
22 consecutive months. The benefit amount could be equal to their
23 discounted budget bill, which would essentially give the customer a "free"

1 month. The incentive bonus would be based on four customer payments
2 only (HEAP payments would not count). This added benefit would
3 provide motivation for customers not only to enroll, but also to keep their
4 EPOP accounts current. A bonus payment would also replace the
5 Emergency HEAP benefit the customer forfeits when they remain current
6 on EPOP.

7
8 Q. Does the Company suggest any changes to the energy conservation
9 component of EPOP?

10 A. EPOP requires customers apply and cooperate with EmPower NY. Since
11 it is possible that the Company may be offering similar energy efficiency
12 programs to EmPower NY in our service territory, this provision should be
13 expanded to provide that the customer apply for and cooperate with either
14 EmPower NY or any similar Central Hudson program that the Commission
15 may authorize. We would also recommend that the Company be given
16 the option to develop, in the future, an additional incentive for EPOP
17 customers with reduced annual consumption. We are not proposing a
18 specific benefit at this time, but would like the opportunity to implement a
19 reasonable additional benefit in the future should plan funding permit.

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21 Q. Are there any other EPOP changes the Company is proposing in this rate
22 filing?

SUSAN M. ROYCE

1 A. No. Based on our experience with administering EPOP, we believe
2 Powerful Opportunity has evolved into an effective and meaningful
3 program that requires participant discipline and commitment. The
4 enhancements we are requesting in this rate filing are in response to our
5 own experiences with the program as well as customer input.

6

7 Q. How was customer input solicited?

8 A. Earlier this year, we conducted a satisfaction survey of EPOP customers;
9 and when asked to provide an overall rating, from 1 to 4 (4=excellent),
10 EPOP received an average rating of 3.8. A total of 101 customers
11 responded to the survey.
12 When asked to comment on ways to change or improve the program, 39%
13 of the customers stated they would make no changes. However, 4% of
14 the customers identified lower budget bills as an improvement; 4%
15 identified more time to pay-off their account balances; and 3% identified
16 increased arrears forgiveness would be helpful.

17

18 Q. What level of expenditures do you propose for EPOP?

19 A. Exhibit __ (SMR-2) shows the recommended rate year expenditures for
20 electric and gas based upon past experience in operating the program.
21 These expenditure levels are included in the revenue requirement as
22 shown in the Revenue Requirement Panel Exhibit __ (RRP-1), Schedule B
23 for electric and Exhibit __ (RRP-2), Schedule B for gas.

SUSAN M. ROYCE

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2 Q. Do you recommend continuation of deferred accounting for EPOP?

3 A. Yes. Deferred accounting is recommended because of the uncertainty

4 related to the number of customers that may enroll in the program.

5 Economic factors beyond the Company's control could cause a higher or

6 lower number of customers to sign up for the program. Deferred

7 accounting protects customers and shareholders against the uncertainty

8 surrounding customer participation in EPOP.

9

10 Q. Does this conclude your pre-filed direct testimony?

11 A. Yes, it does.