

CUSTOMER OPERATIONS PANEL - ELECTRIC

1 Q. Would the members of the Customer Operations Panel
2 please state their names and business addresses?

3 A. Andrew G. Wood, Joanna Wolff, Richard McKnight and
4 Rebecca Lynch. The business address of Mr. Wood and
5 Ms. Lynch is 4 Irving Place, New York, NY 10003; the
6 business address of Mr. McKnight is 30 Flatbush
7 Avenue, Brooklyn, NY 11217; and the business address
8 of Ms. Wolff is 88-11 165th Street, Queens, NY 11432.

9 Q. By whom are the Panel members employed?

10 A. We are employed by Consolidated Edison Company of New
11 York, Inc. ("Con Edison" or the "Company").

12 Q. In what capacity are the panel members employed and
13 what are their professional backgrounds and
14 qualifications?

15 A. (Wood) I am General Manager of Strategic Applications.
16 I have been employed by Con Edison since 1972. My
17 current responsibilities include oversight of various
18 operating components: the Final Bills collection
19 group, Public Assistance processing group, and the
20 replevin processing group. My organization also
21 provides subject matter expertise and operational
22 support in the areas of system design and
23 implementation, metering and billing systems,

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1 credit/collections, budget development and oversight
2 and MIS reporting. I have held positions of increasing
3 responsibility in Customer Operations during the past
4 37 years. From 1972 to 2009, I have held operating
5 positions in all the functional areas of Customer
6 Operations. From 1999 to the present, I have served
7 as General Manager, Strategic Applications, on Central
8 Staff. My work experience is as follows:

- 9 • Telephone Account Representative, Bronx Customer
10 Service Supervisor, Bronx Customer Service
- 11 • Manager, Queens Customer and Commercial Services
- 12 • Division Manager, Central Operations, Queens
13 Customer & Commercial Services
- 14 • Division Manager, Branch Operations, Queens Customer
15 and Commercial Services
- 16 • Branch Manager, Flushing Branch, Queens Customer &
17 Commercial Services
- 18 • Section Manager, Customer Operations Central Staff
- 19 • Department Manager, Staten Island Customer
20 Operations

21 Before I joined Con Edison, I earned a Bachelor of
22 Science degree in Economics from Siena College in
23 1969. From 1969 to 1971, I served as an officer in

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1 the United States Army. I earned an M.B.A. in
2 Business Management from Fairleigh Dickinson
3 University in 1986. I attended Company-sponsored
4 training, including the Executive Management
5 Development course at the Fuqua School of Business,
6 Duke University, Durham, N.C.
7 (Wolff) I am the General Manager of Field Operations
8 South in Customer Operations. I am responsible for
9 meter reading and field collections in Brooklyn,
10 Queens and Staten Island. I am also responsible for
11 theft-of-service investigatory and associated
12 unmetered-service billing activities and the Field
13 Operations Performance Management Group. I have been
14 employed by Con Edison for 31 years and have held a
15 variety of management positions within Con Edison. I
16 have worked in Customer Operations since 1996 in the
17 positions of Section Manager at the Rye Call Center
18 and General Manager, Westchester Customer Operations.
19 I became the General Manager of Field Operations South
20 in 2006. Prior to joining Customer Operations, I held
21 the positions of: General Manager, Operations
22 Analysis; Director of the Learning Center; Assistant
23 to the Executive Vice President, Central Operations;

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1 Administrative Manager, Nuclear Power; and Personnel,
2 Safety Training Manager, Power Generation Maintenance.
3 I was hired into the Company in 1978 as an Associate
4 Analyst and worked at various generating stations and
5 Power Generation Services as a Personnel Supervisor
6 and Operating Supervisor. I earned a Bachelor's
7 Degree from Queens College in Economics and Secondary
8 Level Education in 1977 and a Master of Science in
9 Business Management from Mercy College in 1998. I
10 also attended Company-sponsored training, including
11 Executive Management Development courses at the Fuqua
12 School of Business, Duke University, Durham, N.C. in
13 1988, and Tuck Business School at Dartmouth, N.H. in
14 1990.

15 (McKnight) I am General Manager of the Customer
16 Assistance group in Customer Operations. My group
17 includes the Company's Call Center, back office
18 functions, including billing, credit operations and
19 customer investigations, as well as the Company's
20 Walk-in Centers. I have been employed by Con Edison
21 for over 30 years and have held a variety of positions
22 within Customer Operations in addition to a position
23 early in my career in our Accounting Research and

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1 Procedures section of our Accounting Department. The
2 Customer Operations positions held prior to my current
3 position include the General Manager of Specialized
4 Activities, Section Manager of our Corporate Customer
5 Group and Branch Manager. I joined Con Edison as a
6 Customer Service Representative while earning my
7 Bachelor of Science degree in Accounting from Long
8 Island University. I also have an MBA in Executive
9 Management from St. John's University.

10 (Lynch) I am the General Manager, Specialized
11 Activities. I am responsible for the Corporate
12 Customer Group, Retail Choice Operations, Executive
13 Action Group, and Telecom Applications Management. I
14 have been employed by Con Edison for 12 years.
15 Joining the company in 1996 as a management intern, I
16 have held positions of increasing responsibility. The
17 Customer Operations positions held prior to my current
18 position include Supervisor, Call Center, Supervisor,
19 Retail Choice Operations, Senior Specialist, Retail
20 Choice Operations, Senior Specialist, Corporate
21 Customer Group, Section Manager, Call Center, Project
22 Lead, Bill Redesign Project, Section Manager, Quality
23 Assurance. I have Bachelor of Business Administration

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1 and Master of Business Administration degrees from
2 Pace University, New York, NY.

3 Q. Have you previously submitted testimony or testified
4 before the New York State Public Service Commission?

5 A. All of the panel members have either submitted
6 testimony or testified in previous cases except Ms.
7 Wolff.

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

9 A. We describe a number of customer-service related
10 efforts, in either the expense or capital categories,
11 that we propose to undertake in the next several
12 years. These include:

- 13 • Multi-year capital programs that were approved
14 under the Company's current one year electric
15 rate plan, specifically, the expansion of the
16 Company's mandatory hourly pricing ("MHP")
17 program, installation of automated meter reading
18 ("AMR") in Westchester county, replacement of
19 obsolete remote meter reading devices, and
20 systems development.
- 21 • Capital projects that were previously presented
22 to the Commission for inclusion in rates that are
23 scheduled to start beyond the period approved by

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1 previous rate plans, specifically, replacement of
2 the cycle meter reading handheld system and call
3 center improvements.

- 4 • A significantly modified program for strategic
5 deployment of AMR for hard-to-read meters and
6 meters in new construction and renovation
7 projects. Recovery was not authorized for these
8 strategic AMR efforts in the Company's last rate
9 case, and the Company's proposal addresses the
10 concerns of the Commission.

- 11 • O&M programs, including, continuation of the
12 Company's low-income program, bill redesign, and
13 postal discount processes. A number of these
14 programs were approved by the recent electric
15 rate order in Case 08-E-0539 and will continue.
16 Where there was no spending for these programs in
17 the historical year, they are considered program
18 changes for purposes of this filing and therefore
19 included in this rate request.

20 In addition, we describe: the Company's request
21 for stimulus funds associated with AMI; a reduction in
22 the current level of the Company's revenues for water

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1 meter reading; and the Company's retail access
2 program.

3 In total, we are requesting rate relief for
4 customer service capital programs totaling \$20.9
5 million in 2010, \$15.3 in 2011, \$10 in 2012, and for
6 O&M programs \$2.3 million for rate year 1 and small
7 amounts for the subsequent 2 rate years.

8 Q. Does this testimony discuss the costs of the programs?

9 A. The testimony describes the total costs of these
10 programs. The Accounting Panel describes the
11 allocation of costs to electric customers.

12 Q. Please explain how the Company seeks to mitigate the
13 level of funding needed for Customer Operations
14 activities.

15 A. The Company considers cost mitigation in all its
16 Customer Operations activities and makes a constant
17 effort to provide its services efficiently. The
18 services offered under the cost mitigation programs
19 described in this testimony have been offered by the
20 Company for a number of years and the Company's rate
21 request includes cost reductions resulting from these
22 programs.

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1 Q. Please describe the Customer Operations mitigation
2 programs.

3 A. The Company has a number of mitigation programs
4 including:

- 5 • The Company offers easy-to-use self-service options
6 through its Call Center and Internet site that are
7 attractive to customers and that give customers
8 choices in how they do business with the Company.
9 These self-service applications provide customers
10 with access to information about their accounts,
11 such as meter-reading date and bill amounts, and
12 allow them to manage their accounts by entering
13 meter readings and paying bills.
- 14 • The Company uses outbound automated calling to
15 provide information to customers. Providing these
16 services through automated means reduces the costs
17 that would otherwise be incurred to have
18 representatives provide these services while
19 providing the customer a high quality experience.
- 20 • The Company continues to increase the number of
21 kiosks available to our customers in our Walk-In
22 Centers. These kiosks resemble an ATM machine and
23 provide customers with an efficient way to pay their

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1 bills without having to transact business with a
2 teller. In these locations, where payment agents are
3 paid by the Company for their services, the use of
4 kiosks reduces the cost of payment receipt and
5 handling.

- 6 • The Company's electronic bill offering reduces
7 postal costs and electronic payment options reduce
8 payment processing costs.
- 9 • Collaborative efforts with collection agencies on
10 final accounts help to offset potential
11 uncollectibles. For example, during 2008 upwards of
12 an additional \$1 million was recovered, a 14%
13 increase over 2007, while fees paid to these
14 collection agencies increased by only 6%.
- 15 • In a climate of record amounts of benefits provided
16 to our customers from HRA and DSS, the Company
17 introduced VRU and Internet applications that
18 customers and vendors can use to exchange
19 information regarding customer accounts, and, as a
20 result, our Public Assistance group received 5,000
21 fewer calls as compared to 2007.

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1 2003" and the Federal Trade Commission's (FTC)
2 regulations in 16 CFR § 681.2 ("Red Flag"
3 regulations).

4 In addition, as a result of replacing its cycle
5 meter reading handheld system, the Company expects to
6 realize savings in maintenance costs of approximately
7 \$126,000 by the end of RY 3.

8 Q. What other savings does the Company anticipate
9 achieving?

10 A. The Company will partially offset the loss of water
11 meter reading revenues, which is projected to result
12 from New York City's deployment of automated meter
13 reading, through a reduction in CFR staffing. A total
14 of \$313,000 will be achieved by the end of RY 3.

15 Q. What are the total savings that Customer Operations
16 anticipates achieving through these programs during
17 rate years 1 through 3 that are reflected in the rate
18 request?

19 A. A total annual savings \$2 million will be received by
20 the end of RY3.

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1 MANDATORY HOURLY PRICING PROGRAM EXPANSION

2 Q. Did the Commission approve the Company's proposed
3 expansion of the MHP program in its 2008 Electric Rate
4 Order?

5 A. Yes. Pursuant to the Commission's March 25, 2008 rate
6 order in Case 07-E-0523 ("2008 Electric Rate Order"),
7 the Company is implementing MHP expansion in two
8 phases for customers whose maximum demand is greater
9 than 500 kW and up to and including 1500 kW in any
10 month during an annual period.

11 In the 2008 Electric Rate Order, the Commission
12 required the Company to recover metering and
13 communication costs for these customers through
14 incremental metering charges. All other
15 implementation and O&E costs for the MHP program are
16 to be collected from customers through delivery rates.

17 Q. Was a similar program requested in the latest Con
18 Edison rate case?

19 A. Yes. The Commission's April 24, 2009 order in Case
20 08-E-0539 ("2009 Electric Rate Order") approved \$1.6
21 million in capital for 2009 and \$316,000 for O&M
22 expenses for the April 2009 - March 2010 rate year.

23 Q. Please describe the status of this effort.

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1 A. There are currently 1,500 customers with demand
2 greater than 500 kW and up to and including 1500 kW.
3 The Company has already installed interval meters for
4 those customers with maximum demand greater than 1,000
5 kW. The customers with demand over 1,000 kW and up to
6 1,500 kW will commence billing under the MHP rate, in
7 November 2009.

8 Interval meters are currently being installed for
9 customers whose maximum demand is greater than 500 kW
10 but less than or equal to 1000 kW; installation is
11 scheduled to be completed by March 31, 2010. These
12 customers will commence billing under the MHP rate in
13 May 2011.

14 Before billing starts for these customers, the
15 Company will have provided hourly meter data for six
16 months to customers with demand over 1000 kW and up to
17 1500 kW, which is currently on-going, and for 12
18 months to customers with demand over 500 kW and up to
19 1000 kW, which will begin in May 2010..

20 Q. Please explain the role of the Meter Data Management
21 System ("MDMS") in expanding the MHP program.

22 A. The MDMS will manage interval data and the development
23 of billing determinants for the larger number of

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1 customers that will be billed under MHP. The MDMS
2 requires integration with meter data acquisition
3 systems and the Customer Service System ("CSS") to
4 enable complex time-based rates to be applied to
5 customer bills and provide access to monthly, daily,
6 and hourly data.

7 Q. What is the status of MDMS implementation?

8 A. System interfaces to the CSS and meter data
9 acquisition system are in development. The plan is to
10 complete integration of the MDMS with the CSS by the
11 third quarter 2009. The MDMS system installation and
12 configuration were completed at the end of 2008, and
13 preliminary system functionality testing has been
14 completed. Development of the interface required for
15 integrating the MDMS with meter data acquisition
16 systems and billing systems is in progress and
17 expected to be completed by July 2009. Once the
18 interface development is finalized, system integration
19 testing will begin. User acceptance testing will
20 follow, which is expected to be completed
21 during October 2009. Once the system has been through
22 the user acceptance testing, the MDMS will be put into
23 parallel processing with the production system for

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1 three billing cycles, and comparison with production
2 data will be performed during the 3 months of parallel
3 testing. The plan is to complete parallel testing of
4 the billing system during the fourth quarter of 2009.
5 Once testing is completed, during January 2010, the
6 MDMS will be moved into production.

7 Q. What is the total capital cost of the MHP program?

8 A. Excluding meter hardware and installation costs, the
9 Company plans to spend a total of \$6.8 million on this
10 program. These expenditures are for the MDMS system.
11 A total of \$4.5 million has been expended through
12 year-end 2008. The Company projects to spend another
13 \$2.1 million in 2009 and the remaining \$252,000 for
14 moving MDMS into production and completing MDMS
15 implementation in early 2010.

16 Q. What is the projected increased O&M cost for the MHP
17 program?

18 A. We project additional spending of \$1.24 million in the
19 rate year. No further increases are expected after the
20 rate year.

21 Q. Please describe what the O&M is used for in the MHP
22 Expansion Program.

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1 A. O&M expenditures include communication costs, metering
2 support, billing support, and system support. A
3 portion of this cost, or \$615,000, for the monthly
4 communication services, will be recovered from an
5 incremental metering charge to new customers billed at
6 hourly prices. Other O&M costs of \$941,000 that need
7 to be expended for metering, billing, and system
8 support, for which we are requesting seven new
9 employees, will be recovered from all customers
10 through delivery rates.

11 Q. Have you prepared, or had prepared under your
12 supervision, exhibits that detail the Company's
13 capital and O&M expenditures involved in the
14 deployment of MHP?

15 A. Yes. We have prepared two exhibits. These are
16 entitled "MANDATORY HOURLY PRICING," Exhibit ___ (CO-
17 1) and "MANDATORY HOURLY PRICING WORKSHEET," Exhibit
18 ___ (CO-2).

19 MARK FOR IDENTIFICATION AS EXHIBIT ___ (CO-1)
20 and EXHIBIT ___ (CO-2)

21 Q. As part of the implementation of expanded MHP, the
22 Company will dedicate resources to provide metering,

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1 billing, and system support? Why are these
2 expenditures necessary?

3 A. Under the MHP expansion, the Company's population of
4 customers with interval meter installations will
5 nearly triple, going from 825 to about 2,400. This
6 expansion of MHP will significantly affect both
7 customers newly metered with interval equipment and
8 Company operations. Customers that were previously
9 billed under conventional rates will have access to
10 interval metering data. Although the Company plans
11 Outreach and Educational activities to educate these
12 customers prior to the installation of interval
13 meters, it is to be expected that prior to being
14 billed under the MHP rates, these customers will
15 require additional support to answer questions
16 regarding the interval meter data on which their bills
17 will be based. Once billing under the MHP rates
18 commences, additional support will be needed to
19 respond to their inquiries related to the MHP rates
20 and MHP billing. With the expansion of MHP to
21 additional customers, the Company will need to manage
22 a larger pool of remotely accessed meters and ensure
23 that meter data is received and properly posted to

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1 customer accounts. Extremely high volumes of interval
2 meter data will be collected as part of the MHP
3 expansion, and this activity requires oversight to
4 ensure the successful communication and storage of
5 this data.

6 Q. Please describe the costs associated with metering
7 support.

8 A. With the increased number of remotely accessed
9 interval meter installations, \$161,000 will need to be
10 expended to provide for two human resources that will
11 oversee the operation of the equipment and systems
12 associated with interval metering, data recording, and
13 reporting. Prior to the expansion of MHP, the Company
14 did not need to have resources dedicated to performing
15 this function. With about 1,560 additional interval
16 meters producing data at 15-minute intervals (i.e., 96
17 intervals per meter per day for an additional 150,000
18 items of data per day), the Company needs to dedicate
19 two additional resources to manage interval meter
20 operations. These resources will be necessary
21 regardless if customers switch to ESCOs since the
22 meter support will be necessary even if customers
23 switch.

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1 One management employee is needed to act as a
2 meter data collections system operator ("Operator") to
3 perform daily monitoring and maintenance of the
4 installed inventory of remotely accessed meters,
5 recorders and other devices with interval data
6 capability. The Operator will coordinate all data
7 collection activities and monitor the daily data
8 collection process as well as application of the
9 collected data to various Company databases that
10 support customer billing and data presentations for
11 the MHP program.

12 One weekly employee is needed to serve as a
13 communications coordinator ("Coordinator") to maintain
14 and administer all remote communications media used
15 for MHP metering applications. The Coordinator will
16 be responsible for maintaining land lines and the
17 cellular service from various wireless carriers
18 connected to our meters, recorders and devices and
19 performing the administrative activities necessary to
20 maintain operational communications to ensure that
21 data flow to critical Company data collection systems
22 remains uninterrupted.

23 Q. Please describe costs associated with billing support.

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1 A. With the installation of interval meters on the
2 services of customers whose maximum demand is over 500
3 kW by April 2010, starting RY 1, \$316,000 will need to
4 be expended for three Senior Customer Service
5 ("SCSRs") Representatives to provide MHP customer
6 service support. These employees will serve as
7 subject matter experts on MHP billing and the systems
8 supporting MHP, including the MHP customer website and
9 handle all customer and consultant inquiries related
10 to the MHP rates and MHP billing. They will assist
11 customers in using the MHP customer website and
12 associated reports and tools so that customers develop
13 an understanding of the rates, billing, pricing, and
14 opportunities for shifting their load and managing
15 their energy costs. They will monitor MHP accounts to
16 ensure that interval data is available to customers
17 and that MHP accounts are billed timely. They will be
18 responsible for the establishment, education and
19 customer care of new customers who qualify for MHP.
20 In addition, the supervisor will be responsible for
21 planning outreach and education efforts, including
22 forums for new MHP customers.

23 Q. Please describe costs associated with system support.

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1 A. The Company will expend \$246,000 for two computer
2 support personnel to provide support for the MDMS and
3 billing system activities. This support is also
4 necessary regardless if customers transfer to ESCOs as
5 the data must continue to be maintained
6 First, a Senior Systems Analyst is needed to provide
7 support and maintenance for MDMS processes, including
8 routine and non-routine updating of MDMS processes and
9 configurations, as necessary for the timely and
10 accurate updating of billing rates within MDMS as
11 rates and billing programs change.

12 A Systems Specialist will be needed to support
13 the system interfaces between the MDMS and the other
14 corporate back office systems. Specifically, the
15 additional resource would provide maintenance support
16 for the system interface code and assist in trouble-
17 shooting and resolving problems on a daily basis.
18 This resource will also design, develop and test
19 change and enhancement requests to the production
20 interfaces and act as technical expert on the MDMS
21 product, interacting as necessary with product support
22 staff, to resolve MDMS issues and coordinate upgrades
23 with the vendor.

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1 Q. What other O&M costs are included?

2 A. The O&M costs also include Outreach and Education
3 activities of approximately \$70,000 related to
4 educating customers regarding MHP, as directed by the
5 Commission in the 2008 Electric Rate Order. In
6 addition, license and maintenance costs of \$148,000
7 for the MDMS software and hardware are included.

8 Q. Were these expenditures included in prior funding
9 requests for MHP expansion?

10 A. No. As the Company has gained more experience with
11 MHP over the last rate year, it has identified the
12 need for resources to manage and support metering,
13 billing and MHP related systems.

14 AUTOMATED METER READING

15 Q. Please summarize Con Edison's planned program for AMR.

16 A. During 2010, the Company plans to complete the
17 saturated installation of AMR in Westchester County.
18 The Commission authorized funding for completion of
19 the Company's saturation project in Westchester in the
20 2009 Electric Rate Order of \$20 million in capital for
21 2009 and \$331,000 in O&M for the April 2009 - March
22 2010 rate year.

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1 The Company also plans in a significantly scaled
2 down program to (1) to replace obsolete hard wired
3 remote meter reading installations in locations where
4 one or more of these meters have failed; (2) deploy
5 AMR where it is expensive, dangerous or otherwise
6 inefficient to read meters in a conventional manner;
7 and (3) install AMR in each renovation project and
8 multi-tenanted building under development where 50 or
9 more electric meters will be needed. The cost for
10 this effort is \$1.3 million annually. In the 2009 Rate
11 Order, the Commission authorized an allowance "for the
12 proposed \$.5million annual investment in the
13 replacement of existing AMI [sic] devices as they
14 become obsolete," but did not authorize recovery for
15 AMR installations at hard-to-read meters and meters in
16 new construction and renovation projects. The Company
17 requests recovery of an additional \$0.8 million annual
18 investment for these other AMR projects where a remote
19 meter reading solution is needed. The Company
20 believes that AMR is the appropriate technology to be
21 used in these projects and also that these AMR
22 projects increase customer satisfaction and meter

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1 reading efficiency. These issues are more fully
2 explained in testimony below.

3 Q. Please describe the Company's plan for the saturated
4 installation of AMR.

5 A. The Company refers to the deployment of AMR as
6 "saturated AMR" when AMR technology is installed on
7 every meter in a target area. The Company has
8 completed saturated deployment of AMR throughout many
9 areas of Westchester. During 2009 and 2010, the
10 Company plans to complete the deployment of saturated
11 AMR throughout Westchester county by installing AMR
12 equipped meters and devices as follows: approximately
13 160,000 in the Yonkers meter reading branch,
14 approximately 26,000 AMR in the Mount Vernon meter
15 reading branch, and approximately 2,000 in the Rye
16 meter reading branch. The Company projects to make
17 capital investments of \$18 million for this program in
18 2009 and \$8.3 million in 2010.

19 Q. Does the Company expect to reduce Customer Field
20 Representative ("CFR") staffing as a consequence of
21 the installation of saturated AMR in Westchester?

22 A. Yes. The Company continues to reduce CFR staffing
23 levels as a consequence of the installation of

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1 saturated AMR. In RY 1, costs for CFRs are forecast
2 to be reduced by \$1.2 million over the historical
3 year. With the completion of the saturated AMR program
4 in Westchester, no further reductions will be
5 experienced.

6 Q. Please describe the other initiatives that Con Edison
7 is planning that involve AMR.

8 A. On a limited basis, the Company plans to continue the
9 strategic installation of AMR meters at locations (1)
10 outside of Westchester to replace obsolete hard-wired
11 remote meter reading installations and (2) where
12 meters are hard to read. The Company also plans to
13 purchase meters with AMR communications modules to be
14 installed in each new or renovated building where 50
15 or more electric meters will be needed.

16 Q. What are the benefits of installing AMR at these
17 locations?

18 A. AMR overcomes the difficulties associated with reading
19 meters considered to be "hard-to-read," for example,
20 in cases where customers are unavailable to provide
21 access to their meters or where there is restricted
22 access due to their location. Customer convenience and
23 the reduction in estimated readings are also key

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1 benefits of AMR deployment. It is also the case that
2 AMR reduces the injuries associated with manual meter
3 reading (slips, trips and falls) during inclement
4 weather and the normal course of meter reading
5 activities. In new construction projects having 50
6 meters or more, AMR helps minimize disruptions in
7 meter reading routes caused by the addition of large
8 numbers of meters and avoids the need for the
9 additional staffing that become necessary when a meter
10 reading route becomes too large.

11 The Company currently has over 530,000 AMR
12 devices in use throughout the service area, and AMR
13 functionality and performance are well documented.
14 The Company has been strategically deploying AMR for a
15 number of years, and field organizations are already
16 equipped with devices capable of collecting readings
17 from AMR meters.

18 Q. In light of the Commission's recent approval of
19 minimum functional requirements for AMI, why doesn't
20 the Company delay these projects that could
21 potentially be stranded should a broad based AMI
22 projects be deployed?

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1 A. The strategic AMR projects that the Company proposes
2 provide immediate benefits to customers that will be
3 enjoyed over a significant number of years during the
4 time that AMI pilots are put into effect and results
5 tested. And should a broad based AMI project be
6 implemented at some point, it would take many years
7 for the Company to deploy AMI meters system wide.
8 During the time of possible planning, preparation and
9 deployment of broad scale AMI, the Company needs to be
10 able to address and resolve hard-to-read meter
11 situations that are typical to certain governmental
12 accounts and other private customers and provide the
13 benefits to customers that AMR provides.

14 In addition the installation of AMR devices is
15 preferable to the use of AMI in these locations unless
16 broad based AMI is employed. AMI depends on a
17 communication infrastructure between the utility and
18 the AMI meters. Therefore, the use of AMI at such
19 locations is not economic, because it would require
20 the installation of an AMI communication
21 infrastructure to support a single meter or a small
22 number of meters. The installation of AMR at these
23 locations avoids the cost of installing an AMI

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1 infrastructure. In cases where AMI is used and areas
2 are saturated with AMI meters, the cost of the
3 communication infrastructure is amortized across a
4 large number of meters. Amortizing the cost of an AMI
5 infrastructure across a small number of widely
6 dispersed meter points, as is the typical case for
7 hard-to-read meters and meters at individual building
8 projects would cause the cost per meter point to be
9 very high.

10 Q. Please describe Con Edison's plans for AMR deployment
11 to replace existing hard-wired remote meter
12 installations.

13 A. In its 2009 Rate Order, the Commission approved the
14 Company's \$.5 million in annual capital investment to
15 replace obsolete hard wired remote meter installations
16 in locations where one or more of these meters have
17 failed. This is an annual program to replace 3,500
18 meters per year with the deployment criteria based on
19 reported failure of these obsolete remote devices at
20 customer locations. There are currently 93,000 of
21 these devices on the Company's system that the Company
22 intends to eventually replace in total.

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1 Q. Please describe Con Edison's plans for AMR deployment
2 to replace hard-to-read meters.

3 A. The Company has been deploying AMR equipment at
4 locations and meter reading routes where it is
5 expensive, dangerous or otherwise inefficient to read
6 meters in a conventional manner. The meters targeted
7 for replacement are those that are regularly
8 inaccessible on the meter reading day and generally
9 require that a meter reader expend more than the
10 average time to obtain readings, and the overall rate
11 of meter reading is low. The installation of AMR
12 equipment for such meters or routes has improved meter
13 reading efficiency and provides customers with actual
14 meter readings.

15 At present there are about 90,000 Company meters
16 where the Company has been unable to gain access for
17 120 days or more. In Case 08-E-0539, the Company
18 proposed to deploy AMR meters at a rate of 10,000 per
19 year to replace hard-to-read meters. Under this
20 proposal, the Company seeks significantly reduced but
21 sufficient funding so that the Company can continue to
22 address hard to read meters. Such funding will
23 provide the Company with the means to address the most

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1 difficult of the hard-to-read meters. The Company is
2 seeking funding for the deployment of 3,500 AMR
3 installations per year. The capital cost of these
4 proposed installations is \$500,000.

5 Q. Please describe Con Edison's plans for AMR deployment
6 in building construction and renovation projects where
7 50 or more electric meters will be needed.

8 A. The Company plans to install meters equipped with AMR
9 communications modules in new construction and
10 renovation projects where 50 or more electric meters
11 will be needed at each location. The Company
12 estimates that 14,000 communication modules would be
13 required under this program annually. The Company
14 previously proposed to deploy 35,000 AMR meters in
15 selected projects; under this proposal, the Company
16 limits the deployment of AMR installations to projects
17 where 50 or more electric meters would be needed.
18 Installation of AMR in these projects avoids the need
19 for additional staffing that is required when meter
20 reading routes become too large. Without AMR
21 capability for metering at these construction
22 projects, the additional manually read meters would
23 necessitate meter reading route balancing in order to

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1 maintain route sizes that are manageable. At some
2 point additional staffing would be needed as the
3 number of meter reading routes grew beyond current
4 staff capability.

5 In addition, since a new meter and installation is
6 already required in these situations, inclusion of an
7 AMR communication module provides an alternative to
8 installation of a manually read meter at the small
9 incremental cost of approximately \$20 for the AMR
10 module for each meter. Since AMR eliminates the need
11 to have CFRs visually read and record individual
12 readings, the incremental cost for the AMR module is
13 quickly offset by the increased efficiency with which
14 the meters can be read. The payback period for the
15 AMR module is less than 3 years.

16 The capital cost of these proposed installations is
17 \$315,000.

18 Q. Please describe the capital funding that is needed to
19 replace hard to read meters and in projects where 50
20 or more electric meters will be needed.

21 A. The Company's projected capital expenditures for the
22 strategic deployment to replace hard to read meters
23 and in projects where 50 or more electric meters will

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1 be needed in the years 2010 through 2012 is \$0.8
2 million annually. These costs are predominantly the
3 costs of the AMR modules, meters and installation.

4 Q. Does the Company experience any savings as a result of
5 the installation of AMR at these projects?

6 A. The Company does not project near-term savings. As
7 explained above, the future need to hire new CFRs is
8 reduced.

9 Q. What is the projected additional O&M cost for the AMR
10 program?

11 A. We expect a cost increase of \$180,000 in RY 1 for
12 mostly vehicle-related costs. No further O&M
13 increases are expected after RY 1.

14 Q. Have you prepared, or had prepared under your
15 supervision, exhibits that detail the AMR
16 implementation?

17 A. Yes. We have prepared three exhibits. These are
18 entitled "AMR SATURATION," Exhibit___ (CO-3),
19 "AUTOMATED METER READING WORKSHEET," Exhibit___ (CO-4)
20 and "AUTOMATED METER READING SATURATION SAVINGS,"
21 Exhibit___ (CO-5).

22 MARK FOR IDENTIFICATION AS EXHIBIT___ (CO-3),
23 EXHIBIT___ (CO-4) and EXHIBIT___ (CO-5)

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1 AMI FUNDING

2 Q. What is the status of Company's AMI proposal?

3 A. In its Order Relating to Electric and Gas Metering
4 Services, dated August 1, 2006, in Case 94-E-0952, the
5 Commission directed utilities to file plans for the
6 development and deployment of advanced electric and
7 gas metering systems, including automated meter
8 reading technology. The Commission's consideration of
9 the Company's plan was suspended while the Commission
10 adopted minimum functional requirements for AMI and
11 the Company refiled its pilot projects. Minimum
12 functional requirements for AMI systems were adopted
13 by the Commission in February 2009 in Case 09-M-0074.

14 The Company filed its Supplemental Plan for AMI
15 pilot projects on April 14, 2009, as directed by the
16 February 2009 order and is awaiting the Commission's
17 decision on its proposal.

18 Q. What is the Company's position with regard to AMI?

19 A. The Company proposes to deploy AMI pilot projects as
20 described in its Supplemental Plan providing it has
21 the authority to recover the costs of these projects.

22 Q. What is the Company's position with regard to funding
23 for its proposed AMI pilot projects?

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1 A. The Company believes that funding for AMI initiatives
2 may be available under the Smart Grid portion of the
3 American Recovery and Reinvestment Act for up to half
4 of the costs expected to be incurred under its
5 Supplemental Plan filing. In its Petition for
6 Approval of and Supplementary Funding for Smart Grid
7 Projects, filed in Case 09-E-0310, the Company
8 proposed that such federal funding be sought. If such
9 funding is awarded and the Commission authorizes the
10 Company to recover the balance of project costs from
11 customers or if the Commission decides that all costs
12 be recovered from customers, the Company proposed that
13 such costs be recovered through a monthly cost
14 recovery mechanism. If the Company has begun to
15 recover its costs through a Commission-approved
16 mechanism before a decision is reached in this
17 proceeding on base rates, the Company proposes that
18 the remaining costs be recovered in the base rates
19 established by the Commission in this proceeding.

20 If the Company's AMI proposal is approved before
21 new rates take effect in this case, the rates to be
22 effective in the first rate year and thereafter should
23 be adjusted to reflect the costs of the AMI projects

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1 that are not covered by funding under the Recovery
2 Act. If the Company's AMI proposal is authorized
3 after rates become effective in this case, the
4 Commission should authorize the Company to collect
5 through a monthly charge a full return on all capital
6 investments associated with the AMI projects as funds
7 are spent. Once the assets are placed into service,
8 cost recovery will be based on a carrying charge equal
9 to the Company's currently authorized pre-tax rate of
10 return for each service, including an allowance for
11 depreciation. Cost recovery will also include all
12 incremental O&M expenses incurred for implementation
13 and operation of the AMI projects. This cost recovery
14 mechanism would permit the Company to recover its AMI-
15 related costs on a contemporaneous basis through
16 monthly charges pending the inclusion of AMI costs in
17 base rates the next time base rates are reset.

18 CYCLE METER READING SYSTEM

19 Q. Is the Company proposing to replace the cycle meter
20 reading handheld system?

21 A. Yes.

22 Q. Why is a new meter reading system needed?

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1 A. We currently use a PC-based handheld application
2 (referred to as the "PET system") to perform and
3 administer our meter reading activities. The system
4 was installed in 2002 and automated the flow of
5 information for meter reading using a hand-held
6 microcomputer. The Company has been advised by the
7 vendor of the PET system that the system will not be
8 supported beyond 2012. Thus, the Company must replace
9 its cycle meter reading system and handheld devices
10 before 2012 to be able to continue timely billing of
11 our customers. Our plan is to replace this system
12 with an application that will provide for the
13 effective control of our meter reading activities and
14 offer the flexibility to expand as new technology
15 becomes available.

16 Q. What operations are supported by the cycle meter
17 reading handheld system?

18 A. The current system provides the ability to read
19 conventional and AMR meters with a handheld device or
20 a mobile collector installed in a vehicle and deliver
21 these readings into the Company's CSS. This system
22 also enables automated route restructuring at the

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1 local level for the purpose of maintaining efficient
2 routes.

3 Q. Has the Company's plan for replacing the PET system,
4 in the next several years, as was described by this
5 Panel in Case 08-E-0539 changed?

6 A. No, the Company still plans to initiate this project
7 during 2010. As we described in Case 08-E-0539, using
8 the competitive bid and RFP process, the Company will
9 investigate the market for systems designed to deliver
10 correct and timely billing of customer account data.
11 The Company will use the opportunity of the
12 significant lead time for replacement to conduct a
13 detailed analysis of the requirements of the system
14 and to develop a competitive RFP process, which will
15 enable us to maximize the operational benefits that
16 can be secured at the most competitive market price
17 for these benefits. The process will allow us to
18 carefully consider our current operational needs and
19 those expected to be experienced in the future.
20 Initial indications are that the systems now available
21 in the market will offer new functionality beyond the
22 capability of our current system, and we will be
23 looking to take maximum advantage of such developments

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1 as we pursue a replacement system. The Company
2 expects to purchase and install a new system in 2011.

3 Q. What work is involved in replacement of the new meter
4 reading system?

5 A. The work involves the purchase of approximately 470
6 handheld devices, 470 desk-based docking stations and
7 compatible software. New internal hardware such as
8 servers and desktop computers will also be purchased.
9 It is estimated that four servers will be required to
10 support the vendor applications and 24 desktop PCs and
11 monitors to be used by dispatchers throughout the
12 Company system. In addition, a system interface is
13 required to integrate the Company data with the cycle
14 meter reading system software.

15 Q. Could this system potentially be stranded if the
16 Company deploys AMR or AMI system wide?

17 A. Should system wide deployment of AMR or AMI occur such
18 action would be initiated at some future date and, due
19 to the large numbers of meters in the Company's
20 service territory, require a long period of years to
21 complete. By the time such a deployment of AMR or AMI
22 was completed, the Cycle Meter Reading Handheld System

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1 installed under this program would probably be close
2 to end of life.

3 Q. What is the projected capital cost of the new system?

4 A. The Company projects a capital cost of approximately
5 \$4.6 million, which would be incurred in 2011. This
6 projection is based on a price estimate received from
7 a leading provider of meter reading systems and the
8 Company's estimate of internal hardware costs and
9 development work required to integrate the new meter
10 reading system with the Company's customer service
11 system.

12 Q. What is the projected O&M cost of the new system?

13 A. It is expected that the Company will incur O&M costs
14 relating to system maintenance of approximately
15 \$220,000 for rate year 1 and increase to \$314,000 for
16 RY2. We would expect to negotiate this as part of the
17 purchase agreement.

18 Q. Have you prepared, or had prepared under your
19 supervision, exhibits that details the Company's
20 proposed investment in the cycle meter reading
21 handheld system?

22 A. Yes. We have prepared two exhibits. These are
23 entitled "CYCLE METER READING HANDHELD SYSTEM,"

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1 Exhibit___ (CO-8), and "CYCLE METER READING HANDHELD
2 SYSTEM WORKSHEET," Exhibit ___ (CO-9).

3 MARK FOR IDENTIFICATION AS EXHIBIT___ (CO-8)

4 and EXHIBIT ___ (CO-9)

5 CALL CENTER IMPROVEMENTS

6 Q. Please describe the improvements that the Company is
7 planning to make at the Call Center.

8 A. The Company needs to replace the Call Center's
9 automatic call distribution ("ACD") system; replace
10 the existing telephone self-service Voice Response
11 Unit ("VRU") applications; implement business
12 continuity initiatives; replace the Call Center's
13 workstations; and replace the call recording and
14 quality monitoring system.

15 Q. What is the ACD system?

16 A. The existing telephone ACD system, installed in 1998,
17 is the Call Center's most critical infrastructure
18 asset and processes more than 16 million customer
19 calls annually. All customer contacts made to the
20 Call Center via telephone are processed and
21 distributed to Customer Service Representatives
22 ("CSRs") in our four Call Centers via the ACD system.
23 The ACD system provides an intelligent call routing

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1 engine that distributes customer calls to CSRs in
2 accordance with call types and CSR skill sets.

3 Additionally, the ACD telephone system offers tiered
4 messaging capabilities, which provide customers with
5 generic and emergency-related announcements.

6 Appropriate messages need to be available to our
7 customers during emergencies.

8 Q. Why is the Company proposing to replace the existing
9 ACD system?

10 A. It is necessary for the Company to replace its
11 existing telephone ACD system before 2013 when it
12 reaches the end of its service life. The Call
13 Center's ACD switch replacement must be completed
14 before the end of 2012. Beyond 2012, the existing ACD
15 platform will not be supported by the manufacturer.

16 Replacement of the ACD system will also improve
17 upon the existing ACD infrastructure and promotes
18 business continuity. The existing ACD switch
19 infrastructure is contained within a single location
20 at the Call Center. This type of centralized
21 architecture introduces a major single point of
22 failure - one that can have a crippling effect on the
23 Call Center's operation. The ACD replacement solution

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1 will eliminate the existing single point of failure.
2 The replacement ACD solution will include a
3 distributed infrastructure architecture. A
4 distributed design will allow major ACD system
5 components to be duplicated across several locations.
6 The proposed ACD solution will be fault tolerant,
7 meaning that a single critical hardware failure event
8 will not impact Call Center operations. Therefore,
9 the replacement ACD solution will include diversity
10 and redundancy.

11 Q. What is the Company's schedule for this work?

12 A. The Company plans to begin this project during 2010
13 with a comprehensive RFP process to target the best
14 solution for the Call Center's future needs that
15 integrates effectively with other Call Center
16 technology. As integration of such an important
17 system is a long and complex process, the Company has
18 set the goal of securing the required replacement
19 solution by 2011 so the system will be provisioned and
20 tested thoroughly before the end of life of the
21 current system. Such a strategy will protect the level
22 of service to customers at all stages of this
23 significant system change. The existing ACD switch

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1 will remain operational as its replacement system is
2 designed, implemented, and tested during a two-year
3 period beginning in 2011.

4 Q. What is the cost for this program?

5 A. The projected capital cost for the replacement of the
6 ACD system is \$2.6 million. The Company expects to
7 spend \$50,000 in 2010, \$1.5 million in 2011 and \$1
8 million in 2012.

9 Q. What is the projected O&M cost of the new system?

10 A. It is expected that the Company will incur increased
11 O&M costs of \$28,000 for system maintenance beginning
12 in RY 3.

13 Q. Please describe the Company's VRU system.

14 A. The Company's VRU is an automated system that provides
15 customers calling the Company with self-service
16 options instead of having to wait for a CSR.
17 Currently, there are thirty-five VRU self-service
18 applications available to customers. We continue to
19 see annual growth in customer usage of the VRU self-
20 service. Over the past two years, the use of VRU
21 self-service increased by an average of 23 percent.
22 More than 55 percent of all inbound customer calls are
23 satisfied by these self-service applications without

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1 needing to speak to a CSR. Such volume handled
2 manually would require the equivalent of approximately
3 300 CSRs.

4 In addition to inbound calling features, the VRU
5 handles most outbound calls made to customers during
6 outage events in order to provide customers with the
7 estimated time of service restoration. The VRU also
8 makes outbound calls to customers to verify service
9 restoration following an outage event.

10 Q. Why is the Company replacing this system?

11 A. The existing vendor advises that our VRU employs
12 outdated technology which will not be supported beyond
13 2013. With the existing VRU hardware of an age where
14 replacement parts have become increasingly scarce,
15 replacement of the VRU is critical to avoid hardware
16 failures that could have an impact on system
17 availability. The scarcity of replacement parts will
18 become increasingly problematic in future years. Such
19 failures would negatively affect the Call Center's
20 ability to provide customers with quality customer
21 service.

22 Q. Please continue.

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1 A. Furthermore, the Company's existing self-service VRU
2 system utilizes a proprietary programming language,
3 which limits the development of software required for
4 future self-service applications and increases the
5 difficulty of system upkeep as programmers capable of
6 writing programs in this language become more
7 difficult to source and secure.

8 Q. When will the new VRU self service system be in
9 operation?

10 A. The new VRU self-service system infrastructure and
11 initial pilot applications will be in operation during
12 the fourth quarter of 2009. By the end of 2009, the
13 Company will have already invested \$3.9 million on the
14 new VRU self-service system.

15 Q. Please describe the additional work that is required
16 as part of the VRU replacement during the rate year
17 and beyond.

18 A. The new IVR solution which is currently being
19 developed by the Company involves the replacement of
20 the existing VRU system with a next generation
21 interactive voice response ("IVR") system. The new
22 system will better serve customers over a range of
23 services. This new generation system will be

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1 complemented by virtual hold technology - a technology
2 allowing the customer to select from among call back
3 options if they want to speak with a CSR but do not
4 wish to continue to hold for a CSR to be available.

5 Q. Please continue.

6 A. The Company's self-service system plays a critical
7 role in providing customers with fast and easy-to-use
8 self-service applications, including applications for
9 services related to emergencies, billing, payments and
10 agreements. These existing self-service applications
11 will need to be re-engineered and re-written for use
12 in the new IVR self-service system; this constitutes a
13 major part of the system replacement project. This
14 rewriting and reengineering work must be completed
15 prior to 2013, when vendor support will no longer be
16 available.

17 Q. What is the cost for this program?

18 A. The projected capital cost for the development of
19 self-service system applications is \$7.9 million based
20 on a vendor estimate. The Company expects to spend
21 \$3.1 million in 2010, \$2.7 million in 2011 and \$2.1
22 million in 2012.

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1 Q. What is the projected O&M cost of the existing and new
2 VRU self-service systems?

3 A. The Company expects to incur incremental O&M costs of
4 \$95,000 in RY 1 for maintenance of the IVR system, an
5 increase of \$190,000 in RY 2 to support IVR
6 applications, and an additional increase of \$460,000
7 starting in RY 3 for IVR system maintenance. This
8 estimate is based on a quote from the Company's
9 current vendor.

10 Q. Please describe the new business continuity
11 initiatives.

12 A. The Call Center business continuity plan requires the
13 Company to improve its means to provide continued
14 service to our customers in the event of a loss of
15 Call Center infrastructure, including server computing
16 resources and facilities. The existing Call Center
17 LAN server architecture is not redundant and lacks a
18 robust disaster recovery implementation. Failure of a
19 given server will prevent all users connected to the
20 server, including CSRs, from accessing information
21 that is necessary to handle and process customer
22 inquiries and emergency transactions. During most
23 server outages, users remain out of service until the

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1 server problem is corrected. Typically, the
2 restoration process requires at least six hours, which
3 could hamper our ability to assist customers during an
4 emergency period when they need us to be available and
5 have access to essential information.

6 Q. What improvements will be made?

7 A. The proposed improvement involves the implementation
8 and installation of a redundant server cluster
9 environment with near real time recovery capabilities.
10 This environment will allow servers to replicate data
11 across two physically diverse locations and recover
12 data almost immediately when failures occur. The
13 proposed improvement will mitigate server/application
14 downtime through the implementation of server recovery
15 and data replication technologies. Additionally, the
16 proposed improvement design will include a robust
17 storage area network ("SAN") to ensure files/data are
18 backed up and stored to disk routinely for archiving
19 and restoration purposes. The SAN technology that
20 will be implemented has proven to be extremely useful
21 in providing sound server recovery and restoration
22 solutions.

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1 In the proposed server recovery solution, a
2 failed server will be immediately recovered by a
3 redundant like and kind server. Most importantly,
4 this mechanism will be transparent to server users.
5 This solution will also address existing points of
6 failures that exist today in the computer network
7 wiring infrastructure. Further, Call Center network
8 performance analytics, system monitoring tools, and
9 data warehousing technology will be implemented to
10 consolidate information and refine data to enable pro-
11 active, rules-based responses to system performance.
12 This will allow the Company to identify areas of
13 potential failure at the earliest possible time and
14 take corrective steps to avoid such failure or limit
15 its impact. These analytical and monitoring
16 capabilities will enable process review to improve
17 system processes for future operation.

18 Q. What is the cost for this program?

19 A. The projected capital cost for the business continuity
20 initiatives totals \$1.6 million: \$1.1 million in 2010
21 and \$500,000 in 2011. There is a \$50,000 O&M expense
22 associated with this program.

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1 Q. Why is the Company planning to upgrade the Call Center
2 CSR workstations?

3 A. By 2012, this hardware will have reached the end of
4 its useful life. These are the computers used by CSRs
5 to handle all customer inquiries. If they were to
6 begin to fail it could cause significant problems in
7 our handling of customer inquiries. In this context,
8 it is important that arrangements are made to replace
9 this equipment that is essential to serving the
10 Company's customers.

11 Q. What is the cost for this program?

12 A. The projected capital cost for the replacement of the
13 Call Center workstations and servers is \$1.4 million,
14 and it is expected that this cost will be incurred in
15 2012. There are no incremental O&M costs associated
16 with this program.

17 Q. Why is the Company planning to replace its call
18 recording and quality monitoring system?

19 A. The existing call recording system will not be
20 supported beyond 2013. The Call Center's call
21 recording and quality monitoring system records
22 customer calls and related screen content. This
23 system is used by Call Center supervision for

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1 performance analysis and quality assurance purposes.
2 The system is critical to the Company's ability to
3 evaluate, provide feedback to and coach CSRs regarding
4 their handling of customer calls. In addition, we
5 utilize the system to follow-up on customer complaints
6 and to conduct root cause analysis of service
7 emergencies and complaints.

8 Q. What is the cost for this program?

9 A. The projected capital cost for the call recording and
10 quality monitoring system is \$1.4 million, and it is
11 expected that this cost will be incurred in 2013.
12 There are no incremental O&M costs associated with
13 this program.

14 Q. Have you prepared, or had prepared under your
15 supervision, exhibits that detail the Company's
16 proposed investment in the Call Center?

17 A. Yes. We have prepared two exhibits. These are
18 entitled "CALL CENTER IMPROVEMENTS," Exhibit___ (CO-
19 10), and "CALL CENTER IMPROVEMENTS WORKSHEET,"
20 Exhibit___ (CO-11).

21 MARK FOR IDENTIFICATION AS EXHIBIT ___ (CO-10)

22 and (CO-11)

23 SYSTEMS DEVELOPMENT

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1 Q. Please describe the changes the Company is planning to
2 make to its customer service systems.

3 A. The Company plans to make improvements to its CSS to
4 keep it viable, to develop applications for the
5 automatic billing of customers currently billed
6 outside of the Company's CSS, and to reinforce systems
7 used to support the competitive marketplace.

8 Q. Please describe the improvements that need to be made
9 to the CSS.

10 A. The Company's CSS is composed of a suite of systems
11 that provide for the support of the customer service
12 and billing functions. Over the years, new
13 applications and enhancements to the existing systems
14 have introduced new technologies, enhanced
15 functionality and improved integration between the
16 systems that comprise the CSS suite. Due to these
17 efforts, the CSS has remained viable and technically
18 supportable, and these efforts need to continue. In
19 addition, with the increasing complexity of programs
20 the Company's billing system must support, the Company
21 needs to explore the continued viability of the
22 Company's CSS and what steps must be taken to ensure
23 its reliable operation into the future.

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1 Q. Please explain the Company's efforts related to
2 extending the life of the CSS.

3 A. We continue to upgrade the programming languages in
4 which CSS was originally developed. We have been
5 systematically reprogramming CSS to a more universally
6 used and supported language. Areas of CSS where
7 programming language will be upgraded under this
8 program include the bill calculation facility, the
9 activity file maintenance application, and credit
10 functions. Other efforts to be completed under this
11 program are: update of the revenue and statistics
12 programs, update of the CSS letter facility, expansion
13 of field reporting capabilities and creation of a
14 sustainable XML interface to CSS for use by external
15 systems.

16 Q. Why is this work required?

17 A. The availability of programmers and technicians
18 trained in the older COBOL, ASSEMBLER and RAMIS
19 programming languages in which CSS programs were
20 originally developed continues to diminish. Without
21 an upgrade to more current programming languages, this
22 critical group of systems will be increasingly
23 difficult to support and maintain resulting in the

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1 Company's inability to create new applications or fix
2 problems as they occur. In addition, future releases
3 of the operating system under which these systems
4 execute orders may not support these older programming
5 languages. Therefore, upgrading to a more universally
6 used and supported languages is critical to the
7 continued viability of CSS and the Company's ability
8 to bill and serve its customers. In addition, a more
9 current and supported programming language is needed
10 to more efficiently facilitate CSS integration with
11 other systems. These changes are especially important
12 as the nature of customer needs and billing are
13 becoming more complex. CSS must be able to interact
14 effectively with systems that enable such options as
15 energy choice and MHP and facilitate quality data
16 presentation to Customer Service Representatives. In
17 addition, various CSS programs, such as bill
18 calculation, activity file maintenance, and CIS
19 display screens, will continue to be expanded to meet
20 the needs of initiatives such as off-system billing
21 applications, net-metering, and energy efficiency
22 programs.

23 Q. Please continue.

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1 A. As these initiatives continue to result in expansion
2 of CSS programs, rate relief is needed for additional
3 resources to support CSS maintenance, specification,
4 development, and testing so that changes to CSS
5 programs are implemented in an efficient and timely
6 manner.

7 Q. Please explain the Company's efforts related to the
8 functional enhancement of CSS.

9 A. In addition to efforts to upgrade programming
10 languages and to eliminate languages that are no
11 longer viable, the Company will pursue ways to enhance
12 the flexibility of our CSS suite. A team comprised of
13 key business users in Customer Operations, Information
14 Resources and contractors with expertise in customer
15 service systems will review the operation and
16 capabilities of the CSS suite and determine if
17 potential bottlenecks to future system expansion exist
18 and pose a threat to the efficient continued viability
19 of the customer service and billing functions. The
20 team will concentrate on areas of the system where
21 large-scale enhancements may be required and where the
22 original system suite was not designed to facilitate

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1 such enhancement. These could include, for example,
2 large scale AMI, net metering and MHP.

3 Q. Why is this work necessary?

4 A. While the Company continually monitors the market for
5 utility-oriented customer service systems, and
6 actually implements leading market solutions on a
7 small scale, we do not believe implementing a new
8 system for our electric and gas customers is cost-
9 justified at this time. Our experience with vendor
10 software in this area, and the monitoring of
11 replacement projects at other utilities, supports our
12 current conclusion that extending the life of our
13 existing system is the more effective alternative.
14 The Company has successfully implemented major
15 enhancements to its current system, including a new
16 billing sub-system, sophisticated user interfaces and
17 account analysis for customer representatives,
18 wireless interfaces for real-time field information,
19 support and billing for the largest population of
20 retail choice customers in the State, and robust
21 customer self-service features through our Internet
22 and IVR applications. We believe that at this time we
23 can continue to enhance our present system through

CUSTOMER OPERATIONS PANEL - ELECTRIC

1 identification and modernization of targeted areas of
2 the system, including large-scale enhancements as
3 necessary.

4 Q. What is the projected capital cost of this program?

5 A. The projected capital cost of this program is about \$3
6 million per year during 2010-2013.

7 Q. What is the projected O&M cost of this program?

8 A. We expect an annual cost increase of \$400,000 in RY 1
9 for four additional human resources to support
10 maintenance, specification, development, and testing
11 of various expansions of CSS expected in the future.
12 No further O&M increases are expected after RY 1.

13 Q. Have you prepared, or had prepared under your
14 supervision, an exhibit that details the Company's
15 proposed investment in the CSS?

16 A. Yes. We have prepared two exhibits. These are
17 entitled "CUSTOMER SERVICE SYSTEM IMPROVEMENTS,"
18 Exhibit___ (CO-12) and "CUSTOMER SERVICE SYSTEM
19 IMPROVEMENTS WORKSHEET" Exhibit ___ (CO-13)."

20 MARK FOR IDENTIFICATION AS EXHIBIT___ (CO-12)
21 and EXHIBIT ___ (CO-13)

CUSTOMER OPERATIONS PANEL - ELECTRIC

1 Q. Please describe the application that you are
2 developing for accounts that are billed outside of the
3 Company's CSS.

4 A. Currently, the Company utilizes a number of billing
5 processes outside of the CSS (termed "off-system"
6 billing processes) to bill customers taking service
7 under certain rates and programs. Managing and
8 billing these customer accounts involves manual
9 processes and/or systems other than CSS. The Company
10 is in the process of migrating all the off-system
11 billing applications to a common automated customer
12 care and billing application that will support these
13 billing activities and provide full automation of
14 these processes, eliminating the manual processes for
15 billing currently in use. The Commission considered
16 this program in Case 08-E-0539 and approved funding of
17 \$1.6 million in capital for 2009.

18 Q. What off-system billing applications currently in use
19 will be replaced?

20 A. The Company plans to utilize the common automated
21 system to replace all of the off-system billing
22 applications currently in use. Under this program,
23 billing will be provided for electric customers paying

CUSTOMER OPERATIONS PANEL - ELECTRIC

1 for excess distribution facilities, standby rates and
2 those rates currently billed for service under the
3 Economic Development Delivery Service ("EDDS") rate
4 schedule. The EDDS rates are applicable to customers
5 under the Power for Jobs ("PFJ") program and economic
6 development customers purchasing electricity from the
7 New York City Public Utility Service ("NYCPUS"),
8 County of Westchester Public Utility Service Authority
9 ("COWPUSA"), and the New York Power Authority.

10 Q. Please explain the work involved in replacing the off-
11 system billing applications.

12 A. The work involved to develop the robust functionality
13 of the automated customer care and billing application
14 consists of: data migration and customer information
15 conversions, customized application and interface
16 development, complex algorithm and framework
17 configuration, testing, and deployment. Once
18 successfully deployed, expenses will be incurred to
19 provide for continued support of hardware and software
20 upgrades/maintenance, functionality modifications,
21 rate modifications, testing, and deployment.

22 Q. What is the status of this project?

CUSTOMER OPERATIONS PANEL - ELECTRIC

1 A. A comprehensive review of the billing and system
2 processes involved in billing the involved rates and
3 system requirements analysis was completed in October
4 2008. Application development and data migration is
5 currently underway for selected applications. The
6 data conversion and code development for the first
7 application is scheduled to be completed on October
8 2009.

9 Q. What is the capital cost of this program?

10 A. The cost to develop the proposed system for the
11 automation of off-system billing is estimated to be a
12 total of \$5 million in capital spending over the 2010-
13 2013 period. The Company plans to expend \$2 million in
14 capital in 2009 for this program. The Company projects
15 to expend an additional \$5 million in capital for this
16 program: \$1.7 million in 2010, \$1.6 million in 2011,
17 \$1 million in 2012 and \$700,000 in 2013.

18 Q. What is the projected O&M cost of this program?

19 A. We expect a cost increase of \$400,000 in RY 1 for
20 maintenance contracts and staffing needed to support
21 the new customer care and billing application. No
22 further O&M increases are expected after RY 1. O&M
23 costs associated with the new off-system billing

CUSTOMER OPERATIONS PANEL - ELECTRIC

1 application are partially offset by the reduction of
2 3.5 SCSRs that will no longer be needed to bill
3 accounts under the off-system applications being
4 replaced. A total savings of \$252,000 will be
5 achieved over a three-year period as individual off-
6 system billing applications are implemented. In RY 1,
7 costs for SCSRs are forecast to be reduced by \$36,000
8 over the historical year. Further reductions of
9 \$72,000 are expected in RY 2 and \$144,000 in RY 3.

10 Q. Have you prepared, or had prepared under your
11 supervision, exhibits that detail the Company's
12 proposed investment in off-system billing?

13 A. Yes. We have prepared an exhibit entitled "OFF-SYSTEM
14 BILLING," Exhibit___ (CO-14) and an exhibit entitled
15 "OFF-SYSTEM BILLING WORKSHEET," Exhibit___ (CO-15).

16 MARK FOR IDENTIFICATION AS EXHIBIT___ (CO-14)
17 and EXHIBIT___ (CO-15)

18 Q. Please describe the work currently in progress to
19 reinforce systems supporting the competitive
20 marketplace.

21 A. Reinforcement of the systems supporting the
22 competitive marketplace is needed to manage the

CUSTOMER OPERATIONS PANEL - ELECTRIC

1 Company's obligation to enroll customers with Energy
2 Services Companies ("ESCOs"), move customers between
3 ESCOs and move customers back to utility service. The
4 Commission considered this program in Case 08-E-0539
5 and approved funding of \$1.4 million in capital for
6 2009.

7 Q. Please describe this work.

8 A. This work involves improvements to the systems
9 supporting various activities related to Retail
10 Choice, such as customer enrollment and processing of
11 information required to be sent to energy suppliers.
12 The primary systems involved are the Retail Access
13 Information System ("RAIS") and the Transportation
14 Customer Information System ("TCIS"). The Company is
15 currently focused on stabilizing the systems and
16 gaining reliable data exchange between systems. At
17 present, the specific work items being addressed
18 include:

- 19 • Updating and standardizing program languages to
20 improve efficiency of maintaining the systems.
- 21 • Increasing capacity and efficiency of system
22 processes to ensure the increased volumes of ESCO
23 transactions can be supported and are processed in a

CUSTOMER OPERATIONS PANEL - ELECTRIC

1 timely fashion and in compliance with UBP
2 requirements.

- 3 • Improvement of customer information tools that will
4 increase the information that is available to our
5 Call Center to provide customers with comprehensive
6 information about their account with respect to
7 ESCO-provided supply.
- 8 • Improvement of the test environment to allow for
9 more efficient mandated Phase III certification of
10 ESCOs' electronic data interchange ("EDI")
11 communication. This improvement will assist us in
12 meeting the PSC required timeframe for testing.

13 Q. What enhancements do you project undertaking in 2010?

14 A. During 2010, the Company plans to develop and
15 implement additional enhancements to further improve
16 functionality related to Retail Choice, including:

- 17 • A Real-Time enroll/de-enroll work flow process to
18 accurately compute start and end dates and validate
19 transactions.
- 20 • A routine to accurately compile and provide 24
21 months of electric and gas historical usage by
22 writing a combined gas and electric historical usage
23 process under the new architecture.

CUSTOMER OPERATIONS PANEL - ELECTRIC

- 1 • Automated invoicing of ESCOs with the ability to
- 2 electronically transmit invoices to ESCOs.
- 3 • A combined user interface for the RAIS and TCIS
- 4 systems that allows users a single view for gas and
- 5 electric customer support, which will result in a
- 6 more efficient handling of retail choice gas and
- 7 electric requests.

8 Q. What is the cost of this project?

9 The cost of this program is estimated to be \$4.5
10 million. A total of \$1 million was spent through 2008
11 and the Company expects to spend another \$1.4 million
12 in 2009 and \$2.1 million in 2010.

13 Q. Have you prepared, or had prepared under your
14 supervision, exhibits that detail the Company's
15 proposed investment in the competitive market customer
16 service systems?

17 A. Yes. We have prepared two exhibits. These are
18 entitled "COMPETITIVE MARKET CUSTOMER SERVICE
19 SYSTEMS," Exhibit___ (CO-16) and an exhibit entitled
20 "COMPETITIVE MARKET CUSTOMER SERVICE SYSTEMS
21 WORKSHEET", Exhibit___ (CO-17).

22 MARK FOR IDENTIFICATION AS EXHIBIT___ (CO-16)

23 and EXHIBIT___ (CO-17)

CUSTOMER OPERATIONS PANEL - ELECTRIC

1 NEW YORK CITY WATER METER READING REVENUES

2 Q. The revenues that the Company earns through its
3 contract to read New York City water meters reduce the
4 Company's revenue requirement. Please explain the
5 reduction in water meter reading revenues that the
6 Company will experience in the rate year and beyond.

7 A. In November 2006, Con Edison was awarded a three-year
8 contract (November 1, 2006 through October 31, 2009)
9 by the New York City Department of Environmental
10 Protection ("DEP") to read the city's water meters.
11 DEP has the option to renew this contract, at its sole
12 discretion, twice for a period of one year each, under
13 the same terms and conditions of the original
14 contract. All water meters included in this contract
15 must be read based on an established schedule
16 determined by the DEP. DEP reserves the right to
17 remove any section of the city from being read under
18 this contract at any time during the life of this
19 contract. We expect this contract to be extended
20 twice for one year durations but will provide an
21 update on this contract when additional information
22 becomes available.

CUSTOMER OPERATIONS PANEL - ELECTRIC

1 New York City is in the process of automating its
2 water meter reading function. As the City enhances
3 water meters with AMR communications and assumes
4 responsibility for reading these meters, revenues
5 earned by the Company under this contract will be
6 reduced, and the Company will require an increase to
7 base rates to offset the loss in revenues.

8 Q. Please describe the timing for the implementation of
9 the City's automated water meter reading.

10 A. New York City began wide-scale installation work in
11 March 2009. At this time installation of a fixed
12 communications network is mostly completed and the
13 City plans full deployment of AMR by the end of 2011.

14 Q. Please describe how this will affect Company revenues.

15 A. Under the contract, the Company is paid by the City
16 for the number of water meters that it reads. As the
17 City commences meter reading through its new automated
18 system, the Company will be reading fewer and fewer
19 meters.

20 Q. What is the impact of this?

21 A. Based on the City's deployment schedule, the Company
22 will experience lost revenue of \$2 million in RY1;
23 \$3.2 million in RY2; and \$3.4 million in RY3.

CUSTOMER OPERATIONS PANEL - ELECTRIC

1 Q. Will the Company experience savings as a result of no
2 longer reading water meters for the City?

3 A. Yes and this will partially offset these losses of
4 revenue. The Company expects to reduce staffing by
5 four meter readers and one supervisor and the
6 maintenance costs on 150 probe devices used to read
7 the water meters. As a result the Company will save
8 \$313,000 by the end of RY3.

9 Q. Have you prepared or had prepared under your
10 supervision, an exhibit that provides information
11 about the City's progress?

12 A. Yes. We have prepared an exhibit entitled "WATER
13 METER READING LOST REVENUE," Exhibit ___ (CO-18)
14 MARK FOR IDENTIFICATION AS EXHIBIT ___ (CO-18)

15 POSTAL DISCOUNT PROCESSES

16 Q. Does the Company obtain postal rate discounts, and
17 what does it have to do to achieve such savings?

18 A. Con Edison processes 55 million pieces of mail each
19 year. By using software that bar-codes bulk mail and
20 the services of a vendor to re-process mail that
21 cannot be processed by Con Edison, the Company
22 achieves savings on postage costs.

23 Bulk mail that is bar-coded with the addressee's

CUSTOMER OPERATIONS PANEL - ELECTRIC

1 9-digit zip code is eligible for discounted postal
2 pricing. The United States Postal Service ("USPS")
3 will accept bar-codes as accurate provided that proof
4 is available that the mailing addresses have been
5 recently matched to the USPS master 9-digit zip code
6 list. To receive the discount, Con Edison utilizes
7 software applications to identify and affix a 9-digit
8 bar-code to each piece of mail and reconcile the
9 Company's address database to the USPS 9-digit zip
10 code list. When the 9-digit zip code cannot be
11 identified by the Company's software application, the
12 mail is sent to a vendor for re-processing so that
13 some level of discount on each piece of mail can be
14 obtained. The vendor process will enable the mail to
15 receive either a bulk rate or bar-coded bulk rate
16 discount.

17 Q. Please explain the funding that the Company requires
18 related to these processes.

19 A. Efficient operation of the software applications that
20 the Company uses to process mail is needed to achieve
21 postal pricing discounts. Maintenance contracts for
22 these software applications will ensure that they
23 remain operational and function as intended. The

CUSTOMER OPERATIONS PANEL - ELECTRIC

1 Company needs to purchase annual maintenance contracts
2 for the software applications used for identification
3 and verification of 9-digit zip codes used on customer
4 mail. Maintenance service of this software was
5 previously provided under a warranty provided when
6 this product was purchased in 2007.

7 Q. Please continue.

8 A Bulk mail that is rejected by USPS is charged the
9 standard first class mail rate. To minimize this
10 occurrence, when Company software cannot encode mail
11 with the 9-digit zip code, the Company uses a vendor
12 to review and re-process mail to achieve some level of
13 postal discount. Effective 2010, the vendor is
14 increasing its basic service fee and the fee it
15 charges to re-process each piece of rejected mail. As
16 a result, the Company will experience incremental
17 vendor costs in 2010.

18 Q. What is the projected O&M cost of this program?

19 A. Incremental O&M costs of \$100,000 will be incurred for
20 software maintenance and for increased vendor costs of
21 \$60,000 for increases in the basic service fee and
22 \$60,000 for increases in the per unit processing fee.

CUSTOMER OPERATIONS PANEL - ELECTRIC

1 Q. What is the total incremental cost for the above
2 items?

3 A. The Company expects to incur incremental O&M costs of
4 \$220,000 in RY 1. No further O&M increases are
5 expected after RY 1.

6 Q. Have you prepared, or had prepared under your
7 supervision, an exhibit that details the postal
8 discount processes?

9 A. Yes. We have prepared two exhibits. These are "POSTAL
10 DISCOUNT PROCESSES," EXHIBIT ____ (CO-19) and "POSTAL
11 DISCOUNT PROCESSES WORKSHEET," EXHIBIT ____ (CO-20).

12 MARK FOR IDENTIFICATION AS EXHIBIT ____ (CO-19)

13 and EXHIBIT ____ (CO-20)

14 LOW INCOME PROGRAM

15 Q. Does the Company currently have a Low Income Program
16 for residential electric customers?

17 A. Yes, the Company has a Low Income Program that
18 provides a reduced Customer Charge to customers
19 receiving Public Assistance, Supplemental Security
20 Income ("SSI") or Food Stamps or who are recipients of
21 Home Energy Assistance Program ("HEAP") benefits in
22 the last 12 months. Funding for this program was set

CUSTOMER OPERATIONS PANEL - ELECTRIC

1 at \$22.9 million annually in the 2009 electric rate
2 order.

3 Q. Is the Company proposing to continue this Low Income
4 Program?

5 A. Yes. The Company proposes to continue the program at
6 the same funding level as in the current rate year,
7 \$22.9 million per year. With funding at this level,
8 the Company will provide a reduction of \$7.78 to the
9 Customer Charge adopted in this case for low income
10 residential customers taking service under Rate I of
11 SC 1 (non-heating) and 7 (heating) who receive
12 benefits under one of the assistance programs
13 mentioned above. Customers already on the program
14 would not have to reapply to receive the benefit of
15 the reduced charge.

16 Q. How many customers would be expected to receive
17 benefits under this program?

18 A. At the \$22.9 million level, the \$7.78 monthly
19 reduction in the Customer Charge will be available to
20 approximately 245,000 customers annually.

21 BILL REDESIGN

22 Q. Did the Commission approve funding for bill redesign
23 activities in Case 08-E-0539?

CUSTOMER OPERATIONS PANEL - ELECTRIC

1 A. Yes. In its rate order in Case 08-E-0539, the
2 Commission approved funding for incremental expenses
3 of \$1.8 million related to the bill redesign program.

4 Q. Please describe the costs involved in bill redesign.

5 A. Incremental costs are due to the use of larger bill
6 paper and envelopes and environmentally friendly
7 recycled paper; costs associated with bill archival
8 and retrieval; and incremental equipment maintenance
9 and software license fees.

10 Q. What cost is due to use of larger bill paper and
11 envelopes?

12 A. Incremental costs of \$325,000 are due to the full
13 deployment of the new bill using larger bill paper and
14 envelopes and the use of environmentally friendly
15 recycled paper. Most of this increase is due to the
16 use of environmentally friendly recycled paper and
17 envelopes.

18 Q. What cost is due to bill archiving and retrieval?

19 A. There is an annual cost of \$378,000 for services to
20 provide for bill archiving and retrieval.

21 Q. What other incremental costs will be experienced as a
22 result of full deployment?

CUSTOMER OPERATIONS PANEL - ELECTRIC

1 A. As the new bill generation system has moved from the
2 development stage to full deployment, incremental
3 equipment maintenance and software license fees have
4 become applicable. Incremental O&M costs will be
5 incurred for equipment maintenance in the approximate
6 amounts of \$33,000 for upgraded mail inserters and
7 software license fees of approximately \$157,000 for
8 the Bill Composition Dialogue software and \$24,000 for
9 Publication software, which supports the Dialogue
10 product.

11 Q. What is the total incremental cost for the above
12 items?

13 A. The Company expects to incur incremental O&M costs of
14 \$917,000 starting in RY 1.

15 Q. Have you prepared, or had prepared under your
16 supervision, exhibits that detail the Company's
17 proposed investment in bill redesign?

18 A. Yes. We have prepared an exhibit entitled "BILL
19 REDESIGN," Exhibit___ (CO-21) and an exhibit entitled
20 "BILL REDESIGN WORKSHEET," Exhibit___ (CO-22).

21 MARK FOR IDENTIFICATION AS EXHIBIT___ (CO-21)

22 and EXHIBIT___ (CO-22)

23

CUSTOMER OPERATIONS PANEL - ELECTRIC

1 program could be offered to customers initiating
2 service. Under this process, as part of the options
3 offered to an applicant at turn-on, eligible customers
4 would be asked to choose a supplier for their
5 electricity or natural gas. Residential and small
6 non-residential electric service applicants and all
7 firm service gas service applicants would be eligible
8 for this program.

9 Q. What progress has been made on this issue?

10 A. The Commission is considering the Company's proposal
11 in connection with other changes to its Uniform
12 Business Practices for Retail Access. If the
13 Company's proposal is approved, the Company will be
14 expanding its ESCO referral program accordingly. As
15 indicated in the Company's filing letter, the Company
16 proposes that the costs for developing and
17 implementing this program be funded by participating
18 ESCOs.

19 Q. What are the Company's plans for Market Match?

20 A. The Company plans to continue the Market Match program
21 without modification. The Company's web-site features
22 this program and provides easy access to information
23 about individual ESCOs participating in the Company's

CUSTOMER OPERATIONS PANEL - ELECTRIC

1 service territory. Costs to continue this program are
2 de minimis.

3 Q. Does the Company propose to continue its POR Program?

4 A. Yes, the Company will be continuing its POR program
5 without modification.

6 Q. Does this conclude your testimony?

7 A. Yes.

8

9

2009 Capital – Customer Operations

Project/Program Title	Mandatory Hourly Pricing (MHP)
Status	Meter Installation/System Development
Estimated Service Date	May 2011 – full implementation
Work Plan Category	Regulatory

Work Description:

The Company’s expansion of MHP billing was approved in the Commission’s March 25, 2008 rate order in Case 07-E-0523. Pursuant to this order, the Company is expanding MHP to customers whose maximum demand is over 500 kW in any month during an annual period ending September 30th (approximately 1,560 customers). MHP expansion will be implemented in phases. The first phase would be directed to the larger customers with maximum demand of over 1 MW and up to 1.5 MW (310 customers). The second phase would be directed to customers with maximum demand over 500 kW and up to 1 MW (1,250 customers).

Funding is needed to complete the implementation of the Meter Data Management System (“MDMS”) that is needed to support billing of the greater number of customers that will be billed under MHP. Funding is also needed to provide for O&M costs associated with MHP expansion including meter communication costs and the maintenance and support of metering and billing activity for the additional customers that will be billed via hourly interval metered data. Funding is also needed for a MHP customer education program.

High-level schedule

- Information Exchange to educate customers February 2009
- Interval metering installed for **Phase I** customers March 31, 2009
- Interval data available to **Phase I** customers April 2009 – October 2009
- Phase I customers billed to hourly prices November 2009
- Information Exchange to educate customers April 2009
- MDMS implementation 1st quarter 2010
- Interval metering installed for **Phase II** customers March 31, 2010
- Interval data available to **Phase II** customers April 2010 – April 2011
- **Phase II** customers billed to hourly prices May 2011

Justification:

The Commission has approved expansion of MHP and funding has been approved in the 2008/2009 Rate Plan. Funding is needed to address capital requirements to complete implementation and O&M costs associated with MHP expansion.

Estimated Completion Date: May 2011

Status: In progress

Current Working Estimate:

Funding (\$000): CAPITAL (excluding meter installation costs)

Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008
-	-	-	\$1,558	\$2,903

Approved 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast/Approved Total 2009-2013
\$2,069	\$252	-	-	-	\$2,321

Funding (\$000): O&M

Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008
-	-	-	-	-

Approved 2009	Forecast RYE 2011	Forecast RYE 2012	Forecast RYE 2013	Forecast Total 2011-2013
\$316	\$1,556	\$1,556	\$1,556	\$4,668

Mandatory Hourly Pricing Worksheet
(\$000's)

	<u>Forecast 2010</u>	<u>Forecast 2011</u>	<u>Forecast 2012</u>	<u>Forecast 2013</u>
Capital				
Professional Services	\$252	\$0	\$0	\$0
O&M	RY0	<u>Forecast RYE 2011</u>	<u>Forecast RYE 2012</u>	<u>Forecast RYE 2013</u>
Communications		\$ 615	\$ 615	\$ 615
Maintenance - Hardware		\$ 40	\$ 40	\$ 40
Maintenance - Database		\$ 63	\$ 63	\$ 63
Maintenance - Software		\$ 45	\$ 45	\$ 45
Maintenance Support Staff – MDMS		\$ 246	\$ 246	\$ 246
Outreach and Education		\$ 70	\$ 70	\$ 70
Billing Staff - MHP		\$ 316	\$ 316	\$ 316
Metering Support -MHP		\$ 161	\$ 161	\$ 161
Total	\$ 316	\$ 1,556	\$ 1,556	\$ 1,556

2010 Capital and O&M – Customer Operations

Project/Program Title	AMR Saturation
Status	AMR Meter/Device Installation
Estimated Service Date	December 2010
Work Plan Category	Efficiency and Process Improvement

Work Description:

AMR will be deployed to complete the saturation of Westchester County. Deployment involves the installation of AMR equipped meters and devices that will enable the meters to be read using walk by or drive by data collection.

Justification:

The Company's cost of meter reading is highest in Westchester and the Company has been installing saturated AMR in Westchester as a way of reducing meter reading costs. The deployment of Automated Meter Reading (AMR) equipment to complete the saturation of Westchester County will result in the reduction of Customer Field Representatives (CFRs) and supervision required to read meters in the area covered by AMR. Without AMR installation, these savings will not be achieved.

Other benefits of AMR is that it overcomes difficulties with reading meters where there is restricted access due to their location or in cases where customers are unavailable to provide access to their meters. Customer convenience and the reduction in estimated readings are also key benefits of AMR deployment. It is also the case that AMR reduces the injuries associated with manual meter reading (slips, trips and falls) during inclement weather and the normal course of meter reading activities.

The Company currently has over 450,000 AMR devices in use throughout the service area and AMR functionality and performance is well documented.

Estimated Completion Date: December 2010

Status: AMR meter/device installation

Funding (\$000): CAPITAL

Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008
-	-	\$6,314	\$17,714	\$17,862

Approved 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast/Approved Total 2009-2013
18,000	\$8,300	-	-	-	\$26,300

2010 Capital and O&M – Customer Operations

- Authorization - \$72,000,000
- Appropriation - \$72,000,000

Funding (\$000): O&M

Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008
-	-	-	-	\$209

Approved 2009	Forecast RYE 2011	Forecast RYE 2012	Forecast RYE 2013	Forecast Total 2011-2013
	\$389	\$389	\$389	\$1,167

AMR Saturation Worksheet
(000's)

CAPITAL	<u>Forecast</u> <u>2010</u>	<u>Forecast</u> <u>2011</u>	<u>Forecast</u> <u>2012</u>	<u>Forecast</u> <u>2013</u>
Labor	\$6,000	\$0	\$0	\$0
Meter Equipment	\$1,000	\$0	\$0	\$0
Contract Labor	\$1,050	\$0	\$0	\$0
Administrative Cost	\$ 250	\$0	\$0	\$0
Total Capital	\$8,300	\$0	\$0	\$0

Project/Program Title	Automated Meter Reading Saturation Savings
Status	In progress
Estimated Service Date	March 2011
Work Plan Category	Efficiency and Process Improvement

Work Description:

The saturated deployment of Automated Meter Reading (AMR) equipment will result in a reduction in the number of Customer Field Representatives (CFRs) and supervision required to read meters in the area covered by AMR. It is expected that most of the Westchester deployment will be completed by the 4th quarter 2010.

Justification:

With completion of the Company's work to deploy saturated AMR in Westchester, staffing needed to read meters in Westchester will be reduced.

Estimated Completion Date:

March 2011

Status:

Work is in progress.

Current Working Estimate (if applicable):**Funding (\$000): O&M**

Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008
-	-	-	-	(\$880)

Approved 2009	Forecast RYE 2011	Forecast RYE 2012	Forecast RYE 2013	Forecast Total 2011-2013
(\$440)	(\$2,082)	(\$2,082)	(2,082)	(\$6,246)

2010 Capital and O&M – Customer Operations

Project/Program Title	Strategic AMR
Status	Annual Program – In Progress
Estimated Service Date	December 2013
Work Plan Category	Efficiency and Process Improvement

Work Description:

The Company uses strategic installation of AMR in a number of situations to: provide meter readings to customers where meters are located indoors and customers are infirm or otherwise incapable of providing meter access; alleviate chronic meter access problems; and in new construction projects to avoid the need for additional staffing. The Company currently has over 450,000 AMR devices in use throughout the service area and AMR functionality and performance is well documented. The Company has been strategically deploying AMR for a number of years and field organizations are already equipped with devices capable of automated meter reading. Use of AMR installations in these situations builds upon and broadens the use of meter reading technology that is already being deployed in the field and benefits both the Company and our customers by providing improved meter access.

1) **Obsolete Remote Meter Replacement**

AMR will be deployed to accelerate the replacement of existing obsolete hard wired remote meter reading installations in locations where one or more of these meters have failed. This program covers the replacement of associated obsolete hard wired devices in such locations and avoids future failures of these devices at such locations. The Company relies on remote meter reading devices at locations where meters are indoors and customers are infirm or otherwise incapable of providing access to our meter reader on a regular basis. These devices must be replaced as they fail and AMR installation provides the only technology available for replacement of these older remote meter installations. In addition to replacing the device that fails, under this program the Company proposes to replace the associated obsolete hard wired devices in these locations. Such deployment of AMR meters avoids future failures of these devices at such locations. Deployment involves the installation of AMR equipped meters and devices which will enable the meters to be read using walk by or drive by data collection.

This is an annual program with deployment based on reported failure of obsolete remote devices at customer locations. The Company has supported the replacement of 3,500 of these meters per year.

Justification:

The Company has used AMR meters since 2003 when new remote meter reading installations are needed. Currently there are about 93,000 obsolete hard wired remote meter reading installations remaining on the Company's system, and the Company has supported the replacement of about 3,500 devices per year. These technologies have not been supported by the manufacturer for many years and the installation of AMR provides the only technology available for replacement of these older remote meter installations. Replacement of these devices with

AMR installations will ensure that remote meter reading capability will be continued at locations where customers are unable to provide access and customers will continue to receive bills based on actual meter readings.

Since under this program AMR is deployed at individual customer locations and saturation of large areas does not result, savings in meter reading costs are not achieved. However, replacement of these devices serves to avoid depriving customers of bills based on actual meter readings where customer meters were previously read via remote devices installed outside the premise.

Estimated Completion Date:

Ongoing project

Status:

AMR is currently being deployed at locations where remote meter reading installations fail.

Current Working Estimate (if applicable):

Hardware –	\$232,500
3,000 electric meters with AMR modules @ \$70 =	\$210,000
500 gas AMR modules @ \$45 =	\$ 22,500
Installation Labor - 20 minutes per meter @ \$100/hour x 3,500 meters =	\$116,650
Travel time – 15 minutes @ \$100/hour x 3500 meters =	\$ 87,500
Overhead – @ 12.5%	\$ 54,581
Total	\$ 491,231

2) **Hard-to-Read Locations**

AMR will be deployed at locations where it is expensive, dangerous or otherwise inefficient to read meters in a conventional manner. Deployment involves the installation of AMR equipped meters and devices which will enable the meters to be read using walk by or drive by data collection.

This is an annual program with deployment based on identification of locations that are difficult or dangerous to access. The Company plans to support the replacement of 3,500 of these meters per year.

Justification:

At present there are about 100,000 Company meters where the Company has been unable to gain access for 120 days or more. The installation of AMR will help reduce the numbers of meters where the Company experiences access problems and provide an actual reading to the customer.

Currently the Company must make multiple manual meter reading attempts or schedule customer appointments in order to gain access to these meters. The installation of AMR at these locations will enable the Company to get meter readings where meter readings have not been obtained on a regular basis and provide the customer with bills based on actual meter readings.

Since under this program AMR is not deployed to saturate large areas, there are no anticipated savings in meter reading costs. The benefit of AMR installation at these locations is that it provides for improved meter access and the billing of these accounts based on actual meter readings.

Estimated Completion Date:

Ongoing project

Status:

AMR is currently being deployed at hard-to-read locations.

Current Working Estimate (if applicable):

Hardware –	\$232,500
3,000 electric meters with AMR modules @ \$70 =	\$210,000
500 gas AMR modules @ \$45 =	\$ 22,500
Installation Labor - 20 minutes per meter @ \$100/hour x 3,500 meters =	\$116,650
Travel time – 15 minutes @ \$100/hour x 3500 meters =	\$ 87,500
Overhead – @ 12.5%	\$ 54,581
Total	\$ 491,231

3) **New Meters**

AMR will be deployed in building development and renovation projects where 50 or more electric meters will be needed. Deployment involves the installation of AMR equipped meters which will enable the meters to be read using walk by or drive by data collection.

This is an annual program with deployment based on construction activity. The Company plans to support the deployment of 14,000 AMR equipped meters.

Justification:

Installation of AMR in building development and renovation projects avoids the need for additional staffing that is required when meter reading routes become too large. In addition, since a new meter and installation is already required in these situations, AMR installation provides an alternative to installation of a manually read meter at a small incremental cost for the AMR module of approximately \$20 for each meter. Since AMR eliminates the need to have CFRs visually read and record individual readings, the incremental cost for the AMR module is

quickly offset by the increased efficiency with which the meters can be read. The payback period for the AMR module is less than 3 years.

Without including AMR capability for these construction projects, an additional 14,000 meters would need to be added to existing routes on an annual basis. The addition of manually read meters at these locations would necessitate meter reading route balancing in order to maintain route sizes that are manageable. At some point additional staffing would be needed as the number of meter reading routes grows.

Estimated Completion Date:

Ongoing project

Status:

AMR is being deployed in building development and renovation projects as new meter sets are required.

Current Working Estimate (if applicable):

Hardware –	
14,000 AMR modules x \$20 =	\$280,000
Overhead – @ 12.5%	\$ 35,000
Total	\$315,000

Funding (\$000): CAPITAL

Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008
	\$1,472	\$997	\$743	\$886

Approved 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast/Approved Total 2009-2013
\$3,100	\$1,315	\$1,315	\$1,315	\$1,315	\$8,360

- Authorization - \$15,500,000
- Appropriation - \$12,053,000

Strategic AMR Worksheet
(000's)

<u>CAPITAL</u>	<u>Forecast 2010</u>	<u>Forecast 2011</u>	<u>Forecast 2012</u>	<u>Forecast 2013</u>
Obsolete Remote Meter Replacement	\$500	\$500	\$500	\$500
Hard-to-Read Locations	\$500	\$500	\$500	\$500
New Meters	\$315	\$315	\$315	\$315
<u>Total Capital</u>	\$1,315	\$1,315	\$1,315	\$1,315

Project/Program Title	Cycle Meter Reading Handheld System
Priority Number	N/A
Primary Contact	Hollis Krieger
Secondary Contact	Andrew Wood
Budget Reference	
Project Number	
Status	Planning
Estimated Service Date	December 2011
Work Plan Category	Regulatory
ERM Addressed	Customer Service Performance Mechanism

Work Description:

The Company must replace its cycle meter reading system and handhelds before 2012 to ensure continued timely billing of our customers. The Company has been advised by the vendor that the system will not be supported beyond 2012. Work involves the purchase of approximately 470 handheld devices, 470 desk-based docking stations and compatible software. A one-year warranty for the handheld devices and docking stations will be included.

New internal hardware such as servers and desktop computers will also be purchased. It is estimated that 4 servers will be required to support the vendor applications and 24 desktop PCs and monitors to be used by dispatchers throughout the Company system. In addition, a system interface is required to integrate the Company data with the cycle meter reading system software.

Implementation Schedule

January - Issue RFP
 February - Select Vendor / Award Contract
 March – May - System Design / Integration / Testing
 June – December - Conversion to New System

Justification:

The current cycle meter reading system and handhelds will not be supported by the vendor after 2012. The new system will provide us with the ability to read conventional and AMR meters with a handheld device or mobile collector installed in a vehicle and deliver these readings into the Company's Customer Service System. The system also enables automated route restructuring at the local level for the purpose of maintaining efficient routes. Replacement of the cycle meter reading handheld system is critical to ensure the timely billing of our customers.

Estimated Completion Date: 2011

Status: Planning

Current Working Estimate:

Funding (\$000): CAPITAL

Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008
-	-	-	-	-

Approved 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast/Approved Total 2009-2013
-	-	\$4,600	-	-	\$4,600

- Authorization -
- Appropriation -

Funding (\$000): O&M

Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008
-	-	-	-	\$440

Approved 2009	Forecast RYE 2011	Forecast RYE 2012	Forecast RYE 2013	Forecast Total 2011-2013
-	\$220	\$314	\$314	\$848

Cycle Meter Reading Handheld System Worksheet
(000's)

CAPITAL	<u>Forecast 2010</u>	<u>Forecast 2011</u>	<u>Forecast 2012</u>	<u>Forecast 2013</u>
Hardware and Software (handhelds, docking stations, professional services)	\$0	\$3,970	\$0	\$0
Servers and Software Interface (includes desk top computers/monitors/printer s)	\$0	\$300	\$0	\$0
Project Management	\$0	\$330	\$0	\$0
Total Capital	\$0	\$4,600	\$0	\$0
O&M		<u>Forecast RYE 2011</u>	<u>Forecast RYE 2012</u>	<u>Forecast RYE 2013</u>
Maintenance Contracts (handhelds, mobile collectors and software)		\$220	\$314	\$314

Project/Program Title	Call Center Improvements
Status	Installation
Estimated Service Date	December 2013
Work Plan Category	Regulatory

Work Description:

The Company needs to make a number of improvements at the Call Center. This work involves:

- Replacement of the automatic call distribution (ACD) system;
- Replacement of the Company's existing telephone self-service VRU applications;
- Implementation of business continuity improvements;
- Replacement of Call Center workstations.
- Replacement of call recording and quality monitoring system

These improvements are described below.

- **Automatic Call Distribution (ACD) Replacement**

It is necessary for the Company to replace its existing telephone ACD system, before 2013 when it reaches the end of its service life. The existing ACD switch will remain operational as its replacement system is designed, implemented, and tested during a two year period beginning in 2011.

Justification:

Processing more than sixteen million calls annually, the Call Center ACD switch is the most critical system utilized at the Call Center. The Call Center's ACD switch will be due for an upgrade before the end of 2012. Beyond 2012, the existing ACD platform will not be supported by the manufacturer. Additionally, the existing ACD switch infrastructure is contained within a single location at the Call Center. This type of centralized architecture introduces a major single point of failure – one which can have a crippling effect on the Call Center's operation. The ACD replacement solution will eliminate the exiting single point of failure and it will also support the Call Center's business continuity plan.

Estimated Completion Date: December 2012

Status: This project will begin in 2010.

- **IVR Self Service**

It is necessary for the Company to replace the Company's existing telephone self-service VRU system, because the existing VRU employs outdated technology that will not be supported by the existing vendor beyond 2013. Installation of the hardware related to the new telephone self-service IVR system will be completed during 2009 along with several pilot applications. There are currently around 35 self service applications available to customers. These applications reside on the existing self service VRU system and these applications need to be developed on the new self service IVR system. In order to maintain the availability of all the applications

during the transition period from the old VRU system to the new IVR system, the systems will be run in parallel until all the existing self-service applications are replaced. This work must be completed prior to 2013, when the vendor has advised that support will no longer be available.

Justification:

The Company's self-service system play a critical role in providing customers with fast and easy-to-use self-service applications, including applications for services related to emergencies, billing questions, customer payments and agreements. Additionally, this system allows for automated outbound calls to customers, providing estimated times of restoration in the case of an outage and service restoration verification. The existing VRU system is outdated and vendor support will not be available beyond 2013. The scarcity of system components and the system's proprietary programming language creates a significant risk to the Call Center should the system fail prior to the replacement of the self-service applications. Due to this it is critical that the Company's self-service applications be developed in the new self-service system.

The self-service system processes over nine million calls per year. If the self-service applications were not available, these calls would need to be handled manually by the equivalent of approximately 300 CSRs, significantly impacting customer satisfaction and the level of the service provided by our Call Center.

Estimated Completion Date: December 2012

Status: The Call Center is currently implementing the necessary infrastructure for the new IVR.

- **Business Continuity**

The Company will strengthen the Call Center's server architecture to ensure the continuation of Call Center service in the case of server outages. The server recovery effort will be implemented in two phases. The first phase will occur in 2010 and includes infrastructure upgrades (site preparedness and Fibre Channel deployment over the corporate network). The second phase will occur in 2011 and includes the implementation of a storage area network, blade server technology, and server virtualization.

Justification:

The existing Call Center server architecture is not redundant and lacks a recovery strategy. Today, server failures result in outages which can last for hours, preventing CSRs and management personnel from accessing data that is needed to process customer transactions. The server recovery effort will allow servers to replicate data across two physically diverse locations and recover such data almost immediately when failures occurs. The Storage Area Network (SAN) technology that will be implemented has proven to be extremely useful in providing sound server recovery and restoration solutions.

Estimated Completion Date: End of 2011

Status: This project will begin in 2010.

- **CSR Workstations**

The Company will replace Call Center CSR Workstations in 2012 at the end of their service life.

Justification:

By 2012, the Call Center CSR Workstations will have reached the end of their useful life. This equipment is vital to providing service to customers at the Call Center.

Estimated Completion Date: End of 2012

Status: Not started.

- **Call Recording and Quality Monitoring System**

To ensure exceptional customer service is provided to customers, the Call Center's call recording and quality monitoring system records customer calls and related screen content. . The existing call recording system will reach its end of life during the summer of 2010 and an upgrade of the system is necessary.

Estimated Completion Date: End of 2013

Status: Not started.

Current Working Estimate (if applicable):

Funding (\$000): CAPITAL

Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008
-		-	-	\$2,430

Approved 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast Total 2009-2013
\$2,346	\$4,196	\$4,796	\$4,535	\$1,355	\$17,228

- Authorization - \$12,771,000
- Appropriation - \$3,940,000

Funding (\$000): O&M

Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008
-	-	-	-	-

Approved 2009	Forecast RYE 2011	Forecast RYE 2012	Forecast RYE 2013	Forecast Total 2011-2013
	\$145	\$335	\$823	\$1,303

Call Center Improvements Worksheet
(000's)

<u>CAPITAL</u>	<u>Forecast 2010</u>	<u>Forecast 2011</u>	<u>Forecast 2012</u>	<u>Forecast 2013</u>
Automatic Call Distribution (ACD) Replacement	\$ 52	\$1,564	\$1,043	\$ 0
IVR Self Service (includes Virtual Hold)	\$3,101	\$2,711	\$2,085	\$ 0
Business Continuity	\$1,043	\$ 521	\$ 0	\$ 0
CSR Workstations	\$ 0	\$ 0	\$1,407	\$0
Call Recording Upgrade	\$ 0	\$ 0	\$0	\$1,355
<u>Total Capital</u>	<u>\$4,196</u>	<u>\$4,796</u>	<u>\$4,535</u>	<u>\$1,355</u>
<u>O&M</u>		<u>Forecast RYE 2011</u>	<u>Forecast RYE 2012</u>	<u>Forecast RYE 2013</u>
Automatic Call Distribution (ACD) Replacement – Accounts Payable Maintenance		\$0	\$0	\$28
IVR Self Service (includes Virtual Hold)- Accounts Payable Maintenance		\$95	\$285	\$745
Business Continuity – Accounts Payable Professional Services		\$50	\$50	\$50
CSR Workstations		\$0	\$0	\$0
<u>Total O&M</u>		<u>\$145</u>	<u>\$335</u>	<u>\$823</u>

Project/Program Title	Customer Service System Improvements
Budget Reference	4XB1600
Status	In Progress
Estimated Service Date	Ongoing Program
Work Plan Category	Strategic IT Enhancements
ERM Addressed	Billing Accuracy

Work Description:

The Company needs to make improvements to maintain a viable Customer Service System (CSS). The Company's Customer Service System (CSS) is composed of a suite of systems that provide for the support of the customer service and billing functions. Over the years, new applications and enhancements to the existing systems have introduced new technologies, enhanced functionality and improved integration between the systems that comprise the Customer Service System suite. Due to these efforts, the CSS has remained viable and technically supportable, and these efforts need to continue. In addition, with the increasing complexity of programs the Company's billing system must support, the Company needs to explore the continued viability of the Company's CSS and what steps must be taken to ensure its reliable operation.

These efforts are described below.

• **Life Extension**

The CSS Life Extension project seeks to maintain a viable CSS with the required flexibility to support the current and future operating environment. Work to be completed under this program includes upgrading the programming languages in which CSS was originally developed to a more universally used and supported language. Areas of CSS where programming language will be upgraded under this program include the bill calculation facility, the activity file maintenance application, and credit functions. Other work to be completed under this program is: update of the revenue and statistics programs; update of the CSS letter facility; expansion of field reporting capabilities, and creation of a sustainable XML interface to CSS for use by external systems. Funding is needed to provide resources to support CSS maintenance, specification, development, and testing of various expanded CSS programs.

• **Functional Enhancements**

In addition to efforts to upgrade programming languages and to eliminate languages that are no longer viable, the company will pursue ways to enhance the flexibility of our CSS suite. A team comprised of key business users in Customer Operations, Information Resources and contractors with expertise in customer service systems will review the operation and capabilities of the CSS suite and determine if potential bottlenecks to future system expansion exist and pose a threat to the efficient continued viability of the customer service and billing functions. The team will concentrate on areas of the system where large scale enhancements may be required and where the original system suite was not designed to facilitate such enhancement. These could include, for example, large scale: Advanced Metering Infrastructure (AMI), Net Metering and Mandatory Hourly Pricing.

Justification:

The availability of programmers and technicians trained in the older COBOL, ASSEMBLER and RAMIS programming languages in which CSS programs were originally developed continues to diminish. Without an upgrade to more current programming languages CSS will be increasingly difficult to support and maintain resulting in the inability of CSS to be effectively expanded and modified. In addition, future releases of the operating system under which these systems execute may not support these older programming languages. Therefore upgrading to a more universally used and supported language is critical to the continued viability of CSS and the Company's ability to bill and serve its customers. In addition, a more current and supported programming language is needed to more efficiently facilitate CSS integration with other systems. These

changes are especially important as the nature of customer needs and billing are becoming more complex. CSS must be able to interact effectively with systems that enable such options as energy choice and Mandatory Hourly Pricing and facilitate quality data presentation to Customer Service Representatives. In addition various CSS programs such as bill calculation, activity file maintenance, and CIS display screens will continue to be expanded to meet the needs of initiatives such as Mandatory Hourly Pricing, off system billing applications, net metering, and energy efficiency programs. As these initiatives continue to result in expansion of CSS programs, additional resources are needed to support CSS maintenance, specification, development, and testing and ensure that changes to CSS programs are implemented in an efficient and timely manner.

While the Company continually monitors the market for utility oriented customer service systems, and actually implements leading market solutions on a small scale, we do not believe implementing a new system for our electric and gas customers is cost justified at this time. Our experience with vendor software in this area, and the monitoring of replacement projects at other utilities, has supported our conclusion that extending the life of our current system is the more effective alternative. The Company has successfully implemented major enhancements to our current system, including: a new billing sub-system, sophisticated user interfaces and account analysis for customer representatives, wireless interfaces for real time field information, support and billing for the largest population of retail choice customers in the state, and robust customer self-service features through our Internet and IVR applications. We believe that we can continue to enhance our present system through identification and modernization of targeted areas of the system including large scale enhancements as necessary, rather than through a total system replacement.

Estimated Completion Date: Ongoing

Status: Ongoing

Funding (\$000): CAPITAL

Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008
\$824	\$2,982	\$3,043	\$3,718	\$261

Approved 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast/Approved Total 2009-2013
\$1,200	\$3,100	\$3,050	\$3,050	\$3,050	\$13,450

- Authorization - \$15,625,000
- Appropriation - \$15,625,000

Funding (\$000): O&M

Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008
-	-	-	-	-

Approved 2009	Forecast RYE 2011	Forecast RYE 2012	Forecast RYE 2013	Forecast Total 2011-2013
-	\$400	\$400	\$400	\$1,200

Customer Service System Improvements Worksheet
(\$000's)

Category	<u>Forecast 2010</u>	<u>Forecast 2011</u>	<u>Forecast 2012</u>	<u>Forecast 2013</u>
Update and Standardize Programming Languages	\$200	\$300	\$0	\$0
Update Revenue and Statistics Programs	\$300	\$0	\$0	\$0
Upgrade CSS letter Facility	\$0	\$200	\$500	\$500
Create Sustainable XML Interface to CSS for use by external systems	\$500	\$500	\$500	\$500
Functional Enhancements	\$2,000	\$2,000	\$2,000	\$2,000
Field Reporting Capability	\$100	\$50	\$50	\$50
Total	\$3,100	\$3,050	\$3,050	\$3,050

Project/Program Title	Off System Billing
Status	Development
Estimated Service Date	2013
Work Plan Category	Efficiency and Process Improvement

Work Description:

Currently, the Company utilizes a number of off-system billing processes outside of the Customer Service System (CSS) to bill customers taking service under certain rates and programs. Managing and billing these customers involves manual processes and/or systems other than CSS.

The Company is in the process of migrating all the off-system billing applications to a common automated customer care and billing application. The vendor product to be used was chosen because of its ability to globally and individually meet the requirements of the various off-system billing processes and systems.

The work involved to fully leverage the robust functionality of the new system consists of: data migration and customer information conversions, customized application and interface development, complex algorithm and framework configuration, testing, and deployment. Once successfully deployed, funding will be needed to provide for continued support of hardware and software upgrades/maintenance, functionality modifications, rates modifications, testing, and deployment.

Billing applications that will be developed and implemented under this program are:

High-Level Schedule:

- Electric Standby Service Rates December 2010
- Excess Distribution June 2010
- Electric Economic Incentive Program Billing June 2012
- NYPA December 2013

As applications are implemented over a 3-year period, human resource savings of 3.5 Senior Customer Service Representatives (SCSRs) will be achieved.

Justification:

The migration of off-system billing applications to a common automated system will provide for the elimination of the heavily manual billing processes currently required to serve customers under the involved rates. Using a common automated system will provide for human resource savings of 3.5 SCSRs and will allow for greater cross training of system users and support personnel to ensure greater reliability of the billing under these rates. The common system will also enable the automation of quality control mechanisms and improved database management and maintenance for the involved accounts. The system being developed will also enable greater flexibility in regard to the development and modification of rates.

Funding for this program was approved in Case 07-E-0523.

Estimated Completion Date: 2013

Status: Development

Funding (\$000): CAPITAL

Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008
-	-	-	-	\$254

Approved 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast/Approved Total 2009-2013
\$2,009	\$1,670	\$1,560	\$1,099	\$662	\$7,000

Funding (\$000): O&M

Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008
-	-	-	-	\$864

Approved 2009	Forecast RYE 2011	Forecast RYE 2012	Forecast RYE 2013	Forecast Total 2011-2013
-	\$1,231	\$1,159	\$1,015	\$3,405

Off System Billing Worksheet
(000's)

<u>CAPITAL</u>	<u>Forecast 2010</u>	<u>Forecast 2011</u>	<u>Forecast 2012</u>	<u>Forecast 2013</u>
System Requirements, Analysis and System Design	\$830	\$740	\$696	\$253
System Development	\$533	\$533	\$403	\$117
Implementation	\$134	\$157	\$0	\$152
Evaluation	\$173	\$130	\$0	\$140
<u>Total Capital</u>	<u>\$1,670</u>	<u>\$1,560</u>	<u>\$1,099</u>	<u>\$662</u>
<u>O&M</u>		<u>Forecast RYE 2011</u>	<u>Forecast RYE 2012</u>	<u>Forecast RYE 2013</u>
Maintenance - Database		\$40	\$40	\$40
Maintenance - Software		\$18	\$18	\$18
Support Staff		\$1,209	\$1,173	\$1,101
Productivity Savings *		(\$36)	(\$72)	(\$144)
<u>Total O&M</u>		<u>\$1,231</u>	<u>\$1,159</u>	<u>\$1,015</u>

* Productivity Savings includes 3.5 human resources savings over 3 year rate period.

Project/Program Title	Competitive Market Customer Service Systems
Status	Design
Estimated Service Date	December 2010
Work Plan Category	Strategic IT Enhancement

Work Description:

Reinforcement of the systems supporting the competitive marketplace is needed to manage the Company's obligation to enroll customers with Energy Services Companies (ESCOs), move customers between ESCOs, and move customers back to utility service. Work involves improvements to the systems supporting various activities related to Retail Choice such as customer enrollment and processing of information required to be sent to energy suppliers. The primary systems involved are the Retail Access Information System (RAIS) and the Transportation Customer Information System (TCIS). The Company is currently focused on stabilizing the systems and gaining reliable data exchange between systems. Specific work items that are currently being addressed include the following:

- Updating and standardizing program languages to improve efficiency of maintaining the systems.
- Increasing capacity and efficiency of system processes to ensure the increased volumes of transactions can be supported and are processed in a timely fashion.
- Improvement of customer information tools that will increase the information that is available to our Call Center to provide customers with comprehensive information about their account with respect to ESCO provided supply.
- Improvement of the test environment to allow for more efficient mandated Phase III certification of ESCOs EDT communication. This improvement will assist us in meeting the PSC required timeframe for testing.

Work planned for 2010 will focus on the following enhancements to further improve functionality:

- Implement Real-Time enroll/deenroll work flow process to compute start and end dates and validate transactions.
- Under the new architecture, develop a combined electric and gas historical usage process to compile and provide 24 months of electric and gas historical usage.
- Automate invoicing of ESCOs with the ability to electronically transmit the invoice.
- Develop a combined user interface for the RAIS and TCIS systems that allows users a single view for electric and gas customer support that will result in a more efficient handling of retail choice electric and gas requests.

Justification:

Due to the large numbers of customers switching to ESCOs the Company's RAIS and TCIS systems are reaching effective capacity. In addition it is important to note that RAIS and TCIS were initially developed over 10 years ago, and since then additional systems and applications were developed to support the competitive marketplace. Specifically, the Company developed the Consolidated Utility Billing System (CUBS) and implemented Electronic Data Interchange (EDI). Both CUBS and EDI require interactions between RAIS and TCIS and the Company's Customer Information System, which has further stressed RAIS and TCIS. Due to these factors improvements to RAIS and TCIS are necessary at this time.

Funding of this program was approved in Case 07-E-0523

Estimated Completion Date:

December 2010

Status:
Design

Funding (\$000): CAPITAL

Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008
-	-	-	-	\$1,054

Approved 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast/Approved Total 2009-2013
\$1,375	\$2,100	-	-	-	\$3,475

Competitive Market Customer Service Systems Worksheet
(\$000's)

Category	<u>Forecast</u> <u>2010</u>	<u>Forecast</u> <u>2011</u>	<u>Forecast</u> <u>2012</u>	<u>Forecast</u> <u>2013</u>
Implement Real-Time enroll/re-enroll work flow process	\$ 735	\$0	\$0	\$0
Upgrade Historical Usage Process to provide 24 months	\$ 19	\$0	\$0	\$0
Automated ESCO Invoicing System	\$ 325	\$0	\$0	\$0
Single User Interface for RAIS & TCIS and Functional Improvements	\$ 1,021	\$0	\$0	\$0
Total	\$ 2,100	\$0	\$0	\$0

		Water Meter Reading Lost Revenue			
Month	Lost Revenue	Month	Lost Revenue	Month	Lost Revenue
April '09	\$0	April '10	\$114,668	April '11	\$229,336
May '09	\$0	May '10	\$114,668	May '11	\$229,336
June '09	\$0	June '10	\$143,335	June '11	\$258,003
July '09	\$28,667	July '10	\$143,335	July '11	\$258,003
Aug '09	\$28,667	Aug '10	\$143,335	Aug '11	\$258,003
Sept '09	\$57,334	Sept '10	\$172,002	Sept '11	\$286,677
Oct '09	\$57,334	Oct '10	\$172,002	Oct '11	\$286,677
Nov '09	\$57,334	Nov '10	\$172,002	Nov '11*	\$286,677
Dec '09	\$86,001	Dec '10	\$200,669	Dec '11	\$286,677
Jan '10	\$86,001	Jan '11	\$200,669	Jan '12	\$286,677
Feb '10	\$86,001	Feb '11	\$200,669	Feb '12	\$286,677
Mar '10	\$114,668	Mar '11	\$229,336	Mar '12	\$286,677
LOST REVENUE	\$602,007	LOST REVENUE	\$2,006,690	LOST REVENUE	\$3,239,420
				LOST REVENUE	\$3,440,124

Project/Program Title	Postal Discount Processes
Status	Ongoing
Estimated Service Date	January 2010
Work Plan Category	Efficiency and Process Improvement

Work Description:

Bulk mail that is bar coded with the 9-digit zip code is eligible for discounted postal pricing. The United States Postal Service (USPS) will accept barcodes as accurate provided that proof is available that the mailing addresses have been recently matched to the USPS master 9-digit zip code list. To receive the discount, Con Edison utilizes software applications to: identify and affix a 9-digit bar code to each piece of mail; and reconcile the Company's address database to the USPS 9-digit zip code list. When the 9-digit zip code cannot be identified by the Company's software application, the mail is sent to a vendor for re-processing so that some level of discount on each piece of mail can be obtained; i.e. the vendor process will enable the mail to receive either a bulk rate or bar coded bulk rate discount.

Funding is needed to:

- Purchase annual maintenance contracts for the software applications used for identification and verification of 9-digit zip codes used on customer mail.
- Pay incremental vendor costs associated with re-processing mail.

Justification:

Con Edison processes 55 million pieces of mail each year. By using software that is needed to process bar coded bulk mail and the services of a vendor to re-process mail that cannot be processed by Con Edison, the Company achieves savings on postage costs.

Software Maintenance Contracts

Efficient operation of the software applications that the Company uses to process mail is needed to achieve postal pricing discounts. Maintenance contracts for these software applications will ensure that they remain operational and function as intended. The software maintenance contracts were initially purchased with the software and funded through the capital budget.

Incremental Vendor Costs for Rejected Mail

Bulk mail that is rejected by USPS is charged the standard first class mail rate. To minimize this occurrence, the Company uses a vendor to review and re-process rejected mail to achieve some level of postal discount. Effective 2010, the vendor is increasing its basic service fee and the fee it charges to re-process each piece of rejected mail. As a result, the Company will experience incremental vendor costs in 2010.

Estimated Completion Date: On-going

Status: In service

Current Working Estimate (if applicable):

Maintenance Contracts for Software		\$80,000
Rejected Mail Processing Fee Increases		
Basic Service Fee	\$70,000	
Estimated per Unit Processing Fee	<u>70,000</u>	<u>140,000</u>
Total		\$220,000

Funding (\$000): O&M

Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008
-	-	-	-	-

Approved 2009	Forecast RYE 2011	Forecast RYE 2012	Forecast RYE 2013	Forecast Total 2011-2013
-	\$220	\$220	\$220	\$660

Postal Discount Processes Worksheet
(000's)

<u>O&M</u>	<u>Forecast RYE 2011</u>	<u>Forecast RYE 2012</u>	<u>Forecast RYE 2013</u>
Maintenance – Software Contracts	\$80	\$80	\$80
Rejected Mail Processing Fees *	\$140	\$140	\$140
<u>Total O&M</u>	<u>\$220</u>	<u>\$220</u>	<u>\$220</u>

* Includes basic service fee and estimated/unit processing fee.

Project/Program Title	Bill Redesign
Status	In Service
Estimated Service Date	Ongoing
Work Plan Category	Regulatory

Work Description:

Maintenance contracts for key pieces of equipment have been secured to support the unbundled bill format. Maintenance contracts are required for upgrades to the mail inserters, software license fees for the bill composition dialogue software and publication software for the dialogue product. Funding for a more robust bill archival and retrieval function is needed. Transition is also being made to use environmental friendly recycled paper for bills and recycled envelopes.

Justification:

The additional costs cover the archival and retrieval of each customer's bill. Also some incremental costs have occurred due to the use of bill paper and envelopes made from recycled paper.

\$1.9 million of this funding was approved in Case 07-0523

Funding (\$000): O&M

Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008
-	-	-	-	\$2,270

Approved 2009	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast/Approved Total 2009-2013
\$3,337	\$3,187	\$3,187	\$3,187	\$3,187	\$16,085

Bill Redesign Worksheet

Item	Historical Year 2008	Rate Year 1	Incremental Amount
Envelopes	\$1,573,544	\$1,719,034	\$145,490
Paper	\$696,845	\$876,090	\$179,245
System/software maintenance	\$0	\$213,773	\$213,773
Customer Bill Archival and Retrieval Cost	\$0	\$378,200	\$378,200
Total O&M Expenditures	\$2,270,389	\$3,187,097	\$916,708