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

A. Andrew G. Wood, Richard McKnight and Rebecca Lynch. The business address of Mr. Wood and Ms. Lynch is 4 Irving Place, New York, NY 10003 and the business address of Mr. McKnight is 30 Flatbush Avenue, Brooklyn, NY 11217.

Q. By whom are the Panel members employed?

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

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

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

and MIS reporting. I have held positions of increasing responsibility in Customer Operations during the past 37 years. From 1972 to 2009, I have held operating positions in all the functional areas of Customer Operations. From 1999 to the present, I have served as General Manager, Strategic Applications. My work experience is as follows:

- Telephone Account Representative, Bronx Customer Service Supervisor, Bronx Customer Service
- Manager, Queens Customer and Commercial Services
- Division Manager, Central Operations, Queens Customer & Commercial Services
- Division Manager, Branch Operations, Queens Customer and Commercial Services
- Branch Manager, Flushing Branch, Queens Customer & Commercial Services
- Section Manager, Customer Operations Central Staff
- Department Manager, Staten Island Customer Operations

Before I joined Con Edison, I earned a Bachelor of Science degree in Economics from Siena College in 1969. From 1969 to 1971, I served as an officer in the United States Army. I earned an M.B.A. in

Business Management from Fairleigh Dickinson University in 1986. I attended Company-sponsored training, including the Executive Management Development course at the Fuqua School of Business, Duke University, Durham, N.C.

(McKnight) I am General Manager of the Customer Assistance group in Customer Operations. My group includes the Company's Call Center, back office functions, including billing, credit operations and customer investigations, as well as the Company's Walk-in Centers. I have been employed by Con Edison for over 30 years and have held a variety of positions within Customer Operations in addition to a position early in my career in our Accounting Research and Procedures section of our Accounting Department. The Customer Operations positions held prior to my current position include the General Manager of Specialized Activities, Section Manager of our Corporate Customer Group and Branch Manager. I joined Con Edison as a Customer Service Representative while earning my Bachelor of Science degree in Accounting from Long Island University. I also have an MBA in Executive Management from St. John's University.

(Lynch) I am the General Manager, Specialized Activities. I am responsible for the Corporate Customer Group, Retail Choice Operations, Executive Action Group, and Telecom Applications Management. I have been employed by Con Edison for 12 years. Joining the company in 1996 as a management intern, I have held positions of increasing responsibility since that time. The Customer Operations positions I held prior to my current position include Supervisor, Call Center; Supervisor, Retail Choice Operations; Senior Specialist, Retail Choice Operations; Senior Specialist, Corporate Customer Group; Section Manager, Call Center; Project Lead, Bill Redesign Project; Section Manager, Quality Assurance. I have Bachelor of Business Administration and Master of Business Administration degrees from Pace University, New York, NY.

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

A. All of the panel members have either submitted testimony or testified in previous cases.

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

A. We describe a number of customer-service related efforts, in either the expense or capital categories, that we propose to undertake or continue in the next several years. All programs were previously proposed as common programs in electric rate filings, with a number of programs approved or approved in part, i.e., those programs starting or continuing during the current electric rate year (April 2009 - March 2010), and other programs not opposed, i.e., programs starting beyond the Case 08-E-0539 rate year, except as noted in the testimony below. Programs described are:

- Capital programs comprising installation of automated meter reading ("AMR") in Westchester County, replacement of obsolete remote meter reading devices, a program for strategic deployment of AMR for hard-to-read meters and meters in new construction and renovation projects, replacement of the cycle meter reading handheld system, call center improvements and systems development.
- Continuation of the Company's low-income program;

- Postal discount processes that were presented to the Commission in Case 09-E-0428; and
- The Company's retail access program.

In total, we are supporting common customer service capital programs having total Company costs of $21.7 million in 2010, $14.5 million in 2011, $8.8 million in 2012, and O&M programs having total Company expenses of $1.2 million during rate year 1, $1 million during rate year 2 and $1.6 million during rate year 3. The Accounting Panel addresses the allocated share of the costs of these programs to gas customers.

Q. Please explain how the Company seeks to mitigate the cost of Customer Operations activities.

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

Q. Please describe the Customer Operations mitigation programs.

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

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

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

- The Company's electronic bill offering reduces postal costs, and electronic payment options reduce payment processing costs.
- In a climate of record amounts of benefits provided to our customers by the New York City Human Resources Administration and the Westchester County Department of Social Services, the Company introduced VRU and Internet applications that customers and those agencies use to exchange information regarding customer accounts, and, as a result, our Public Assistance group received 13,525 fewer calls during the period October 2008 to September 2009 as compared to the period October 2007 to September 2008.

Q. Does the Company have any comments with regard to regulatory mandates?

A. Yes. Generally, the Company believes that the Commission should foster the evaluation of existing

regulatory requirements to determine whether there are requirements that can be relaxed or eliminated without adversely affecting safe and reliable service, while creating the opportunity for utilities to reduce their operating costs. Even reducing a number of small requirements can, in the aggregate, have a positive impact in this regard.

Q. Does the Company have any specific proposals at this time?

A. Yes. The Company proposes to convert a certain group of gas cooking customers to a fixed monthly charge similar to the minimum charge imposed on a gas cooking customers who use no gas in a monthly billing period. The application of a fixed monthly charge to recover all the costs of serving the customer would mean that the customer's service would not need to be metered. If a meter were present on the customer's service, the Company would no longer read the meter. The customers in the fixed rate billing group would be those who have gas meters located within their apartments and historically the use of gas has been less than 5 therms monthly; if the customer has directly metered

electric service, the meter is located outside of the customer's apartment.

Currently, the Company is required to attempt to read each such meter on a monthly basis because billing is based on usage. Our proposal for a fixed monthly charge eliminates the requirement for the monthly meter read. Approximately 675,000 gas meters are used for cooking purposes only, and those customers typically receive a minimum bill each month. The subset of those accounts, accounts with the gas meter in the apartment, consists of about 114,000 meters. Manhattan has approximately 76,000 of these meters using 5 or less therms per month and the Bronx has 38,000 of these meters with similar usage.

Q. Does Con Edison incur the same costs to read these gas meters as it incurs to read gas meters in other multiple dwelling situations?

A. No. Since access to each of these apartments is necessary to read the gas meter located inside, these meters are more costly to read then those that are located in basements, outdoors or readily accessible locations or in locations shared with other meters.

Q. Does Con Edison have any estimate of the cost of reading these meters?

A. Yes. The Company estimates that having to read these meters requires the time of five CFRs.

Q. If the Company were permitted to charge these customers a fixed monthly charge, would the Company incur any costs that would offset the savings achieved from reducing meter reading expenses?

A. Yes. In order to maintain a high level of efficiency and realize the projected savings, it would be necessary to restructure the meter reading routes in the affected areas of Manhattan and the Bronx. We estimate that the cost for rerouting, based on similar efforts performed in the past, will be approximately $.25 per meter; the remaining gas and all the electric meters on the affected routes, 135,000 meters for Manhattan and 367,000 for the Bronx, would be involved in rerouting for a one-time cost of $126,000.

Q. Are there any other costs associated with this proposal?

A. Yes. A one-time cost would be experienced for system modifications necessary to address the various system

checks and customer communications related to meter reading activities.

Q. Are there any limitations on the imposition of a flat charge for gas utility service?

A. Not to our knowledge. We do note that the Commission's Home Energy Fair Practices Act regulations, specifically 16 NYCRR §11.16, establish minimum bill contents, including a requirement that each bill include "present and previous meter readings." However, we believe that this requirement should be read to apply only when the customer is being billed based on metered usage. When the usage is not a billing determinant, meter readings are irrelevant.

Q. When does the Company propose to implement this change?

A. The Company proposes to implement this change during RY3. The Company notes that there are important details to address, including necessary amendments to other rates and charges, like the GCF and MRA. Accordingly, the Company proposes that implementation of this change be subject to a compliance tariff

filing that would be made no less than six months before the beginning of RY3.

AUTOMATED METER READING

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

A. During 2010, the Company plans to complete the saturated installation of AMR in Westchester County. In Case 08-E-0539, the Commission established rates reflecting the Company's projected costs for 2009; the Company's projected costs for 2010 were presented to the Commission in Case 09-E-0428, which is presently pending resolution. The capital costs for this effort in 2010 are discussed below.

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

A. The Company refers to the deployment of AMR as "saturated AMR" when AMR technology is installed on every meter in a target geographic area. The Company has completed saturated deployment of AMR throughout many areas of Westchester. During 2010, the Company plans to complete the deployment of saturated AMR throughout Westchester county by installing AMR equipped meters and devices as follows: approximately 41,000 in the Yonkers area, approximately 6,000 in the

Mount Vernon area, and approximately 600 in the Rye area. The projected capital cost of this program is $10.6 million in 2010.

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

A. Yes. The Company continues to reduce CFR staffing levels as a consequence of the installation of saturated AMR. Annual costs for CFRs are forecast to be reduced by $1.2 million by the end of 2009. With the completion of the saturated AMR program in Westchester, no further reductions will be experienced.

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

A. The Company plans the strategic deployment of AMR to replace obsolete hard wired remote meter reading installations, hard to read meters and in projects where 50 or more electric meters and one or more associated gas meters will be needed. As explained in more detail below, the Company believes that AMR is the appropriate technology to be used in these

projects and also that these AMR projects increase customer satisfaction and meter reading efficiency.

The Company plans to replace obsolete hard wired remote meter reading installations in locations where one or more of these meters have failed. In the April 24, 2009 order in the Company's last electric rate case, Case 08-E-0539 (the "2009 Rate Order"), the Commission approved the Company's $0.5 million annual capital investment to replace obsolete hard wired remote meter installations in locations where one or more of these meters have failed. This is an annual program to replace approximately 3,000 electric and 500 gas meters per year with the deployment criteria based on reported failure of these obsolete remote devices at customer locations. There are currently about 90,000 of these devices on the Company's system, which the Company intends to replace eventually. The capital cost of these proposed installations is $550,000 annually.

The Company also plans on a limited basis to deploy AMR to replace hard-to-read meters. The Company has been deploying AMR equipment at locations and meter reading routes where it is expensive,

dangerous or otherwise inefficient to read meters in a conventional manner. The meters targeted for replacement are those that are regularly inaccessible on the meter reading day and generally require that a meter reader expend more than the average time to obtain readings, and the overall rate of meter reading is low. The installation of AMR equipment for such meters or routes has improved meter reading efficiency and provides customers with actual meter readings.

At present there are about 90,000 Company meters where the Company has been unable to gain access for 120 days or more. In response to the concerns that Staff voiced in Case 08-E-0539, the Company proposed to deploy only 3,500 AMR installations per year in Case 09-E-0428, which will allow the Company to continue to address the most difficult of the hard-to-read meters; this proposal has not been opposed by Staff or any other party. The annual capital cost of these proposed installations is $550,000.

In addition, also on a limited basis, the Company plans to install electric and gas meters equipped with AMR communications modules in renovation projects and multi-tenanted buildings under development. Under

this proposal, the Company will deploy AMR installations to projects where 50 or more electric meters and one or more associated gas meters would be needed. In response to the concerns that Staff voiced in Case 08-E-0539, the Company included a more conservative program for these projects in Case 09-E-0428 that was not opposed by Staff or any other party. The Company estimates that 14,000 communication modules would be required annually. The capital cost of these proposed installations is $315,000.

Installation of AMR in these projects avoids the need for additional staffing that is required when meter reading routes become too large. Without AMR capability for metering at these projects, the additional manually read meters 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 grew beyond current staff capability.

In addition, since a new meter and installation is already required in these situations, inclusion of an AMR communication module provides an alternative to

installation of a manually read meter at the small incremental cost of approximately $20 for the AMR module for each electric 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 about three years.

Q. Please describe the total capital funding that is needed to strategically replace obsolete hard wired remote meter reading installations with AMR meters and install AMR meters in place of hard to read meters and in projects where 50 or more electric meters and one or more associated gas meters will be needed.

A. The Company's projected capital expenditures for the strategic deployment of AMR in the years 2010 through 2012 is $1.4 million annually. These costs are predominantly the costs of the AMR modules, meters and installation.

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

A. AMR overcomes the difficulties associated with reading meters considered to be "hard-to-read," for example,

in cases where customers are unavailable to provide access to their meters or where there is restricted access due to their location. 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. In new construction projects having 50 or more electric meters and one or more accompanying gas meters, AMR helps minimize disruptions in meter reading routes caused by the addition of large numbers of meters and avoids the need for the additional staffing that becomes necessary when a meter reading route becomes too large.

The Company currently has over 637,000 AMR devices in use throughout the service area, and AMR functionality and performance are well documented. The Company has been strategically deploying AMR for a number of years, and field organizations are already equipped with devices capable of collecting readings from AMR meters.

Q. In light of the Commission's recent approval of minimum functional requirements for AMI, why doesn't the Company delay these projects pending a determination for deploying a broad based AMI project?

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

In addition, the installation of AMR devices is preferable to the use of AMI in these locations unless broad based AMI is employed. AMI depends on a communication infrastructure between the utility and the AMI meters. Therefore, the use of AMI at such

scattered locations is not economic because it would require the installation of an AMI communication infrastructure to support a single meter or a small number of meters. The installation of AMR at these locations avoids the cost of installing an AMI infrastructure. In cases where AMI is used and areas are saturated with AMI meters, the cost of the communication infrastructure is amortized across a large number of meters. Amortizing the cost of an AMI infrastructure across a small number of widely dispersed meter points, as is the typical case for hard-to-read meters and meters at individual building projects, would cause the cost per meter point to be prohibitive.

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

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

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

A. Yes. We have prepared four exhibits. These are entitled "AMR SATURATION," Exhibit___(CO-1), "AMR SATURATION WORKSHEET," Exhibit___(CO-2), "STRATEGIC AMR," Exhibit___(CO-3) and "STRATEGIC AMR WORKSHEET," Exhibit___(CO-4).

MARK FOR IDENTIFICATION AS EXHIBIT___(CO-1), EXHIBIT___(CO-2), EXHIBIT___(CO-3) and EXHIBIT___(CO-4)

CYCLE METER READING SYSTEM

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

A. Yes, the Company expects to purchase and install a new system in 2011. The Company presented testimony on this common program in Case 09-E-0428, and this program was not opposed by Staff or any other party.

Q. Why is a new meter reading system needed?

A. We currently use a PC-based handheld application (referred to as the "PET system") to perform and administer our meter reading activities. The system was installed in 2002 and automated the flow of information for meter reading using a hand-held microcomputer. The Company has been advised by the vendor of the PET system that the system will not be supported beyond 2012. Thus, the Company must replace

its cycle meter reading system and handheld devices before 2012 to be able to continue timely billing of our customers. Our plan is to replace this system with an application that will provide for the effective control of our meter reading activities and offer the flexibility to expand as new technology becomes available.

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

A. The current system provides the ability to read conventional and AMR meters with a handheld device or a mobile collector installed in a vehicle and deliver these readings into the Company's Customer Service System ("CSS"). This system also enables route restructuring at the local level for the purpose of maintaining efficient routes.

Q. What is the Company's plan for replacing the Cycle Meter Reading Handheld System?

A. The Company plans to initiate this project during 2010. Using the competitive bid and RFP process, the Company will investigate the market for systems designed to deliver correct and timely billing of customer account data. The Company will use the

opportunity of the significant lead time for replacement to conduct a detailed analysis of the requirements of the system and to develop a competitive RFP process, which will enable us to maximize the operational benefits that can be secured at the most competitive market price for these benefits. The process will allow us to carefully consider our current operational needs and those expected to be experienced in the future. Initial indications are that the systems now available in the market will offer new functionality beyond the capability of our current system, and we will be looking to take maximum advantage of such developments as we pursue a replacement system.

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

A. The work involves the purchase of approximately 470 handheld devices, 470 desk-based docking stations and compatible software. New internal hardware, such as servers and desktop computers, will also be purchased. It is estimated that four 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.

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

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

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

A. It is expected that the Company will incur O&M costs relating to system maintenance of approximately $404,000 annually starting in RY4. We expect to negotiate the maintenance costs as part of the purchase agreement. As a result of the transition to the new cycle meter reading handheld system in RY1, maintenance costs will be reduced from the historical expense by $17,000 in RY1 and by $327,000 in RY2. This savings is due to the maintenance for the new handhelds being covered in the first rate year by a

one-year warranty that the Company expects to purchase with the new system; the Company will continue to incur decreasing maintenance costs for the existing handhelds as they are phased out. During RY3, as the one-year warranty period expires on new handhelds, the maintenance cost for the new system will increase to $301,000 and finally to $404,000 in RY4 when the warranty coverage is no longer in effect.

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

A. Yes. We have prepared two exhibits. These are entitled "CYCLE METER READING HANDHELD SYSTEM," Exhibit___(CO-5), and "CYCLE METER READING HANDHELD SYSTEM WORKSHEET," Exhibit___(CO-6).

MARK FOR IDENTIFICATION AS EXHIBIT___(CO-5) and EXHIBIT___(CO-6)

CALL CENTER IMPROVEMENTS

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

A. The Company needs to replace the Call Center's automatic call distribution ("ACD") system; replace

the existing telephone self-service Voice Response Unit ("VRU") applications; implement business continuity initiatives; replace the Call Center's workstations; and replace the call recording and quality monitoring system. The Company presented these initiatives in Case 09-E-0428, which is presently pending resolution, and they were not opposed except as noted in the testimony below.

Q. What is the ACD system?

A. The existing telephone ACD system, installed in 1998, is the Call Center's most critical infrastructure asset. The Call Center handles more than 16 million customer contacts annually made to the Call Center via telephone. These contacts are processed and distributed to Customer Service Representatives ("CSRs") in our four Call Centers via the ACD system, which routes customer calls to CSRs in accordance with call types and CSR skill sets. Additionally, the ACD telephone system offers tiered messaging capabilities, which provide customers with generic and emergency-related announcements. Appropriate messages need to be available to our customers during emergencies.

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

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

Replacement of the ACD system will also improve upon the existing ACD infrastructure and promote business continuity. 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 that can have a crippling effect on the Call Center's operation. The ACD replacement solution will include a distributed infrastructure architecture that eliminates the existing single point of failure. A distributed design will allow major ACD system components to be duplicated across several locations. The proposed ACD solution will be fault tolerant, meaning that a single critical hardware failure event will not impact Call Center operations.

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

A. The Company plans to begin this project during 2010 with a comprehensive RFP process to target the best solution for the Call Center's future needs that integrates effectively with other Call Center technology. As integration of such an important system is a long and complex process, the Company has set the goal of securing the required replacement solution by 2011 so the system will be provisioned and tested thoroughly before the end of life of the current system. Such a strategy will protect the level of service to customers at all stages of this significant system change. The existing ACD switch will remain operational as its replacement system is designed, implemented, and tested during a two-year period beginning in 2011.

Q. What is the projected cost for this program?

A. The projected common capital cost for the replacement of the ACD system is $2.8 million. The Company expects to spend $55,000 in 2010, $1.7 million in 2011 and $1.1 million in 2012.

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

A. It is expected that the Company will incur increased O&M costs of $28,000 for system maintenance beginning in RY3.

Q. Please describe the Company's VRU system.

A. The Company's VRU is an automated system that provides customers calling the Company with self-service options instead of having to wait for a CSR. Currently, there are thirty-five VRU self-service applications available to customers. We continue to see annual growth in customer usage of the VRU self-service. Over the past two years, the use of VRU self-service increased by an average of 23 percent. More than 55 percent of all inbound customer calls are satisfied by these self-service applications. Such volume handled manually would require the equivalent of approximately 300 CSRs.

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

The Company is in the process of replacing this system and presented the capital funding requirements for this initiative in Case 09-E-0428, which Staff opposed.

Q. Please explain Staff's opposition to this proposal in Case 09-E-0428.

A. Staff was concerned that this initiative was unnecessarily aggressive, first, because the present VRU system will be supported until 2013 and therefore the replacement could be implemented at a later date and, second, because, in Staff's understanding, Con Edison was proposing to undertake the replacement of the VRU and ACD systems simultaneously. As explained the in the Company's rebuttal testimony in Case 09-E-0428, it is necessary to start work on the VRU applications in 2010, and the Company's implementation of the VRU and ACD systems will not be simultaneous. This is further explained below.

Q. Why is the Company replacing this system?

A. The existing vendor has advised the Company that our VRU employs outdated technology that will not be supported beyond 2013 and has made a public announcement that they are getting out of the VRU/IVR

business. With the existing VRU hardware of an age where replacement parts have become increasingly scarce, replacement of the VRU is critical to avoid hardware failures that could have an impact on system availability. The scarcity of replacement parts will become increasingly problematic in future years. Such failures would negatively affect the Call Center's ability to provide customers with quality customer service.

Q. Please continue.

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

Q. What is the status of the new VRU self service system?

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

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

A. The Company's self-service system provides customers with fast and easy-to-use self-service applications that enable services related to reporting emergencies, managing billing, making payments and entering into agreements. These existing self-service applications will need to be re-engineered and re-written for use in the new IVR self-service system; this constitutes a major part of the system replacement project. This rewriting and reengineering work must be completed prior to 2013, when vendor support will no longer be available for the existing system.

Q. Why is it important that the existing self-service applications be rewritten starting in 2010?

A. With 55% of calls to the Company handled by the thirty-five VRU self-service applications currently available to customers, it is critical that these applications be replicated in the new system and a smooth transition of self-service applications from the old system to the new system occurs.

The Company recognizes the complexity of replacing systems like the existing VRU and for that reason has developed a tiered replacement strategy - namely, to get the new IVR infrastructure installed and tested before migrating the applications. Once the infrastructure is installed and tested by the fourth quarter of 2009, then the applications can be re-written to operate with the new IVR system over a period of three years to ensure the proper operation of each application prior to the end of life of the old system.

This approach will provide that the majority of installation and implementation issues will be resolved and cleared by the end of 2009 and provide for a smooth transition to the new applications over the next three years. The new system's design and integration test results have demonstrated that the new IVR platform will support the self-service applications that are currently available to customers in the existing VRU system. Furthermore, implementation of the new IVR system will be completed well in advance of transition to the new ACD system.

Q. What is the cost for this program?

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

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

A. The Company expects to incur incremental O&M costs of $205,000 in RY1 for maintenance of the IVR system, an increase of $190,000 in RY2 to support IVR applications, and an additional increase of $460,000 starting in RY3 for IVR system maintenance. This estimate is based on a quote from the Company's current vendor.

Q. Please describe the new business continuity initiatives.

A. The Call Center business continuity plan requires the Company to improve its means to provide continued service to our customers in the event of a loss of Call Center infrastructure, including server computing resources and facilities. The existing Call Center LAN server architecture is not redundant and lacks a robust disaster recovery implementation. Failure of a

given server will prevent all users connected to the server, including CSRs, from accessing information that is necessary to handle and process customer inquiries and emergency transactions. During most server outages, users remain out of service until the server problem is corrected. Typically, the restoration process requires at least six hours, which could hamper our ability to assist customers during an emergency period when they need us to be available and have access to essential information.

Q. What improvements will be made?

A. The proposed improvement involves the implementation and installation of a redundant server cluster environment with near real time recovery capabilities. This environment will allow servers to replicate data across two physically diverse locations and recover data almost immediately when failures occur. The proposed improvement will mitigate server/application downtime through the implementation of server recovery and data replication technologies. Additionally, the proposed improvement design will include a robust storage area network ("SAN") so that files/data are backed up and stored to disk routinely for archiving

and restoration purposes. The SAN technology that will be implemented has proven to be extremely useful in providing sound server recovery and restoration solutions.

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

Q. What is the cost for this program?

A. The projected capital cost for the business continuity initiatives totals $1.7 million: $1.1 million in 2010 and $550,000 in 2011. There is a $50,000 O&M expense associated with this program for administration and maintenance of the performance analytics software.

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

A. These are the computers used by CSRs to handle all customer inquiries. By 2012, this hardware will have reached the end of its useful life and the risk of failure will increase substantially. If any of these computers fail, significant problems in our handling of customer inquiries could arise. Replacement of this equipment is essential to our maintaining the current quality of service to customers.

Q. What is the cost for this program?

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

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

A. The existing call recording system will not be supported beyond 2013. The Call Center's call recording and quality monitoring system records customer calls and related screen content. This system is used by Call Center supervision for performance analysis and quality assurance purposes. The system is critical to the Company's ability to evaluate, provide feedback to and coach CSRs regarding their handling of customer calls. In addition, we utilize the system to follow-up on customer complaints and to conduct root cause analysis of service emergencies and complaints.

Q. What is the cost for this program?

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

Q. Does the Company expect to incur any increases in O&M costs in its Call Center?

A. Yes. The Call Center will experience increases in maintenance costs for its existing call recording system.

Q. Please explain costs related to maintenance of the existing call recording system.

A. The purchase agreement on the existing call recording system included a discounted three-year maintenance contract that expired this year. The Company renewed the contract for another three years at an incremental cost of $240,000 for RY1, and an additional $10,000 for RY2.

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

A. Yes. We have prepared three exhibits. These are entitled "CALL CENTER IMPROVEMENTS," Exhibit___(CO-7), and "CALL CENTER IMPROVEMENTS WORKSHEET," Exhibit___(CO-8), and "TIER TECHNOLOGIES PRESS RELEASE," Exhibit___CO-9).

MARK FOR IDENTIFICATION AS EXHIBIT ___ (CO-7), EXHIBIT___(CO8) and EXHIBIT___(CO-9)

SYSTEMS DEVELOPMENT

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

A. The Company plans to make improvements to its CSS to keep it viable, to develop applications for the

automatic billing of customers currently billed outside of the Company's CSS, and to reinforce systems used to support the competitive marketplace. Rates established by the 2009 Rate Order reflected Electric's share of these common programs; testimony on these multi-year programs was also presented in Case 09-E-0428, and except as noted below, these programs were not opposed by Staff or any other party.

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

A. The Company's 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 CSS 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 into the future.

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

A. We continue to upgrade the programming languages in which CSS was originally developed. We have been systematically reprogramming CSS 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 efforts to be completed under this program are: 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.

Q. Why is this work required?

A. 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, this

critical group of systems will be increasingly difficult to support and maintain, resulting in the Company's inability to create new applications or fix problems as they occur. In addition, future releases of the operating system under which these systems execute orders may not support these older programming languages. Therefore, upgrading to a more universally used and supported languages 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 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 off-system billing applications and energy efficiency programs.

The Commission considered this program in Case 08-E-0539 and the rates approved reflected Electric's share of $1 million in capital for 2009. This program was also presented unopposed by the Company in Case 09-E-0428, which is pending resolution.

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

A. 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 through identification and modernization of targeted areas of the system, including large scale enhancements as necessary. The Company will initiate this effort through a consultant review of the operations and capability of the CSS suite to identify areas for enhancement. We estimate that such a study will cost $200,000.

Q. Was this study proposed in the Company's pending electric rate case?

A. No. A larger scale version of the program involving an annual $2 million investment for the development and implementation of functional improvements was

proposed in Case 09-E-0428, which Staff opposed. In response to Staff's concerns, in its rebuttal testimony the Company proposed the consultant review described herein.

Q. Why is this work necessary?

A. 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, supports our current conclusion that extending the life of our existing system is the more effective alternative. The Company has successfully implemented major enhancements to its 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 at this time we can continue to enhance our present system through identification and modernization of targeted areas of the system, including large-scale enhancements as necessary.

Q. What is the total projected capital cost of the CSS Improvements program?

A. The projected capital cost of this program is approximately $1.4 million in 2010 and $1.2 per year during 2011-2013.

Q. Please explain the incremental O&M costs associated with the CSS.

A. Additional Company employees needed to support CSS maintenance, specification, development, and testing and see that changes to CSS programs are implemented in an efficient and timely manner, are estimated to cost $400,000. The Company plans to begin performing recruitment activities for these positions early in 2010. In its testimony in Case 09-E-0428, Staff objected to the funding of these resources on the grounds that they would be used to support capital improvements to CSS. As explained in our rebuttal testimony in Case 09-E-0428 the Company is requesting

these resources to support ongoing required system changes that are not related to capital programs. Due to legislative and regulatory changes, the Company's rates and programs have grown more complex, and the Company must hire additional resources to support these requirements.

Q. Please provide examples of recent required system changes driven by regulatory or legislative mandates.

A. Examples of required system changes are: legislated changes to the Public Service Law §18-a assessment applicable to electric, gas and steam service revenues and Commission requirements associated with billing this assessment; changes to the applicability of sales tax to retail access delivery service enacted by the City of New York; and sales tax changes applicable in the Peekskill School District. Addressing the business requirements associated with each of these mandated changes involves extensive work by Company resources on the CSS. For some of these changes, the Company has to make changes to bill calculation routines, bill presentation, bill messaging, financial reporting and the Customer Service Online internet site. For some mandated programs, changes included

modifications to rate tables and bill calculation tools for CSRs.

Q. If the Company is understaffed in this area, how has it been able to perform work on mandated programs?

A. The Company has deferred non-mandated system changes, including modifications requested by user groups to enhance meter reading, turn-ons, billing, and replevin activities. In addition there are pending modifications to bill messaging and credit process enhancement and automation.

Q. Have you prepared, or had prepared under your supervision, exhibits that detail the O&M funding needed to support the CSS?

A. Yes. We have prepared two exhibits. These are entitled "CUSTOMER SERVICE SYSTEM IMPROVEMENTS," Exhibit___(CO-10) and "CUSTOMER SERVICE SYSTEM IMPROVEMENTS WORKSHEET," Exhibit___(CO-11)."

MARK FOR IDENTIFICATION AS EXHIBIT___(CO-10) and EXHIBIT___(CO-11)

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

A. Currently, the Company utilizes a number of billing processes outside of the CSS (termed "off-system" billing processes) to bill customers taking service under certain rates and programs. Managing and billing these customer accounts 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 that will support these billing activities and provide full automation of these processes, eliminating the manual processes for billing currently in use. The Commission considered this common program in Case 08-E-0539 and established rates that reflected Electric's share of $1.6 million in capital for 2009. This program was also presented by the Company in Case 09-E-0428, which is pending resolution. The program was unopposed by other parties in the case.

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

A. The Company plans to utilize the common automated system to replace all of the off-system billing applications currently in use, such as billing for gas

service for distributed generation and penalties incurred by interruptible gas customers.

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

A. The work involved consists of: data migration and customer information conversions, customized application and interface development, complex algorithm and framework configuration, testing, and deployment.

Q. What is the status of this project?

A. The analysis and design phases of this project are expected to be completed by April 2010. In May 2010 development will begin on the infrastructure for all off-system billing applications.

Q. What is the capital cost of this program?

A. The cost to develop the proposed system for the automation of off-system billing is estimated to be a total of $7.6 million in capital spending over the 2009-2013 period. The Company plans to expend $1 million in capital in 2009 for this program. The Company projects to expend an additional $6.6 million in capital for this program: $1.8 million in 2010,

$2.3 million in 2011, $1.6 million in 2012 and $870,000 in 2013.

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

A. We expect a cost increase of $400,000 in RY1 for maintenance contracts and staffing needed to support the new customer care and billing application. No further O&M increases are expected after RY1. O&M costs associated with the new off-system billing application are partially offset by the reduction of 3.5 SCSRs that will no longer be needed to bill accounts under the off-system applications being replaced. A total savings of $252,000 will be achieved over a three-year period as individual off-system billing applications are implemented. In RY1, costs for SCSRs are forecast to be reduced by $36,000 over the historical year. Further reductions of $72,000 are expected in RY2 and $144,000 in RY3.

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

A. Yes. We have prepared an exhibit entitled "OFF-SYSTEM BILLING," Exhibit___(CO-12) and an exhibit entitled "OFF-SYSTEM BILLING WORKSHEET," Exhibit___(CO-13).

MARK FOR IDENTIFICATION AS EXHIBIT___(CO-12)
and EXHIBIT___(CO-13)

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

A. 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. The Commission established rates in Case 08-E-0539 that reflected Electric's share of $1.4 million in capital for this program. This program was also presented by the Company in Case 09-E-0428, which is pending resolution. The program was unopposed by other parties to the case.

Q. Please describe this work.

A. This work involves improvements to the systems supporting various mandated 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. At present, the specific work items being addressed include:

- Updating and standardizing program languages to improve efficiency of maintaining the systems.
- Increasing capacity and efficiency of system processes so that the increased volumes of ESCO transactions can be supported and are processed in a timely fashion and in compliance with UBP requirements.
- Improving 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.
- Improving the test environment to allow for more efficient mandated Phase III certification of ESCOs' electronic data interchange ("EDI") communication. This improvement will assist us in meeting the PSC required timeframe for testing.

Q. What modifications do you project undertaking in 2010?

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

- A Real-Time enroll/de-enroll work flow process to accurately compute start and end dates and validate transactions. This will improve efficiency of the enrollment process and the information provided to enrolling customers. Specifically, the Company will be able to provide ESCOs with the actual effective date on the initial enrollment acknowledgement, rather than an estimated date as currently in effect. Also, the Company will be able to provide the enrolling customer with the exact enrollment date in the enrollment acknowledgement letter rather than the effective month of the enrollment.
- A routine to compile and provide 24 months of electric and gas historical usage. The current process for providing 24 months of historical gas data is cumbersome and places a burden on system processing activities.
- Automated invoicing of ESCOs, which eliminates manual preparation of invoices and provides for the ability to electronically transmit the invoice.

- A combined user interface for the RAIS and TCIS systems that allows users a single view for gas and electric customer support, which will result in a more efficient handling of retail choice gas and electric requests and an improved customer experience.

Q. What is the cost of this project?

A. The cost of this program is estimated to be $4.7 million. A total of $1 million was spent through 2008 and the Company expects to spend another $1.5 million in 2009 and $2.2 million in 2010.

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

A. Yes. We have prepared two exhibits. These are entitled "COMPETITIVE MARKET CUSTOMER SERVICE SYSTEMS," Exhibit___(CO-14) and an exhibit entitled "COMPETITIVE MARKET CUSTOMER SERVICE SYSTEMS WORKSHEET", Exhibit___(CO-15).

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

POSTAL DISCOUNT PROCESSES

Q. Does the Company obtain discounts to the postal rate for its mail?

A. Yes. Con Edison processes over 51 million pieces of mail each year. The volume of mail the Company sends out each year qualifies Con Edison for participation in the United State Postal Service ("USPS") postal discount program. Participants in the program must affix a postal zone-specific bar code representing the 9-digit zip code of the addressee's location to each piece of mail.

Q. Describe how the Company obtains the discount.

A. The Company utilizes software applications that identify and affix a barcoded 9-digit zip code to each piece of mail as it is processed for mailing.

Q. How does the Company seek to maintain the accuracy of its mailing list?

A. The Company routinely synchronizes its address database with the USPS address database and the USPS National Change of Address information system.

Q. Does all the Company's mail receive a postal discount?

A. In some cases, the software applications used by the Company cannot identify the 9-digit zip code. Such

mail is sent to a vendor for re-processing and put back in the mailing stream so the postal discount received by the Company may be maximized.

Q. Please explain the costs related to postal discount processes.

A. The Company's software applications must be efficiently maintained to optimize processing of the mail for the postal discount. The software applications used to process the mail and affix the bar codes were previously maintained under a warranty provided by the vendor when the product was purchased in 2007. Rate relief is needed for the annual maintenance contract for the software applications and for vendor costs associated with re-processing the mail.

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

A. The total projected cost of Postal Discount Processes is $120,000. $80,000 will be incurred for software applications maintenance and the vendor cost for re-processing the mail is $40,000.

Q. Have you prepared, or had prepared under your supervision, exhibits that detail Postal Discount Processes?

A. Yes. We have prepared an exhibit entitled "POSTAL DISCOUNT PROCESSES", Exhibit___(CO-16) and an exhibit entitled "POSTAL DISCOUNT PROCESSES WORKSHEET", Exhibit___(CO-17).

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

LOW INCOME PROGRAM

Q. Does the Company currently have a Low Income Program for residential gas customers?

A. Yes, the Company has a Low Income Program that has three elements: a reduced Customer Charge to customers taking service under SC 3 and a reduced rate for usage between 3 and 90 therms. For customers taking service under SC 1, the Company provides a reduced rate for usage over three therms. In order to qualify for these rates, the customer must be receiving benefits under any of the following governmental programs: Supplemental Security Income ("SSI"), Temporary Assistance to Needy Persons, Safety Net Assistance, Medicaid, or Food Stamps or have received a Home Energy Assistance Program ("HEAP") grant in the preceding 12 months.

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

A. Yes. Currently about 160,000 customers are enrolled in this program. The Company is proposing a program amount of $3.4 million per year to accommodate the number of customers (165,000) projected to be on the program starting RY1. With funding at this level, the Company would continue to provide: a reduction of $.2029 to the volumetric charge adopted in this case for low income residential customers taking service under SC 1 and SC 3 who receive benefits under one of the assistance programs mentioned above; and a reduction of the minimum charge for eligible low income SC3 customers set at $.10 below the minimum charge for SC3 customers. Customers already on the program would not have to reapply to receive the benefit of the reduced charges.

Q. Is the Company proposing any other changes to this program?

A. No.

RETAIL ACCESS PROGRAMS

Q. As a result of the Company's 2004 and 2005 gas and electric rate plans, what programs did the Company initiate?

A. The Company initiated PowerMove, Market Match, and Purchase of Receivables ("POR") in support of retail access.

Q. Is the Company proposing any changes to any of these programs?

A. The Company is not proposing any changes but will be implementing a Commission-mandated change with respect to PowerMove to permit applicants for utility service to elect service from an ESCO when they first apply to Con Edison for service.

Q Please explain.

A. As directed in the Commission's March 2008 order in Case 07-E-0523, the Company filed a report with the Commission addressing an intervener's proposal that the Company expand its PowerMove program to include customers who contact the Company for new service. The report addressed whether it is feasible to provide new customer referrals to ESCOs, how HEFPA regulations will be met, and how the expansion would not present

an impediment to the timely provision of service as required by law as well as how Con Edison would recover the cost for any expansion of the ESCO referral program. The Company's report also provided proposed rules and a process under which the PowerMove program could be offered to customers initiating service. Under this process, as part of the options offered to an applicant at turn-on, eligible customers would be asked to choose a supplier for their electricity or natural gas. Residential and small non-residential electric service applicants and all firm service gas service applicants would be eligible for this program.

Q. What progress has been made on this issue?

A. The Commission approved, with modifications, the Company's proposal in an order issued in June 2009, and the Company will be expanding its ESCO referral program accordingly.

Q. Is the Company requesting funding in this case for the modified PowerMove program?

A. No, although the Company expects to incur costs for the necessary system changes to implement this program and for the incremental personnel expected to be

required. The Company filed this program following the Commission's decision that utility retail access programs should be funded by the ESCOs that they benefit. Therefore, the Company proposed that all costs for the program be borne by participating ESCOs.

Q. Please continue.

A. When the Commission directed the Company to implement its proposal, it made potentially expensive and unexpected changes to the program and concluded that the Company had not demonstrated its need for additional personnel. The Commission directed the Company to defer the implementation and ongoing O&M costs to expand the PowerMove Program pending an assessment of the costs and the establishment of a recovery mechanism for those costs. The Commission directed the Company to report back to the Commission after the program had been operating six months with actual cost information regarding its incremental labor costs. Presumably, at that time, the Commission will entertain a Company proposal to recover these deferred and ongoing costs through some mechanism, perhaps even by requiring ESCOs to be responsible for some or all of the costs, as the Commission recently

decided should occur in Orange and Rockland Utilities' similar program, instead of providing for recovery the next time base rates are set.

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

A. The Company plans to continue the Market Match program without modification. The Company's website features this program and provides easy access to information about individual ESCOs participating in the Company's service territory. Costs to continue this program are de minimis.

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

A. Yes, the Company proposes to continue its POR program without modification.

Q. Does this conclude your testimony?

A. Yes.

2010 Capital and O&M – Customer Operations

Project/Program Title	AMR Saturation
Business Owner	Field Operations
Status	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 637,000 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	Approved 2009
-	-	$6,314	$17,714	$17,862	$16,000

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast/Approved Total 2010-2014
$10,600	-	-	-	$10,600

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor	735	4,981	5,043	
M&S	19	22	3	
A/P	4,861	10,346	10,242	
Indirects	699	2,365	2,575	
Contingency	0	0	0	
Total	**$6,314**	**$17,714**	**$17,862**	

Forecast

EOE	2010	2011	2012	2013	2014
Labor	4,499				
M&S	0				
A/P	3,703				
Indirects	2,398				
Contingency	0				
Total	**$10,600**				

Funding ($000): O&M

Actual 2004	Actual 2005	Actual 12 months June 2006	Actual 12 months June 2007	Actual 12 months June 2008
-	-	$17	$61	$162

Actual 12 months June 2009	Forecast RYE 2011	Forecast RYE 2012	Forecast RYE 2013	Forecast Total 2011-2013
$177	$0	$0	$0	$0

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor	0	0	0	0
M&S	6	6	40	39
A/P	11	21	72	82
Telephones	0	34	50	56
Total	**$17**	**$61**	**$162**	**$177**

Forecast

EOE	2010	2011	2012	2013	2014
Labor					
M&S					
A/P					
Other					
Total					

AMR Saturation Worksheet
($000s)

CAPITAL	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013
Company Labor	$6,748	$0	$0	$0
A/P - Meter Equipment	$1,024	$0	$0	$0
A/P – Contract Labor	$2,595	$0	$0	$0
Administrative Costs	$ 233	$0	$0	$0
Total Capital	**$10,600**	**$0**	**$0**	**$0**

2010 Capital – Customer Operations

Project/Program Title	Strategic AMR
Business Owner	Field Operations
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 637,000 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 90,000 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.

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.

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 electric 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.

Funding ($000): **CAPITAL**

Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Approved 2009
	$1,472	$997	$743	$886	$700

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast/Approved Total 2010-2014
$1,415	$1,415	$1,440	$1,440	$1,415	$7,125

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor	$279	$142	$75	
M&S	$1	$39	$24	
A/P	$552	$488	$686	
Indirects	$165	$74	$101	
Contingency	**$0**	**$0**	**$0**	
Total	**$997**	**$743**	**$886**	

Forecast

EOE	2010	2011	2012	2013	2014
Labor	$410	$410	$410	$410	$410
M&S	$0	$0	$0	$0	$0
A/P	$769	$769	$769	$769	$769
Indirects	$236	$236	$261	$261	$236
Contingency	**$0**	**$0**	**$0**	**$0**	**$0**
Total	**$1,415**	**$1,415**	**$1,440**	**$1,440**	**$1,415**

EXHIBIT___(CO-4)

Strategic AMR Worksheet
($000s)

CAPITAL	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013
Obsolete Remote Meter Replacement	$550	$550	$562	$562
Hard-to-Read Locations	$550	$550	$563	$563
New Meters	$315	$315	$315	$315
Total Capital	**$1,415**	**$1,415**	**$1,440**	**$1,440**

2010 Capital and O&M – Customer Operations

Project/Program Title	Cycle Meter Reading Handheld System
Business Owner	Field Operations
Status	Planning
Estimated Service Date	December 2011
Work Plan Category	Regulatory

Work Description:
The Company must replace its current cycle meter reading system and handhelds before 2012 to ensure continued timely billing of its customers. The Company has been advised by the vendor that the system will not be supported beyond 2012. The Company will replace the current cycle meter reading handheld system with a new system. Replacing the current cycle meter reading handheld system will involve 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 meter reading 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 2011 - Issue RFP
February 2011 - Select Vendor / Award Contract
March – May 2011 - System Design / Integration / Testing
June – December 2011 - Conversion to New System

Justification:
The current cycle meter reading system and handhelds will not be supported by the vendor after 2012. Replacement of the cycle meter reading handheld system beginning in 2011 is critical to ensure uninterrupted timely billing of our customers. 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 delivers these readings into the Company's Customer Service System. The system also enables route restructuring at the local level for the purpose of maintaining efficient routes.

The new cycle meter reading system will result in maintenance cost savings as the current handheld devices on the maintenance contract are replaced by new handheld devices. Savings will be achieved due to the maintenance for the new cycle meter reading system being covered in the first year by a one-year warranty that the Company expects to purchase with the new system. The number of handheld devices on the current maintenance contract will decrease from the period beginning July 2011 until all handheld devices are replaced. In addition, the cost of the new contract is expected to be lower than the cost of the current maintenance contract.

Estimated Completion Date: 2011

Status: Planning

Current Working Estimate ($000's):

Hardware and Software	$	3,811
Desk Top Computers/Monitors	$	43
Desk Top Printers	$	24
Servers	$	150
Software Interface	$	75
Project Management	$	250
Overhead	$	302
TOTAL	$	4,655

Funding ($000): CAPITAL

Actual 2006	Actual 2007	Actual 2008	Budget 2009
-	-		-

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
-	$4,655	0	0	0	$4,655

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
A/P				
Indirects				
Contingency				
Total				

Forecast

EOE	2010	2011	2012	2013	2014
Labor		$ 250			
M&S		$ 0			
A/P		$ 4,103			
Indirects		$ 302			
Contingency		$ 0			
Total		$ 4,655			

Funding ($000): **O&M**

Actual 2006	Actual 2007	Actual 2008	Budget 2009
$442	$357	$440	$404

RYE 2011	RYE 2012	RYE 2013	Total 2011-2013
$387	$60	$301	$748

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
*A/P	**$442**	**$357**	**$440**	**$404**
Contingency				
Total	**$442**	**$357**	**$440**	**$404**

Forecast

EOE	RYE 2011	RYE 2012	RYE 2013	Total
Labor				
M&S				
*A/P	**$387**	**$60**	**$301**	**$748**
Contingency				
Total	**$387**	**$60**	**$301**	**$748**

EXHIBIT___(CO-6)

Cycle Meter Reading Handheld System Worksheet
($000s)

CAPITAL	**Forecast 2010**	**Forecast 2011**	**Forecast 2012**	**Forecast 2013**
Hardware and Software (handhelds, docking stations, professional services)	$0	$3,963	$0	$0
Servers and Software Interface (includes desk top computers/monitors/printers)	$0	$304	$0	$0
Project Management	$0	$388	$0	$0
Total Capital	**$0**	**$4,655**	**$0**	**$0**
O&M		**Forecast RYE 2011**	**Forecast RYE 2012**	**Forecast RYE 2013**
Maintenance Contracts (handhelds, mobile collectors and software)		**$387**	**$60**	**$301**

2010 Capital and O&M – Customer Operations

Project/Program Title	Call Center Improvements
Business Owner	Customer Assistance
Status	Various
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.

In addition, O&M costs are increasing to cover the maintenance cost of its existing call recording system.

- **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 existing 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 plays 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 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. 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 and their risk of failure will increase substantially. 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.

Justification:

The existing call recording system will not be supported beyond 2013. The Call Center's call recording and quality monitoring system records customer calls and related screen content. This system is used by Call Center supervision for performance analysis and quality assurance purposes. The system is critical to the Company's ability to evaluate, provide feedback to and coach CSRs regarding their handling of customer calls. In addition, we utilize the system to follow-up on customer complaints and to conduct root cause analysis of service emergencies and complaints.

Estimated Completion Date: End of 2013

Status: Not started.

- **Call Recording System Maintenance**

The purchase contract on the existing call recording system included a maintenance contract that expired this year. The Company renewed the contract for another three years at an incremental cost of $240,000 for RY1, and an additional $10,000 for RY2.

Justification:

The call recording system records approximately 750 CSR positions equating to a monthly average 5.5 million minutes of voice and screen content information. Vendor support is necessary for proper maintenance of the system through April 2012.

Estimated Completion Date: April 2012

Status: Completed.

Current Working Estimate (if applicable):

Funding ($000): CAPITAL

Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Budget 2009
-		-	-	$2,430	$2,250

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast Total 2010-2014
$4,315	$4,950	$4,665	$1,370	$0	$15,300

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor			$370	
M&S				
A/P			$1,912	
Indirects			$148	
Contingency			$0	
Total			**$2,430**	

Forecast

EOE	2010	2011	2012	2013	2014
Labor	$501	$523	$354	$68	
M&S					
A/P	$3,426	$3,980	$3,944	$1,214	
Indirects	$388	$447	$367	$88	
Contingency					
Total	**$4,315**	**$4,950**	**$4,665**	**$1,370**	

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
	$495	$695	$1,183	$2,373

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor				
M&S				
*A/P				
Contingency				
Total				

Forecast

EOE	RYE 2011	RYE 2012	RYE 2013	Total
Labor				
M&S				
*A/P	$495	$695	$1,183	$2,373
Other				
Total	**$495**	**$695**	**$1,183**	**$2,373**

EXHIBIT___(CO-8)

Call Center Improvements Worksheet
($000s)

CAPITAL	**Forecast 2010**	**Forecast 2011**	**Forecast 2012**	**Forecast 2013**
Automatic Call Distribution (ACD) Replacement	$ 55	$1,647	$1,102	$ 0
IVR Self Service (includes Virtual Hold)	$3,144	$2,754	$2,152	$ 0
Business Continuity	$1,116	$ 549	$ 0	$ 0
CSR Workstations	$ 0	$ 0	$1,411	$0
Call Recording Upgrade	$ 0	$ 0	$0	$1,370
Total Capital	**$4,315**	**$4,950**	**$4,665**	**$1,370**
O&M		**Forecast RYE 2011**	**Forecast RYE 2012**	**Forecast RYE 2013**
Automatic Call Distribution (ACD) Replacement – Accounts Payable Maintenance		$0	$0	$28
IVR Self Service (includes Virtual Hold)- Accounts Payable Maintenance		$205	$395	$855
Business Continuity – Accounts Payable Professional Services		$50	$50	$50
CSR Workstations		$0	$0	$0
Call Recording Maintenance		$240	$250	$250
Total O&M		**$495**	**$695**	**$1,183**

Tier Reports Fiscal 2007 Fourth Quarter and Year-End Results

RESTON, Va., December 13, 2007 - Tier Technologies, Inc. (Nasdaq: TIER) today announced results for the quarter and fiscal year ended 2007 and provided updates on key strategic initiatives undertaken in fiscal 2007 and that it expects to undertake in fiscal 2008.

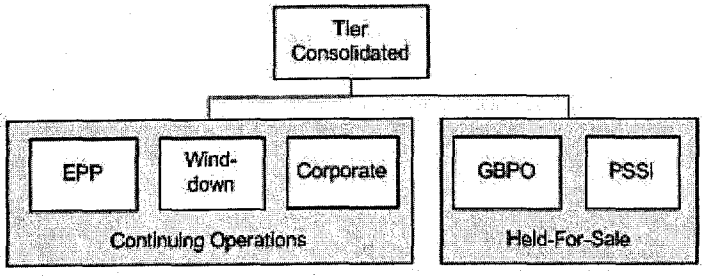
"Fiscal 2007 was a pivotal year for Tier," said Ronald Rossetti, Chairman and Chief Executive Officer for Tier. "We are seeking to divest non-core assets which, in the past, have limited our ability to focus on growing our EPP business and we are committed to making the investments in our EPP business that we believe are necessary to achieve long-term sustainable value for our shareholders.

"We continue to experience strong growth in both sales and earnings from our electronic payment segment. During fiscal 2007, revenue from electronic payment processing represented nearly 90% of Tier's revenue from continuing operations. Electronic payment revenues and net income before corporate overhead increased over 26% and 50%, respectively, over last year's results," Mr. Rossetti continued. We continue to make progress toward divesting our non-core assets and look forward to updating you on our future progress."

Conference Call
Tier will host a conference call today at 5:00 p.m. Eastern Time to discuss these results. To access the conference call, please dial (888) 335-3240 and provide conference ID #27123028. The conference call will also be broadcast live via the Internet at www.tier.com. A replay will be available at www.tier.com or by calling (800) 642-1687 and entering conference ID#27123028 from approximately two hours after the end of the call until 11:59 p.m. Eastern Time on December 27, 2007.

FISCAL 2007 - A YEAR IN TRANSITION
During fiscal 2007, Tier undertook a strategic initiative to maximize long-term profitability and shareholder value. As part of that initiative, Tier concluded that it should focus its financial and managerial resources on growing its core business-Electronic Payment Processing, or EPP. Tier is seeking to sell the majority of its Government Business Process Outsourcing operations, or GBPO, and Packaged Software and Systems Integration, or PSSI, and to wind-down the remainder of these GBPO and PSSI operations over a five-year period. Figure 1 illustrates our overall structure as of September 30, 2007.

Figure 1
Organizational Structure of Tier Technologies, Inc.
As of September 30, 2007



The non-core businesses that the Company is seeking to sell are classified as "held-for-sale" on its consolidated balance sheets and "discontinued operations" on its consolidated statements of income. All historical financial information presented in this earnings release has been reclassified to conform to the current year's presentation.

Fiscal Year 2007 Results:
For fiscal year 2007, Tier reported a loss of $3.0 million, or $0.16 per fully diluted share, which represents a $6.4 million or 68% improvement over the results reported for fiscal year 2006. Tier's continuing operations reported a loss of $18.3 million, or $0.94 per fully diluted share, while the Company's discontinued operations reported net income of $15.2 million, or $0.78 per fully diluted share.

Tier's continuing operations are composed of three major categories: Tier's core EPP business, wind-down operations and corporate overhead. During fiscal year 2007, EPP generated net income of $8.4 million, or $0.43 per fully diluted share, excluding allocation of corporate overhead expenses. This represents a $2.8 million, or 50.5%, increase over fiscal 2006, primarily resulting from increases in the number of transactions and dollar volume processed by EPP.

Wind-down operations reported a loss of $11.2 million, or $0.58 per fully diluted share, including a $9.2 million impairment loss recorded in fiscal 2007 to write down the carrying value of the Tier's wind-down operations to fair value. During fiscal 2008, we expect to wind down two businesses that generated the remaining losses and during the next five years we expect to wind down a third business that generated modest income in fiscal 2007.

Tier's corporate overhead, which includes the Company's governance and shared-service functions, reported $15.4 million of net costs during fiscal 2007. We expect that the need for these shared services and other corporate functions will significantly diminish after we

sell and/or wind down our GBPO and PSSI businesses.

Tier's discontinued operations reported income of $15.2 million, or $0.78 per fully diluted share, an increase of $5.8 million over fiscal 2006. Approximately $8.1 million, or $0.41 per fully diluted share, of the income reported for fiscal 2007 resulted from the reversal of a reserve for a 2003 tax refund, which received final approval from the Internal Revenue Service in March 2007 and other transactions related to the final close-out of Tier's Australian operations. The remaining $7.1 million, or $0.37 per fully diluted share, of income from discontinued operations reported in fiscal 2007 was generated by GBPO and PSSI operations that are held-for-sale. Although these operations generated income in fiscal 2007 on a standalone basis (excluding an allocation of corporate overhead costs), the expiration of two GBPO contracts and the completion of a number of PSSI projects in fiscal 2007 are expected to result in lower earnings in future years.

Fourth Quarter Fiscal 2007 Results:
For the quarter ended September 30, 2007, Tier reported a net loss of $3.3 million or $0.17 per fully diluted share, which represents a $1.4 million, or 30%, improvement over results reported for the same quarter last year. Continuing operations generated a loss of $2.5 million, or $0.13 per fully diluted share, compared to a loss of $6.4 million, or $0.33 per fully diluted share, during the comparable 2006 quarter. The loss reported during the fourth quarter of fiscal 2007 includes: a $0.4 million write-down of two wind-down businesses to fair value and a $0.7 million adjustment to catch-up depreciation and amortization for a third wind-down business that was transferred from held-for-sale status to held and used during the fourth fiscal quarter. The loss reported for Tier's fourth quarter of fiscal 2007 also includes the costs of shared-services and other corporate functions, which we expect to decrease after we sell and/or wind-down our GBPO and PSSI businesses.

Liquidity:
As of September 30, 2007, Tier had $74.3 million in cash and cash equivalents, and investments in marketable securities, and $18.4 million in restricted investments. During fiscal year 2007, Tier's continuing and discontinued operations generated $13.8 million of cash, of which $0.4 million was generated by our continuing operations. During fiscal 2007, Tier received cash from the repayment of a note and interest totaling $4.4 million and the sale of its minority interest in a PSSI investment. Tier has no short-term or long-term debt.

FISCAL 2008 - TRANSITIONING TIER'S FOCUS TO EPP
Tier expects that fiscal 2008 will be another transition year as it positions the company for EPP's long-term growth. In fiscal 2008, Tier expects to see strong revenue growth in its EPP business and to generate positive cash flows from operations. However, Tier expects to make significant investments to improve the efficiency and reduce the costs of EPP's back office structure. Tier also expects to expand its traditional governmental client-base to a commercial biller-direct payment processing space. The Company also expects to right-size its corporate operations once the divestiture process is complete. While Tier believes that certain of these initiatives will produce some cost savings in fiscal 2008, Tier expects that the cost of implementing these initiatives will outweigh those savings during fiscal 2008 and that it will incur a net loss in fiscal 2008.

Click here for the Financial Tables

About Tier Technologies, Inc.
Tier Technologies, Inc. primarily provides federal, state and local government and other public sector clients primarily with electronic payment processing and other transaction processing services. Tier Technologies is headquartered in Reston, Virginia. Its electronic payment processing clients include over 3,000 federal, state, and local governments, educational institutions, utilities and commercial clients throughout the U.S. Through its subsidiary, Official Payments Corp., Tier delivers payment processing solutions for a wide range of markets. For more information, see www.tier.com and www.officialpayments.com.

Statements made in this press release that are not historical facts are forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Tier undertakes no obligation to update any such forward-looking statements. Each of these statements is made as of the date hereof based only on current information and expectations that are inherently subject to change and involve a number of risks and uncertainties. Actual events or results may differ materially from those projected in any of such statements due to various factors, including, but not limited to: the impact of governmental investigations; the potential loss of funding by clients, including due to government budget shortfalls or revisions to mandated statutes; the timing, initiation, completion, renewal, extension or early termination of client projects; the Company's ability to realize revenues from its business development opportunities; the timing and completion of the divestment of the Company's non-core assets; and unanticipated claims as a result of project performance, including due to the failure of software providers or subcontractors to satisfactorily complete engagements. For a discussion of these and other factors which may cause our actual events or results to differ from those projected, please refer to the Company's annual report on Form 10-K for the fiscal year ended September 30, 2007 filed with the SEC.

CONTACT:
Tier Technologies, Inc.
10780 Parkridge Blvd.
Suite 400
Reston, VA 20191

Ron Johnston
Chief Financial Officer
(571) 382-1333
investorrelations@tier.com

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2010 Capital and O&M – Customer Operations

Project/Program Title	Customer Service System Improvements
Business Owner	Strategic Applications
Status	In Progress
Estimated Service Date	Ongoing Program
Work Plan Category	Strategic IT enhancements

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; 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**

The Company will pursue ways to enhance the flexibility of our CSS suite through identification and modernization of targeted areas of the system, including large scale enhancements as necessary. The Company will initiate this effort through a consultant review of the operations and capability of the CSS suite to identify areas for enhancement.

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 2006	Actual 2007	Actual 2008	Budget 2009
3,043	3,718	$1,544	$950

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
1,430	1,150	1,150	1,150	1,100	5,980

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor	$540	$657	$435	
M&S	$0	$0	$19	
A/P	$2,198	$2,657	$1,020	
Indirects	$305	$404	$70	
Total	**$3,043**	**$3,718**	**$1,544**	

Forecast

EOE	2010	2011	2012	2013
Labor	$496	$309	$296	$290
M&S				
A/P	$647	$513	$511	$514
Indirects	$287	$328	$343	$346
Total	**$1,430**	**$1,150**	**$1,150**	**$1,150**

Funding ($000): O&M (Incremental costs only)

Actual 2006	Actual 2007	Actual 2008	Budget 2009
-	-	-	-

RYE 2011	RYE 2012	RYE 2013	Forecast Total 2011-2013
400	400	400	1,200

Forecast

EOE	RYE 2011	RYE 2012	RYE 2013	Total
Labor	$400	$400	$400	$1,200
M&S				
*A/P				
Contingency				
Total	**$400**	**$400**	**$400**	**$1,200**

Customer Service System Improvements Worksheet
($000s)

Category	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013
Update and Standardize Programming Languages	$200	$300	$0	$0
Update Revenue and Statistics Programs	$400	$0	$0	$0
Upgrade CSS letter Facility	$0	$200	$500	$500
Create Sustainable XML Interface to CSS for use by external systems	$500	$600	$600	$600
Functional Enhancements	$200	$0	$0	$0
Field Reporting Capability	$130	$50	$50	$50
Total	**$1,430**	**$1,150**	**$1,150**	**$1,150**

2010 Capital and O&M – Customer Operations

Project/Program Title	Off System Billing
Business Owner	Specialized Activities
Status	Development
Estimated Service Date	December 2013 – full implementation
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. These accounts are billed outside of CSS because of the complexities involved the billing process. 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 system. Work involves the development and implementation of these billing processes on the new system platform and includes: application design and development; migration of customer information to the new system including data conversion; and development of interfaces to other Company systems. Following implementation of the new system, funding will be needed to provide resources to support system maintenance including the development and testing of new rates and program changes.

High-level schedule:

Gas Distributed Generation	December 2011
Gas Penalty Billing	December 2012

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.

Estimated Completion Date: 2013

Status: Development
]
Funding ($000): **CAPITAL**

Actual 2006	Actual 2007	Actual 2008	Budget 2009
-	-		$1,055

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
$1,800	$2,330	$1,570	$870	0	$6,570

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor			$83	
M&S				
A/P			$149	
Indirects			$22	
Contingency				
Total			**$254**	

Forecast

EOE	2010	2011	2012	2013	2014
Labor	$343	$574	$587	$472	
M&S					
A/P	$1,236	$1,385	$613	$115	
Indirects	$221	$371	$370	$283	
Contingency					
Total	**$1,800**	**$2,330**	**$1,570**	**$870**	

Funding ($000): O&M

Actual 2006	Actual 2007	Actual 2008	Budget 2009
-	-		-

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

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor			$864	
M&S				
*A/P			$0	
Contingency				
Total			**$864**	

Forecast

EOE	RYE 2011	RYE 2012	RYE 2013	Total
Labor*	$1,173	$1,101	$957	$3,231
M&S				
*A/P	$58	$58	$58	$174
Contingency				
Total	**$1,231**	**$1,159**	**$1,015**	**$3,405**

* Labor includes savings of 3.5 SCSRs over 3 year period.

EXHIBIT___(CO-13)

Off System Billing Worksheet
($000s)

CAPITAL	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013
Company Labor	$343	$574	$587	$472
Accounts Payable	$1,236	$1,385	$613	$115
Indirects	$221	$371	$370	$283
Total Capital	**$1,800**	**$2,330**	**$1,570**	**$870**
O&M	**Historical**	**Forecast RYE 2011**	**Forecast RYE 2012**	**Forecast RYE 2013**
Maintenance - Database		$40	$40	$40
Maintenance – Software		$18	$18	$18
Support Staff	$864	$1,209	$1,173	$1,101
Productivity Savings *		($36)	($72)	($144)
Total O&M	**$864**	**$1,231**	**$1,159**	**$1,015**

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

2010 Capital – Customer Operations

Project/Program Title	Competitive Market Customer Service Systems
Business Owner	Specialized Activities
Status	Development & Testing
Estimated Service Date	December 2010
Work Plan Category	Strategic IT Enhancements

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 including 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/de-enroll 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:
Existing processes for various activities are cumbersome and place a burden on system processing activities. In addition, with the large numbers of customers taking service from ESCOs it is important that systems can efficiently handle retail choice electric and gas requests.

Estimated Completion Date: December 2010

Status: Development Phase

Funding ($000) :
CAPITAL

Actual 2006	Actual 2007	Actual 2008	Budget 2009
-	-	$1,054	$1,475

Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2010-2014
$2,185	0	0	0	0	$2,185

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor			$ 58	
M&S				
A/P			$ 960	
Indirects			$ 36	
Contingency				
Total			**$1,054**	

Forecast

EOE	2010	2011	2012	2013	2014
Labor	$ 160				
M&S	$ 0				
A/P	$1,745				
Indirects	$ 155				
Contingency	$ 125				
Total	**$2,185**				

Competitive Market Customer Service Systems Worksheet
($000s)

Category	Forecast 2010	Forecast 2011	Forecast 2012	Forecast 2013
Implement Real-Time enroll/re-enroll work flow process	$ 765	$0	$0	$0
Upgrade Historical Usage Process to provide 24 months	$ 20	$0	$0	$0
Automated ESCO Invoicing System	$ 340	$0	$0	$0
Single User Interface for RAIS & TCIS and Functional Improvements	$ 1,060	$0	$0	$0
Total	**$ 2,185**	$0	$0	$0

2010 O&M – Customer Operations

Project/Program Title	Postal Discount Processes
Business Owner	Strategic Applications
Status	Ongoing
Estimated Service Date	June 2009
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 over 51 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 2009 the vendor is increasing its basic service fee and the fee it charges to re-process each piece of rejected mail.

Estimated Completion Date: On-going

Status: On-going

Current Working Estimate (if applicable):

Maintenance Contracts for Software	$80,000
Rejected Mail Processing Fee	$40,000
Total	$120,000

Funding ($000): O&M

Actual 2004	Actual 2005	Actual 12 months June 2006	Actual 12 months June 2007	Actual 12 months June 2008
-	-	$0	$0	$0

Actual 12 months June 2009	Forecast RYE 2011	Forecast RYE 2012	Forecast RYE 2013	Forecast Total 2011-2013
$0	$120	$120	$120	$360

Historical elements of expense (EOE's)

EOE	2006	2007	2008	2009
Labor	0	0	0	0
M&S	0	0	0	0
A/P	0	0	0	0
Telephones	0	0	0	0
Total	**$0**	**$0**	**$0**	**$0**

Forecast

EOE	2011	2012	2013	2014
Labor	0	0	0	
M&S	0	0	0	
A/P	120	120	120	
Other	0	0	0	
Total	**$120**	**$120**	**$120**	

EXHIBIT___(CO-17)

Postal Discount Processes Worksheet
($000s)

O&M	Forecast RYE 2011	Forecast RYE 2012	Forecast RYE 2013
Maintenance – Software Contracts	$80	$80	$80
Rejected Mail Processing Fees *	$40	$40	$40
Total O&M	**$120**	**$120**	**$120**

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