

**PUBLIC AND CUSTOMER INFORMATION PANEL**

**REBUTTAL/UPDATE - ELECTRIC**

- 1 Q. Please state the names of the Panel members.
- 2 A. Marilyn Caselli, Frances Resheske, Mary McCartney, and  
3 Robert Sherman. Our business address is 4 Irving  
4 Place, New York, New York 10003.
- 5 Q. Did you provide initial testimony in this proceeding?
- 6 A. Yes, we did.
- 7 Q. Please describe the purpose of your additional  
8 testimony.
- 9 A. The Company is responding to the testimony of Staff  
10 witness Martin Insogna, who recommends that the amount  
11 provided for informational advertising be established  
12 by applying a factor of 0.08% to operating revenues.  
13 We also respond to City witness Harvey Arnett. We also  
14 address an adjustment that was made to the Outreach and  
15 Education submission as part of the July 10<sup>th</sup>  
16 preliminary update and reflected in the Company's  
17 September 18, 2009, update.
- 18 Q. Please summarize the Company's response to Mr.  
19 Insogna's adjustment.
- 20 A. For purposes of this proceeding (and without waiving  
21 its right to propose the use of the programmatic  
22 approach in future rate proceedings), the Company is  
23 withdrawing its request for \$14.8 million based upon

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1 the programmatic approach it proposed in its direct  
2 testimony. The Company is instead requesting .1%  
3 pursuant to the commission's Advertising Policy  
4 Statement.

5 Q. Why is the Company lowering its request?

6 A. The initial request was based on an analysis of the  
7 funding required to produce an effective communications  
8 program. We continue to believe that the initial  
9 request is the appropriate estimate for such a program.  
10 However, for purposes of this proceeding, the Company  
11 has decided to reduce its request for expenditures for  
12 informational advertising.

13 Q. Please continue.

14 A. As explained in our initial testimony, we also are  
15 cognizant of the Commission's April 24<sup>th</sup> 2009 Order in  
16 Case 08-E-0539 and its preference to establish an  
17 advertising expense level within the Advertising Policy  
18 Statement guidelines.

19 Q. Is 0.1 percent of operating revenues within the range  
20 discussed in the Policy Statement?

21 A. Yes it is. The Advertising Policy Statement, which was  
22 adopted by the Commission in 1977, establishes a range  
23 of 0.04% to 0.10% of operating revenues for

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1 informational advertising. In the April 2009 Order,  
2 the Commission recognized that the Company should be  
3 permitted more than a 0.06% allowance and approved an  
4 allowance of 0.08% of the Company's electric operating  
5 revenues.

6 Q. How does the Company's request compare with Mr.  
7 Insogna's recommendation (Page 18)?

8 A. Mr. Insogna recommends applying the same 0.08% of  
9 revenues that was used in the prior rate case. In his  
10 calculations, this would yield an allowance of \$6.6  
11 million.

12 Q. Why do you believe the allowance should be increased  
13 from 0.08% to 0.1% of revenues?

14 A. There are two reasons. One is the importance of the  
15 messages that the Company is conveying through these  
16 communications programs. The second reason is the  
17 actual cost of advertising in the New York City  
18 marketplace. New York City is the nation's largest and  
19 one of the most expensive advertising markets.

20 Q. Please elaborate.

21 A. The communications program focuses on four areas:  
22 energy conservation and education, emergency  
23 preparedness, diversity, and infrastructure investment.

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1 Energy conservation and education is a critical part of  
2 reducing greenhouse gases and improving our  
3 environment. This communications program is intended  
4 to help the Con Edison service territory achieve, among  
5 other things, the goals set forth by Governor  
6 Paterson's 45 by 15 initiative. Energy issues are in  
7 the forefront today, particularly with concerns about  
8 greenhouse gases and climate change, and it is  
9 important to provide the information to the public and  
10 customers. Also important is helping customers and the  
11 public know how to contact us through the emergency  
12 preparedness messages. The infrastructure investment  
13 communications program provides information to our  
14 customers about how their dollars are being invested.  
15 And the diversity communications program helps minority  
16 and women's communities and businesses during these  
17 difficult economic times. The reasons for each of  
18 these initiatives are described in further detail in  
19 our initial testimony.

20 Q. Please discuss the costs associated with the need for  
21 the greater allowance.

22 A. In the Panel's initial testimony and exhibits, we  
23 provided detailed cost information on the high cost of

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1 advertising in New York City. We discussed, for  
2 example, that the New York market is considered the  
3 number one media market in the world and consequently,  
4 its media costs are considerably higher than elsewhere.  
5 Media value is generally determined by the number of  
6 people it reaches, its content, and the markets it  
7 serves. We compared the costs faced by New York  
8 utilities and pointed out that the metropolitan New  
9 York market is 17 times the size of the Buffalo market.  
10 In past years, the cost of a full page advertisement in  
11 the New York Times was approximately four times more  
12 expensive than a similar advertisement in the Buffalo  
13 News and more than ten times more expensive than the  
14 Albany Times Union rate. Furthermore, in the New York  
15 market, there are at least eight major publications so  
16 it is necessary to spread the advertising dollars over  
17 many more news outlets. Delivering a sustained message  
18 requires advertising not once but numerous times. We  
19 are advertising in more than 100 community and ethnic  
20 publications and, in some instances, we are advertising  
21 in both English and another language. At an average  
22 cost of over \$2,000 per advertisement in each of these  
23 publications, running just one advertisement once can

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1 cost from \$200,000 to \$300,000.

2 Q. Is a similar comparison applicable to advertising in  
3 other media?

4 A. Yes. The cost of advertising on 17 New York radio  
5 stations costs about \$82,500 per week. Just one spot  
6 on one radio station in the New York market can cost  
7 ten times more than a similar spot in Buffalo.

8 Q. Does Staff's testimony provide any analysis or basis  
9 for questioning the Company's presentation on costs?

10 A. No it does not.

11 Q. What is the impact of reducing the program from the  
12 original request of \$14.8 million?

13 A. The initial request was based on a comprehensive  
14 communications program that would allow us to maintain  
15 a sustained message throughout the year. In  
16 particular, the ECEP program covering energy  
17 conservation and emergency preparedness would be able  
18 to be provided on an ongoing basis. From a  
19 communications perspective intended to help the public  
20 change behavioral patterns, a sustained program is  
21 preferable. With the reduced request, we can only  
22 maintain a program that will primarily cover the spring  
23 and summer seasons.

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1 Q. What would be the impact of implementing Staff's  
2 recommendation of the 0.08% allowance or \$6.6 million?

3 A. At the Staff's proposed level, the program would be  
4 even less effective. The timeframe and frequency of  
5 the messaging would be reduced significantly,  
6 marginalizing the value of these important  
7 communications messages. Without any analysis or  
8 review of the actual costs and volume of media required  
9 to advertise in the New York City marketplace, Staff's  
10 recommendation does not provide a realistic estimate  
11 for the cost of operating a communications program.  
12 Nor does Staff provide any basis for rejecting the  
13 Company's presentation as to what constitutes an  
14 effective advertising campaign, for example, in terms  
15 of frequency of message.

16 Q. Do you have any comments on Harvey Arnett's testimony  
17 on behalf of the City of the New York and the  
18 Metropolitan Transportation Authority?

19 A. Yes. On page 33 of his testimony, Mr. Arnett states  
20 that in response to NYC IRs 31 and 46, the utility  
21 stated that it spent \$2.1 million in 2008 in an  
22 advertising campaign about its infrastructure  
23 investments, and its total proposed spending for the

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1 Rate year is \$6.1 million above the historical year.  
2 His testimony suggests that the proposed increase is  
3 related solely to infrastructure investment  
4 advertising. This is not correct. In Exhibit PCIP -1,  
5 the Company shows that \$2.1 million was spent on the  
6 Upgrading Infrastructure program in the historic year  
7 and that the proposal in the initial request was to  
8 remain at that level. The proposed spending increase  
9 in the initial request, which we are now reducing, was  
10 to increase only the energy conservation and emergency  
11 preparedness program by \$6.1 million.

12 Q. Do you have any other comment on Mr. Arnett's  
13 testimony?

14 A. Mr. Arnett suggests that the purpose of the Company's  
15 advertising program is "Con Edison's desire to endear  
16 itself its customers in the face of substantially  
17 increasing rates." He chides the Company for seeking  
18 an increase in advertising rather than attempting to  
19 reduce it and that the Company should be coordinating  
20 its advertising with that of others conveying similar  
21 messages. He cites the Company's response to NYC IR 33  
22 to allege that the Company only identified one project  
23 in which it is investigating partnering with another

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1           entity to coordinate "promotional" efforts.

2    Q.    Does Mr. Arnett present a fair and accurate

3           characterization of the Company's program?

4    A.    No, he does not.  In fact, Mr. Arnett ignored another

5           Company interrogatory response in preparing his

6           testimony that clearly undermines his

7           characterizations.  The response to NYC IR 33 is

8           specific to a question on stimulus funds available

9           through the Department of Energy.  However, in NYC IR

10          36, the City asked a broader question regarding

11          coordinating programs with other entities.  The Company

12          responded that in fact we have worked closely with

13          other entities, and in particular, the City of New

14          York, the New York City Economic Development

15          Corporation, and NYC&Company in the City's GREENYC

16          program the past few years.  We have provided technical

17          advice, served as a sponsor, and, at the City's

18          request, included a coupon toward a General Electric

19          CFL in all residential electric bills.  The request for

20          support included the Company's spending money on the

21          City's program.  The City's current GREENYC campaign is

22          aimed at reducing the use of air conditioners and City

23          representatives consulted Con Edison about what

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1 information to include in the campaign. In fact, many  
2 of the messages in the City's GREENYC campaign - "Don't  
3 Cool an Empty Home," "Use a Fan," "Replace the  
4 Lightbulbs in Your Home with Compact Fluorescent  
5 Lightbulbs (CFLs)," and "Buy Energy Star Appliances" -  
6 are consistent with the messages that Con Edison has  
7 communicated on sustainability. It seems inappropriate  
8 for the City to seek Con Edison's support for its  
9 GREENYC campaign and deliver a similar message, yet  
10 criticize Con Edison for spending money on this program  
11 and suggest that the program is merely intended to  
12 "endear the Company to our customers." Just as the  
13 City recognizes the importance of communicating  
14 reducing energy consumption and greenhouse gases even  
15 during difficult economic times, so too does Con  
16 Edison.

17 Q. In your initial testimony you stated (pp. 28-29), "Our  
18 spending proposal reflects the effects of a negative  
19 program change that was not submitted. An adjustment  
20 for the reduction in Outreach and Education spending  
21 will be made in the Company's update filing." Was the  
22 adjustment made?

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1 A. Yes. The Company's preliminary update, dated July 10,  
2 2009, Exhibit (AP-9), reflects this adjustment, which  
3 brings the Outreach and Education expense in line with  
4 the amount authorized in Case 08-E-0539. This change  
5 is similarly reflected in Exhibit \_ (AP-9 Revised) as  
6 part of this update/rebuttal filing.

7 Q. Does this complete your testimony?

8 A. Yes.