BEFORE THE
NEW YORK STATE
PUBLIC SERVICE COMMISSION

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Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Central Hudson Gas & Electric Corporation for Electric Service — Case 17-E-____

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Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Central Hudson Gas & Electric Corporation for Gas Service — Case 17-G-____

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DIRECT TESTIMONY OF THE CUSTOMER SERVICE PANEL

July 28, 2017

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I. INTRODUCTION

Q. Please state the names of the members of the Customer Service Panel ("Panel").

A. Our names are Linda M. Harrison, Cheryl J. Ryan and Paula Coppin.

Q. Ms. Harrison, please state your current employer and business address.

A. I am currently employed by Central Hudson Gas & Electric Corporation ("Central Hudson" or the "Company") and my business address is 284 South Avenue, Poughkeepsie, New York 12601.

Q. Ms. Harrison, in what capacity are you employed by Central Hudson and what is your scope of responsibilities?

A. I am employed by Central Hudson as the Manager of Customer Account Services. I am responsible for managing Contact Center (Call Center), Outreach, Collections, Meter Reading, and Commercial Operations.

Q. Ms. Harrison, what is your educational background and professional experience?

A. I received a Bachelor of Science Degree in Business Administration from Marist College in 1982 and a Master in Business Administration from Marist College in 1989. Since 1984, I have been employed continuously by Central Hudson in a variety of positions throughout the Company, including Customer Services, Human Resources, and Accounting.

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Q. Ms. Harrison, have you previously testified before the New York State Public Service Commission ("PSC" or the "Commission")?

A. Yes, I have previously testified before the Commission, most recently in Cases 14-E-0318, 14-G-0319, 09-E-0588 and 09-G-0389.

Q. Ms. Ryan, please state your current employer and business address.

A. My employer is Central Hudson and my business address is 284 South Avenue, Poughkeepsie, New York 12601.

Q. Ms. Ryan, in what capacity are you employed by Central Hudson and what is your scope of responsibilities?

A. I am employed by Central Hudson as the Operating Supervisor Customer Account Services – Credit & Collections. In this position, I am responsible for managing office and field collections. I am responsible for ensuring that Central Hudson's business policies and procedures are in compliance with Home Energy Fair Practices Act ("HEFPA") regulations. It is also my responsibility to work with various Company representatives on the resolution of consumer complaints.

Q. Ms. Ryan, what is your educational background and professional experience?

A. I received a Bachelor of Arts Degree in Communication from the University at Buffalo in 2002. Since 2003 I have been employed continuously by Central Hudson in a variety of positions in Customer Account Services. In addition to my current position, my prior responsibilities included Customer Service Representative and Customer Account Services Supervisor.

Q. Ms. Ryan, have you previously testified before the Commission?

A. No, I have not.

Q. Ms. Coppin, please state your current employer and business address.

A. My employer is Central Hudson and my business address is 284 South Avenue, Poughkeepsie, New York 12601.

Q. Ms. Coppin, in what capacity are you employed by Central Hudson and what is your scope of responsibilities?

A. I am employed by Central Hudson as the Operating Supervisor Community Relations & Consumer Outreach. In this position, I am responsible for discerning and meeting the needs of the Company's special needs customers. In concert with this, I am responsible for consumer education programs, public participation and training programs for Company employees in customer-contact positions. It is also my responsibility to work with the PSC staff and various Company representatives on the investigation and resolution of consumer complaints.

Q. Ms. Coppin, what is your educational background and professional experience?

A. I have been employed by Central Hudson since 1988 in a variety of positions throughout the Company including Customer Services, Meter Reading and Legal. In these positions, my responsibilities included

Customer Service Representative and Customer Accounts Services-Supervisor, Meter Reader, and Legal Assistant to the Executive Vice President and General Counsel.

Q. Ms. Coppin, have you previously testified before the Commission?

A. No, I have not.

II. PURPOSE OF TESTIMONY

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

A. The purpose of our testimony is to: 1) discuss the Company's performance with respect to the Customer Service Quality Performance Metrics and propose new Positive Revenue Adjustments associated with certain metrics; 2) discuss the Company's experience with Uncollectible Accounts and a related proposed change in accounting treatment; and 3) recommend the inclusion of fees associated with payment by credit and debit cards into base delivery rates.

Q. Are you sponsoring any exhibits in support of your testimony?

A. Yes, the Panel is sponsoring the following exhibit, which was prepared by or under the supervision of the Panel or one of the Panel's members: Exhibit __ (CSP-1) entitled "Historic Uncollectable Expense" which shows both the actual and billed Uncollectible Expense for Rate Years Ended June 30, 2015 through June 30, 2017.

III. CUSTOMER SERVICE QUALITY PERFORMANCE METRICS

Q. What are the current Customer Service Quality Performance targets established for the Company in the rate plan adopted in the Commission's

Order Approving Rate Plan, issued June 17, 2015 in Cases 14-E-0318 and 14-G-0319 ("2015 Rate Plan")?

A. The target established for PSC Complaint Rate is not to exceed 1.1 per year per 100,000 customers. The Customer Satisfaction Index ("CSI") target is established at 85% or higher. The performance mechanism for "Keeping Scheduled Appointments" has no specific target. Rather, it is designed to credit the customer $20 when Central Hudson misses an appointment. A new annual incentive of five basis points was implemented effective July 2015 in the 2015 Rate Plan relating to service terminations. Under this mechanism, the Company earns the incentive for each Rate Year in which the number of service terminations to residential customers is below 11,000.

Q. Has the Company performed well with respect to these metrics?

A. Yes.

Q. Please provide a history of Central Hudson's performance.

A. The Company's calendar year performance with respect to PSC Complaint Rate, Customer Satisfaction Index and Appointments missed were as follows:

	2014	**2015**	**2016**
PSC Complaint Rate	0.30	0.19	0.27
CSI	87.9%	90.0%	90.5%
Appointments Missed	20	14	34

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The Company's Rate Year performance with respect to Service Terminations was as follows:

	Rate Year Ended 6/30/16	Rate Year Ended 6/30/17
Service Terminations	10,700	10,398

Q. Please explain the reasons why Central Hudson has been able to maintain a high level of performance as it relates to these metrics.

A. Central Hudson takes pride in our performance and these performance metrics are taken very seriously at the Company. The Company's performance as it relates to these metrics is communicated and monitored at various levels throughout the organization. Employees are encouraged to make recommendations to change operations or business plans in areas where issues or trends are identified that could improve performance results with the goal of continuous improvement in mind.

Q. Please describe how Central Hudson's performance is communicated and monitored throughout the Company.

A. Customer Satisfaction is communicated monthly to all levels of the organization through employee newsletters, reports to executives, team meetings, formal Customer Satisfaction Committee meetings, and communication of satisfaction rating for individual groups of employees to increase customer satisfaction awareness. The Customer Satisfaction Committee meets periodically and discusses the CSI results. This committee reviews issues identified by the Company to enable it to improve performance and to mitigate any deterioration in the CSI. Items the committee reviews can include, but are not limited to: 1) the impact monthly billing may have on customer satisfaction; 2) the impact storm activity has on customer satisfaction; 3) the impact of our communications, both during and outside of these types of events; 4) call volumes, both in our Call Center and through our automated systems; 5) email and Live Chat volumes; and 6) call types. In addition, business processes are closely monitored by our management team to ensure customers are treated in a fair and consistent manner.

The Company also reviews complaints received from the PSC very closely. The management team (Consumer Outreach) assigned to review the complaint cases received takes ownership of the cases to be certain the Company follows the prescribed parameters for responding to the customer and resolving the issue raised by the customer. This ownership is key in keeping our customers' issues in focus. The Consumer Outreach team will make recommendations should they identify any areas of concern within the Company. If, for example, the Consumer Outreach team identifies a trend in line clearing complaints in a particular area of our service territory, it investigates what can be done to address, reduce or eliminate the complaints. The Company also closely monitors missed appointments.

Q. Please provide an example of the Company changing operations to maintain a high level of service.

A. To maintain Customer Service levels, Call Center staffing was increased to handle the impact in 2016 of transitioning customers to monthly billing from bimonthly billing. Furthermore, as we will discuss later in our testimony, over the past few years, the Company has made improvements to our business processes as they relate to collections to keep more customers current on their respective bills and reduce the need to perform field collections.

Q. Is Central Hudson recommending any changes to the levels of its current Customer Service Quality Performance Metrics?

A. No, we are not recommending any changes.

Q. Please explain why the Company recommends that the metrics should remain at their current levels.

A. While Central Hudson has met its performance metrics in the past, the Company believes these performance targets should not be increased because: 1) there are a number of factors beyond the Company's control that can impact performance under these metrics; and 2) there is an abundance of ongoing industry, regulatory and Company initiatives which can negatively impact satisfaction in the short term.

Q. Please elaborate on the factors outside the Company's control that can impact performance under these metrics.

A. The Company is subject to many outside factors, many beyond its control, that impact these metrics. Examples that have impacted us in the past and will likely play a role in the future should they happen again are natural disasters (e.g., hurricanes, snow and ice events), economic turmoil including declining job market, commodity price increases, mandated billing surcharges, and state and federal policy changes. There currently exists a fair level of uncertainty regarding the impacts of the federal Home Energy Assistance Program ("HEAP"), the effects immigration policies will have on benefits customers receive or choose to receive in the future, our new Low Income Program and a host of other changes at various levels of government. These events can negatively impact the metrics in a number of ways, including increased call volume related to outages or higher bills or more detailed billing questions requiring longer call duration.

Q. Please elaborate on the ongoing industry and regulatory initiatives which can negatively impact customer satisfaction in the short term.

A. Some externally-driven initiatives that have in the past and will continue to impact Customer Service Operations include the Clean Energy Standard (Case 15-E-0302), the Clean Energy Fund (Cases 14-M-0094 et al.), the Reforming the Energy Vision ("REV") (Case 14-M-0101) Distributed System Implementation Plan ("DSIP"), matters including the Value of Distributed Energy Resources ("VDER") and the Low Income Proceeding (Case 14-M-0565). Many of these initiatives can lead to longer and more complex calls related to billing questions. In addition, as we roll out programs to implement these initiatives, there may be a learning curve for Customer Service Operations and for customers which may negatively affect the short term Customer Satisfaction.

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Q. Please provide a specific example of a regulatory initiative that has had an impact on Customer Service Operations.

A. Net Metering and Photovoltaic ("PV") installations in Central Hudson's service territory have increased substantially over the past few years. As a result, our Call Center representatives required additional education and training on these complex issues and how to respond to increased and more complex customer inquiries concerning installation and billing matters related to these increased installations. Central Hudson has modified its customer service business plan by adding an employee to enable it to meet the changing needs of our customers. This employee built a business process to handle these new complex issues, questions and billing inquiries, and works to educate our Call Center employees on the technical nuances so they can communicate effectively with this new base of customers.

Q. Will Customer Service Operations and Customer Satisfaction continue to be impacted by the initiatives identified above?

A. Yes. The proliferation of remote net metering and community distributed generation will add further complications to already complex billing questions. Central Hudson anticipates that, as these and additional new initiatives are approved and implemented, Call Center resources (staffing) may need to be increased to ensure that we are maintaining the Customer Satisfaction levels expected by the targets that have been established.

Q. Are there other, internally-driven initiatives which may negatively impact satisfaction in the short term?

A. Yes, business process changes such as hardware and software modifications may introduce challenges in meeting performance targets. The Company has made a concerted effort over the past several years to improve the digital engagement and interaction with our customers. While these new initiatives and technologies are intended to meet customers' expectations and increase satisfaction in the long term, they may have negative short term effects as both customers and employees adapt to these new offerings.

Q. Please provide an example of a recent Customer Service initiative and its effects on Customer Service Operations.

A. In April 2016, Central Hudson launched its CenHub REV demonstration project. This project successfully increased customer engagement with Central Hudson's web platform. This was demonstrated by the following actions that customers have taken in the first year of operation of CenHub: 1) the creation of over 894 home profile completions; 2) 42,290 energy tips completed; 3) 42.4% of residential customers enrolled in CenHub; 4) over 111,000 logins; and 5) the sale of over 14,000 CenHub Store products. To have the successful launch that we did, our Call Center employees had to be trained and equipped to assist our customers with this new project. Our business plan for the Call Center had to be adjusted to allocate resources to this initiative to enable it to be a success and to continue to support it in the future.

Q. Will future components or aspects of CenHub or other related initiatives have an impact on Customer Service Operations and Customer Satisfaction?

A. Yes. The continued build out of CenHub will challenge our Call Center employees and will require that the Company ensure that they receive sufficient training. Central Hudson's expectation is that these types of initiatives will, in the long term, align the business offerings and the business models that benefit the customer through increased choice and control. The Call Center will need to balance effectively training staff on these new programs without disrupting daily operations.

Q. Are there any other examples of customer expectations and new programs that may impact Call Center operations?

A. Yes. Central Hudson is seeing a transformation of our Call Center to more of a central point of contact. The channels of communication utilized by our customers are expanding rapidly to include IVR (automated phone system), website, Facebook, Live Chat, email, text messaging, and inbound and outbound phone calls. Some of this technology is funneling into our Call Center transforming it into a Contact Center. This changing landscape presents challenges in keeping pace with the digital communication channels desired by our customers and the changes they bring to the operation. While the simpler transactions are now being handled by the automated systems and other communication channels, the traditional channel of inbound calls to our Contact Center are now reserved for the more complex issues which are increasing the duration of these calls. As an example of a potential new issue our employees may be facing in the future is Community Distributed Generation which may impact call volumes and increase the duration time. This shift changes many of the dynamics of staffing our Contact Center.

Q. How will Central Hudson maintain its high performance levels in future years?

A. The Company will continue to effectively monitor these metrics and many other indicators at all levels of the organization to ensure that we are providing the best service to our customers. We will also continue to utilize improvements in technology to meet our customers' needs. The Company has created "Business Intelligence Dashboards" ('BI Dashboards') for collecting key information to more efficiently manage the business. BI Dashboards can gather data from various systems and present the data in a report or in a specific format automatically, taking the place of manual spreadsheets. The reports in many of the cases can be created on demand and for any period of time which allows for real-time monitoring of key information on a daily basis instead of waiting until the month is complete. For example, the Company is currently developing a Collections Dashboard to assist us in understanding our customers who have entered the collection cycle to determine ways to work with them to minimize their collection risk. In addition, in 2014, the Company formed a Digital Interactive Working Group. The mission of this group is to: 1) improve customer satisfaction and experience across all Central Hudson digital touch points throughout the customer life cycle; 2) communicate based on customer behavior and lifecycle stage to provide targeted messaging that is relevant and unique to the customer; and 3) utilize social media as a two-way channel to engage customers. Over the past few years, this group has been providing the support and direction for a number of successful initiatives that have been put into place such as our CenHub website launch, updates to our web and mobile self-service options and our recent Live Chat option for our customers. Through continued investment in our web and mobile solutions we aim to offer customers more control and self-service and better equip our Contact Center staff. The Customer Engagement Panel provides additional details concerning future projects in the web and mobile space needed to maintain and enhance customer engagement and overall satisfaction.

Q. Is Central Hudson currently subject to any incentives or penalties related to the aforementioned Customer Service Quality Performance Metrics?

A. Yes. The Company is subject to penalties, or Negative Revenue Adjustments (“NRAs”), for failing to achieve the CSI and PSC Complaint Rate targets. Alternatively, the Company may earn an incentive, or Positive Revenue Adjustment (“PRA”), for surpassing the target related to residential service terminations. As discussed previously, this PRA was implemented in the Company's 2015 Rate Plan.

Q. Please outline the current levels of NRAs set for the CSI and the PSC Complaint Rate.

A. The current levels are as follows:

Customer Satisfaction Index	**NRA**
85% or Higher	None
<85% but >= 84%	$475,000
<84% but >= 83%	$950,000
<83% but >= 82%	$1,425,000
<82%	$1,900,000
Total Amount at Risk	**$1,900,000**

PSC Annual Complaint Rate	**NRA**
< 1.1 per 100,000 customers	None
1.1	$950,000
1.2	$1,140,000
1.3	$1,330,000
1.4	$1,520,000
1.5	$1,710,000
1.6 or higher	$1,900,000
Total Amount at Risk	$1,900,000

Q. Do NRAs encourage innovation or the use of new technologies?

A. No. Excessive and mechanically-applied NRAs discourage technological innovation in favor of the status quo. For example, the application of new technologies, with long-term customer benefits, will have transition periods for training and refinement of the new technology. These transition periods could impact performance mechanisms negatively in the short term. As a result, the NRAs increase the risk associated with beneficial innovation and discourage its adoption.

Q. Is Central Hudson recommending any changes to the application of NRAs?

A. Yes. Central Hudson proposes that the NRAs for Customer Satisfaction Index and the PSC Complaint Rate be reset to the NRAs in effect in Cases 09-E-0588 and 09-G-0589. In Case 12-M-0192, the NRAs were doubled from those established in Cases 09-E-0588 and 09-G-0589. The doubling of the NRAs was put into place to ensure the service standards did not degrade after the acquisition of Central Hudson by Fortis Inc. Central Hudson has continued to demonstrate that we are committed to high levels of service standards to our customers for both of these metrics and therefore the higher NRAs are not warranted. In addition, Central Hudson proposes to introduce PRAs for the Customer Satisfaction Index and the PSC Annual Complaint Rate to provide symmetrical targets with the proposed NRAs. Regulatory, industry, and technology changes and evolving customer digital expectations are transforming how we conduct our business and how we engage with our customers. PRAs can provide the structure and incentive for the continuation of innovative solutions to modernize our offerings and design digital improvements that benefit customers.

Q. Please explain Central Hudson's proposal for the administration of PRAs and NRAs.

A. We are proposing the following PRAs and NRAs:

Customer Satisfaction Index	PRA	NRA
91.0% or Higher (Superior Performance)	$475,000	
<91% but >= 90.0% (Exceptional Performance)	$237,500	
85%		None
<85% but >= 84%		$237,500
<84% but >= 83%		$475,000
<83% but >= 82%		$712,500
<82		$950,000
Total Amount Incentive/Risk	$475,000	$950,000

PSC Annual Complaint Rate	PRA	NRA
0.2 or lower (Superior Performance)	$475,000	
>0.2 but < 0.3 (Exceptional Performance)	$237,500	
< 1.1 per 100,000 customers	None	None
1.1		$475,000
1.2		$570,000
1.3		$665,000
1.4		$760,000
1.5		$855,000
1.6 or higher		$950,000
Total Amount Incentive/Risk	$475,000	$950,000

Q. Has the PRA for terminations targets below 11,000 provided Central Hudson an awareness and focus that would not be accomplished effectively with an NRA?

A. Yes. The PRA adopted in the 2015 Rate Plan promotes an environment for innovative thinking. As we will explain later, Central Hudson has demonstrated that we can perform well with an incentive and we believe our experience with a PRA for this metric supports the expansion of PRAs to other aspects of the Customer Service Quality Performance Metrics.

Q. Has the Company taken steps to minimize the need for residential terminations?

A. In the case of residential service terminations, we initiated a number of programs to keep customers current on their bills which reduced the need for a variety of collection activities. These programs include: 1) increasing outbound collection call campaigns; 2) increasing our consumer outreach efforts; 3) improving communications to our Spanish speaking community, 4) expanding e-mail communications to improve document sharing for collection issues; 5) maintaining a presence with Customer Service Representatives at our local Department of Social Service ("DSS") offices; and 6) creating a Collections Dashboard to begin collecting data on our customers who enter our collection cycle to provide assistance to those customers before service is terminated.

Q. How have these improvements impacted the volume of terminations over the past few years?

A. As a result of these improvements and other factors, Central Hudson has experienced a decrease in the number of accounts that are available for field activity (collection at the time of field visit for physical termination of service). The percentage of customers maintaining their signed payment agreements pursuant to a Deferred Payment Agreement ("DPA") has increased to 86% as of March 2017. The high percentage of payment agreements maintained by customers is in part the result of our consistent outbound call campaigns. Approximately half of the outbound call campaigns are made to customers in the following categories: 1) monthly installment payment not received on their payment agreement, 2) reminder notice issued and 3) final termination notice issued. Current statistics (for the period January through May 2017) show that these three categories of outbound call campaigns have successfully resulted in collection of 85%, 123% and 78%, respectively, of the available dollars (results may include collection of current dollars, which may result in a % over 100%). The daily operation of our outbound call campaigns has been the most impactful project towards helping customers stay current on their payments and out of the collection cycle. It has also contributed to the reduction in field collections which in turn reduces overall terminations.

Q. Has Central Hudson identified additional potential opportunities to further reduce the number of residential terminations?

A. Central Hudson believes that the opportunities to reduce the number of terminations any lower than 11,000 are limited. Central Hudson has experienced a marked improvement over the past few years in customers staying current on their bills and avoiding field collections. Central Hudson has created a strong collection business process that complies with HEFPA and other applicable regulations by properly balancing the needs of our customers and the Company. At the same time, the Company remains sensitive and fully aware of the financial hardships faced by some of its customers that ultimately cause difficulty in their ability to pay for utility service. However, the number of customers in arrears and subject to terminations is impacted by many factors, some of which are not within the Company or customers' control. These factors include but are not limited to economic conditions, unemployment rates, financial market variability, energy pricing, weather and the funding levels for the Home Energy Assistant Program. Accordingly, due to the many uncertainties that can impact arrears, Central Hudson proposes that the service termination target of 11,000 remain in place.

IV. UNCOLLECTIBLE ACCOUNTS

Q. What aspects of the Company's Uncollectible Accounts will you address?

A. We will discuss:

1) the Company's recent experience concerning uncollectible accounts;

2) the Company's efforts to control these costs;

3) the factors that impact forecasting of uncollectible accounts; and

4) the Company's proposal for an annual deferral of the over- or under-collection of this expense.

Q. What was the Company's net bad debt write-off for the historic twelve month period ended March 31, 2017?

A. The net bad debt write-off for the historic period was $5.4 million.

Q. Has there been a significant degree of variability in the level of net bad debt write-off in recent history?

A. Yes. The Company experienced a net write-off of $10.3 million in 2009 and a net write-off of $4.2 million in 2013.

Q. What were the drivers that led to such a high level of net write-off in 2009?

A. A variety of factors contributed to the escalation in write-offs during this time period, many of which were beyond the Company's ability to control. Central Hudson customers experienced unprecedented increases in energy prices along with a weakened housing market, deteriorating national and New York State economies, increasing unemployment, and financial market credit crisis. The Company's business processes had a difficult time keeping up with the pace of escalating arrears both in dollars and number of accounts which collectively had significant impacts.

Q. Please describe how the net write-offs were reduced.

A. Many of these macro factors largely beyond the Company's control have improved.

Q. What is the Company proposing as the rate allowance for Uncollectible Accounts expense?

A. Consistent with prior rate filings, the Company is proposing an Uncollectible Accounts expense that is based on the net write-off amount as a percentage of revenues subject to bad debt for the historic year. The net charge-off for the historic period amounted to $5.4 million. These ratios are then applied to projected delivery revenues to arrive at the Rate Year projection. An update of these ratios at the time of Brief on Exceptions based on the latest known information is also proposed. The Revenue Requirements Panel discusses this projection and the development of the ratios used to arrive at the projection for Uncollectible Expense.

Q. Are there any further comments that the Panel would like to make regarding the allowance for Uncollectible Accounts?

A. Yes. We are proposing that a deferral accounting mechanism be employed for differences between the actual 12 months of net write-offs experienced during the Rate Year as compared to the 12 months of billed uncollectibles. The amount of billed uncollectibles is defined as: 1) commodity related costs that are grossed-up for bad debt; 2) surcharges that have bad debt built into recovery; and 3) the rate allowance included in delivery rates.

Q. Please explain why a deferral mechanism is appropriate and needed.

A. Although the Company has taken numerous steps in an effort to reduce the level of accounts ultimately written off as uncollectible, during the historic year ended March 31, 2017 uncollectible amounts represented 0.86% of revenues subject to bad debt. Experience continues to show that the Company has a limited ability to manage and control the number of accounts and amounts being written off during economic distress, abnormal weather patterns, and increasing energy cost. During difficult economic times even maintaining a bad debt factor at the low level of 0.86% can still result in increases in net write-off levels driven solely by increases in customers' bills, not due to the Company's lack of managing Uncollectible Accounts. In addition, the Company is unable to forecast what impact, if any, the new Low Income Bill Discount Program will have on arrears and write-offs.

Q. Is there Commission precedent to provide a deferral mechanism for expenses that are difficult to manage and control?

A. Yes. The majority of the Company's deferral accounting mechanisms were put in place for elements of expense that are difficult to project due in large part to an inability to manage and control.

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Q. Does the Panel have any data or analysis to support its claim that Uncollectible Accounts are difficult to project?

A. Yes. Exhibit ___ (CSP-1) illustrates the amount of actual net write-offs compared to the billed net write-offs over the last three Rate Years. The amount billed to customers is developed using the ratio established in the latest rate allowance. As shown over time, past experience does not reliably or reasonably predict the future. Past experience has proven contradictory to a tenant of proper ratemaking, that is, that delivery rates are set on a forward looking Rate Year on the basis that costs are just and reasonable.

Q. Please explain how the deferral mechanism for Uncollectible Accounts would operate.

A. We are proposing that a dead-band of 5 basis points on common equity be established as the maximum amount of pre-tax loss or gain to be realized when comparing the amount of actual net write-offs to the billed uncollectible expense used to establish the ratio employed to set the rate allowance. The amount in excess of the dead-band would be deferred for future pass-back to or collection from customers as directed by the Commission. The amount deferred would be allocated to electric and gas based on the 2016 annual bad debt allocation report that indicates 77% to electric and 23% to gas.

Q. Why is the Panel proposing a dead-band when experience suggests that deferral accounting for 100% of the difference appears appropriate?

A. The Company's proven track record of seeking and implementing continuous improvements aimed at dampening increases to the cost to provide service, including those that have deferral accounting provisions, should alleviate any perceived concerns that the Company will not continue to make improvements during the Rate Year. However, we are proposing a dead-band to eliminate any such concerns that providing a deferral mechanism somehow diminishes the Company's "incentive" to control costs.

V. CREDIT/DEBIT CARD PAYMENT

Q. Does the Company currently offer customers an option of paying by debit or credit card?

A. Yes. The Company currently offers the option of a credit/debit card payment for an additional fee to the customer. At the time of this filing, the fee is $3.50 for residential customers and $7.95 for commercial customers per transaction paid to a third party.

Q. What is the Company's proposal with respect to credit and debit card fees?

A. The Company proposes to provide this payment option directly to the customer at no additional fee to the customer as we do for payment by check. The Company proposes to include in delivery rates the cost of a customer making a credit/debit card payment to meet our customers' expectations.

Q. Why is the Company proposing to change its credit/debit card payment option?

A. Customers today expect to be able to utilize different types of payment options with no additional fees attached. Credit/debit cards are one of the payment options available to customers in many facets of their daily lives where there is no additional cost attached. Customers today can pay their cable bill, cell phone bill and gas for their car using a credit/debit card at no additional fee. Customers can use mobile apps such as Uber where they can request a service, pay for that service using their credit/debit card and utilize the service all automatically with no additional fees for use of this payment option. The Company is looking to provide payment options to our customers that they expect to have available to them as they do with many other products and services that they purchase and use at no additional cost. Additionally, with the rise in use of mobile devices over the past several years, consumers are increasingly turning to mobile devices to make payments using check and credit/debit cards with no additional charge.

Q. How will this proposal benefit residential customers who were just recently moved to monthly billing?

A. In July 2016, Central Hudson moved residential customers from bi-monthly billing to monthly billing consistent with the Commission's current billing policies. For those customers who pay every month by credit/debit card, this increased their costs since they are now charged for twelve payments by credit/debit card instead of six payments. The intent of changing to monthly billing was to assist customers in managing their costs not to increase their costs. Modifying the credit card/debit card program to remove customer fees facilitates the purpose of the monthly billing program.

Q. What other benefits will this proposal bring to customers?

A. A number of state and federal benefits (e.g., unemployment, social security, Supplemental Nutrition Assistance Program (or food stamps), and Temporary Assistance) must be paid either through a direct deposit to a bank account or to a Direct Express Debit MasterCard/Visa account. Customers who choose to pay their Central Hudson bill with this debit card are at an economic disadvantage since they are subject to a fee by our third party vendor. The Company's proposal will eliminate the economic disadvantage for these customers. In addition, our customers are looking for the same level of convenience and rapid processing that many other products and services provide in these self-serve channels while not charging an additional fee for credit/debit cards. Central Hudson offers self-serve options to our customers through our automated phone system, our website and on our mobile app. Offering a credit/debit card payment option with no additional fee will allow customers to choose the payment option that best meets their needs resulting in higher levels of customer satisfaction.

Q. How does the Company propose to recover the cost associated with offering customers a no fee option of paying by credit/debit card?

A. The Company proposes that the forecasted cost for this program be included in the revenue requirements similar to the processing fees associated with our other payment options (payment via mail, direct debit, and payment by check) are included in our cost structure. The Company is also requesting that deferral accounting be established for the credit/debit card program since both the volume of use and cost for the program are currently being forecasted based on the best information available but could ultimately be impacted by many variables. These variables include, but are not limited to, vendor pricing, technology improvements for self service options which can increase usage by customers, demographics of customers, offerings by credit card companies that can drive customer use of credit cards, and a number of other economic factors which can both increase and decrease the use of credit cards.

Q. Please describe the Company's implementation plan for this proposal.

A. The Company has an existing contract with a vendor that provides customers a credit/debit card option with a fee that is paid by the customer. This contract expires in 2018, but the Company plans to extend it to December 31, 2018. The Company plans to go out to bid upon

DIRECT TESTIMONY OF THE CUSTOMER SERVICE PANEL

Commission approval of this proposal to secure the lowest vendor pricing for offering a credit/debit card option with no fee to the customer with a start date of January 1, 2019.

Q. What is the estimated volume and cost for offering credit/debit cards to customers at no fee to the customer?

A. The estimated volume and cost are outlined below:

	Projected Rate Year Ended 6/30/19*
Volume	183,330
Corporate Costs	$452,825
Electric Costs	$344,147
Gas Costs	$108,678

*Volume and costs are for the period 1/1/2019 - 6/30/19.

Q. Please explain the basis and assumptions the Company included in developing the above cost estimate.

A. The Company requested, from its current vendor, forecasted pricing of a rate that would include all the cost components, which include the interchange rate, merchant fee and any other applicable fees. The vendor provided an estimated pricing for this program of $2.47 per transaction. This pricing would be available on all transactions for both residential and commercial customers. Our current vendor also advised that their experience with other utilities in the United States who have used a similar program experienced a significant increase in volume in year one of the program and a steady increase in volumes in the years following implementation. They also indicated utilities offering the option of recurring payment with a credit/debit card will likely see an additional increase in volume in year one of 10%. Central Hudson assumed a 95%

increase in volume in year one (including the additional 10% for recurring payment option). Central Hudson's historic volume of transactions under our current structure increased by 32% on average each year from 2013 to 2015 and increased 26% from 2015 to 2016.

Q. Have these cost projections been provided to the Revenue Requirements Panel to include in the revenue requirement?

A. Yes, we have provided the cost projection along with the supporting work papers to the Revenue Requirements Panel.

Q. Does this conclude your direct testimony at this time?

A. Yes, it does.