STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

EnergyNorth Natural Gas, Inc. d/b/a National Grid NH
Docket No. DG 10-017

Rebuttal Testimony
of
Tracey B. McCarthy
and
Mark U. Hirschey

December 7, 2010

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I. INTRODUCTION AND BACKGROUND

Q. What is your name and what is the purpose of your rebuttal testimony?

A. My name is Mark Hirschey. I filed direct testimony on February 26, 2010 on behalf of EnergyNorth Natural Gas, Inc. d/b/a National Grid NH (the "Company") as part of the initial filing in this proceeding.

My name is Tracey McCarthy. I filed direct testimony on February 26, 2010 on behalf of the Company as part of the initial filing in this proceeding.

We are submitting this rebuttal testimony to respond to a number of issues raised by the Public Utilities Commission Staff's ("Staff") consultant Bruce Gay ("Mr. Gay") in the testimony filed on October 22, 2010 relating to the Company's collection practices and the uncollectible rate he recommends for the Company's test year. We will also address Staff's testimony provided by Steven Frink ("Mr. Frink") regarding the Company's proposed reconciling mechanism for commodity related bad debt.

Finally, we will also respond to the recommendations of Pamela Locke's consultant, Roger Colton ("Mr. Colton"), regarding the Company's collection practices.

Q. How would you summarize Mr. Gay's testimony?

A. Mr. Gay attempts to argue that the increases in the Company's charge-off levels in recent years (including the test year ending June 30, 2009) are not substantially attributable to external forces, namely, relatively high supply costs and other factors not within the control of the Company, including the historic economic decline and ongoing challenges that New Hampshire and the rest of the nation have been experiencing. Instead, Mr. Gay argues that the Company was not sufficiently aggressive in its management of overdue accounts receivable prior to 2008 and that its credit and collection practices were not reasonable or consistent with industry practices. As a result, he recommends that the Commission allow the Company a bad debt ratio of only 2.06 percent for purposes of determining its recoverable uncollectible accounts expense, even though the Company's actual test year bad debt ratio was 3.36 percent.

Q. What is your overall response to Mr. Gay's arguments?

A. We have carefully reviewed Mr. Gay's testimony and find that it is structured in a manner that effectively makes it impossible to respond to his claims. As an initial matter, Mr. Gay's testimony represents a marked departure from Staff's position on the issue of uncollectible expense in prior dockets involving the Company. Until now, Staff's argument for a reduced bad debt ratio has relied on an argument that benchmarked National Grid NH's bad debt ratio against that of its neighboring gas utility, Northern Utilities. In response to that argument, and to

Mr. Gay's January 2009 Monticello report in support of it, the Company engaged Mr. Hirschey to perform an expert analysis of the two companies' service territories. The results of Mr. Hirschey's analysis were included in his direct testimony, and demonstrated that the two companies' service territories are so different that their respective rates of uncollectible accounts cannot be fairly compared. In fact, Mr. Hirschey's analysis demonstrated that most of the difference between the two companies' collections performance related to the far more urban nature of National Grid NH's service territory and, consequently, the substantially higher incidence of inside meters that the Company must deal with. Mr. Gay did not challenge Mr. Hirschey's analysis, but rather now appears to have abandoned Staff's prior arguments and, in fact, concedes that benchmarking utilities is both difficult and unproductive. Mr. Gay now attempts to focus on the specific practices employed by National Grid NH during the period 2005 and 2008 and posits that because he can identify areas for improvement, they were not reasonable or consistent with industry standards. His arguments, however, are based on nothing more than anecdotal references and general comparisons of those practices to less than a handful of unspecified utilities. Moreover, from his discussion, it is impossible to tell whether those companies are similarly situated to National Grid NH. For example, on page 21 of his testimony, when discussing winter period disconnections, Mr. Gay states: "gas utilities in the Northern part of the U.S. have been more aggressive in managing and disconnecting high risk accounts in the winter."[1] He does not, however, identify who these gas utilities are or how their specific circumstances or practices compare to those of the Company. Later on that same page, he states: "A number of other utilities designed strategies and processes to target high risk, high balance delinquent accounts that repeatedly avoided payment during the winter period." Again, he provides no detail as to the identities of those utilities or how they compare to the Company. These are just two examples of how Mr. Gay's positions lack the necessary analytical rigor to support his conclusions.[2] It would be improper and grossly unfair to impose a multi-million dollar disallowance of gas costs based on such unfounded and anecdotal arguments.

Mr. Gay also identifies a number of process improvements that he asserts the Company should have pursued in an effort to reduce its net write offs, including meter accessibility, increased street shut offs, and implementation of a replevin process. However, as we discuss below, in each instance Mr. Gay failed to fully consider the costs or practical limitations of these proposals.

Finally, we would point out that Mr. Gay's testimony would lead one to believe that behavioral scoring and customer account initiation processes are brand new

[1] In response to a data request Mr. Gay clarified that the phrase "more aggressive" meant that utilities increased their collection and disconnection activity over previous winter periods as a result of increasing arrearages and charge-offs or as a strategic initiative to improve financial performance.
[2] In a similar vein, Mr. Gay credits the Company's proposed enhancements to its collection practices as being consistent with the practice of "many other utility companies" but once again fails to identify those companies.

approaches to credit and collections that the Company was previously unaware of, when in fact those processes have historically been in place at the Company and what the Company is currently contemplating are further refinements to them.

Given the numerous analytical weaknesses and general lack of rigor inherent in his testimony, it is our opinion that the conclusions of Mr. Gay are unfounded and should not be relied upon by the Commission as a basis for the bad debt ratio to be allowed in rates.

II. COLLECTION AND DISCONNECTION PRACTICES

Q. Do you have a specific response to Mr. Gay's position that the Company's past collection practices were not reasonable or consistent with industry practices?

A. As discussed extensively in the testimony of Mr. Hirschey, which we will not repeat here, based on our experience in the industry we believe that the historic collection practices employed by the Company were reasonably developed utilizing an internal credit index score that attempted to prioritize collection activity based on the credit risk to the Company balanced against other factors, such as available resources, cost, and the health and safety of customers faced with termination of service.[3] It is important that this balance appropriately reflect the realities of serving New Hampshire customers. Each customer faces their own circumstances, and the Company has an obligation to work with customers and show a level of flexibility and respect in dealing with their specific circumstances. There is a cost imposed on the system to implement more aggressive collection practices as well as the substantial hardship for customers in experiencing a service termination. There are also very difficult, customer-specific decisions that the Company must make in evaluating service terminations. For example, when a small C&I customer is terminated, the revenue stream available to pay the past due arrearages is lost entirely, which is counterproductive unless all other efforts to collect the arrearage amount are exhausted. While Mr. Gay makes the claim that the Company's practices were not reasonable or consistent with industry practices, his testimony fails to provide a meaningful comparison to another similarly situated utility and, in fact, he acknowledges that benchmarking utility performance is difficult and unproductive. (Mr. Gay further expanded on the problems of trying to compare utility performance on collections in his response to Data Request Grid-Staff 23, included as Attachment TBM/MUH-R1)

As we noted, Mr. Gay's abandonment of benchmarking the Company's performance against other utilities, and in particular to Northern Utilities,

[3] Specifically, a review of Attachment MUH-18 demonstrates that the credit risk scoring utilized by the Company provided a sound basis for a $500, threshold for service terminations rather than the more aggressive $125 threshold that is allowed under the Puc rules.

represents a stark departure form the Staff position in DG 08-009. In that case, Staff specifically relied upon the difference between the respective net charge off rates of Northern Utilities and the Company as justification for a reduction in the bad debt amount to be allowed in the Company's rates. As the Company has previously demonstrated, when indirect gas costs were first established for Northern Utilities and National Grid NH in 2000 in Dockets DG 00-046 and DG 00-063 respectively, the bad debt ratio approved for Northern Utilities was 0.33 percent, while the bad debt ratio approved for National Grid NH was 0.97 percent, or approximately three times that of Northern Utilities. According to a Staff exhibit in Docket DG 07-050, by 2005, Northern Utilities' bad debt ratio had grown to 0.85 percent while National Grid'NH's had gone to 2.98 percent, still approximately three times that of Northern Utilities. Moreover, the three year average bad debt ratio indicated that National Grid NH's percentage was only twice that of Northern Utilities. (*See* DG 08-009 Rebuttal Testimony of Gary Bennett at page 9, a copy of which is included as Attachment TBM/MUH-R2). Mr. Hirschey's analysis in his direct testimony explains in detail why such a difference most likely exists. This analysis leads us to conclude that the collection practices employed by each of these companies was producing similar results and that differences in the actual amount of write-offs were due to differences between the companies' service territories or other factors beyond their control.

Additional evidence that the Company's write off performance prior to 2008 was not out of line with the industry in general can be found in table 2 on page 6 of the *2008 Individual State Report By the NARUC Consumer Affairs Subcommittee on Collections Data Gathering,* a copy of which is provided as Attachment TBM/MUH-R3, which indicates that the gross write off percentage for 2007 in the gas industry was 4.3 percent as compared to National Grid NH's gross write-off percentage in 2007 of 3.09 percent. *See* Locke Tech 2-4, provided as Attachment TBM/MUH-R4.

Q. If the Company's practices were reasonable, what prompted the Company to initiate changes to its credit and collections processes in 2008 and 2009?

A. A step up in collections activity is not without consequences, especially for that segment of the customer base with limited ability to make payments. Mr. Gay fails to acknowledge or address those consequences and, in a classic hindsight review, attempts to quantify the theoretical impact of actions that he argues the Company could have taken in past periods. On the other hand, Mr. Colton, on behalf of Pamela Locke and other low income customers, fully recognizes the potential consequences of an enhanced collection policy, which he alleges may include increased homelessness, increased property damage, increased rates of illnesses, and increased unemployment among others. In fact, Mr. Colton argues that the consequences of an enhanced collection policy that increases the likelihood of service terminations for non-payment are so severe that they are not in the public interest and should not be allowed by the Commission. While we do not agree with Mr. Colton's conclusions, we recognize his concerns, which serve to point out that the Company must not act in haste when determining how robust its collections programs should be at any point in time and must balance important competing concerns.

By 2008, as discussed in Ms. McCarthy's direct testimony, there were a number of external factors placing significant upward pressure on the level of uncollectible accounts throughout National Grid's service territories, including New Hampshire, which prompted National Grid to evaluate its credit and collections policies across all territories. Specific to New Hampshire, it was clear from discussions with Staff and the positions they took in dockets DG 07-050 and 08-009 that they were prepared to support more aggressive collections practices in order to mitigate increases in the bad debt ratio. Therefore, the Company determined that a shift in its collection strategies that focused on a lower dollar level of arrears as a threshold for service termination was warranted.

Q. Does the fact the Company made these process changes indicate that its past practices were imprudent?

A. No. Nor should companies have to fear that making changes to their processes will lead to future cost disallowances. As discussed in the direct testimony of Mr. Hirschey, at any given time, all utilities have some opportunity to improve collections performance and reduce charge offs. The fact that these opportunities for improvement exist does not on its own indicate that the companies' past collections processes were imprudent. Moreover, the financial collapse that occurred in the fall of 2008 was a major factor causing the Company to further increase the resources it devoted to collections issues. There is simply no justification to penalize the Company for making these changes when it did.

Q. Mr. Gay criticizes the Company for its failure to address the issue of inaccessible meters. Can you comment on this issue?

A. Mr. Gay's critique is flawed because he failed to fully analyze the costs and benefits of the strategy he proposed. As with other suggestions in his testimony, he focuses on the benefits of more aggressive collections tactics in a single-minded fashion, without adequately considering the costs and other adverse impacts of such an approach.

As shown in the Company's response to data request Staff 1-143, a copy of which is attached as Attachment TBM/MUH-R5, the Company had 19,731 inside meters on its system as of December 2009. The average cost to move a meter from inside to out is $161. Therefore, the cost of a program aimed at moving meters inside to out would be at least $3.2 million. This figure, however, reflects only the actual cost of moving the meter. It does not include costs associated with complicating factors that can be encountered when attempting to accomplish such a move, such as the cost to engage an operations crew, the cost of making multiple visits when access cannot be gained, and other such circumstances.

For example, Mr. Gay did not consider that the principal reason for moving meters in the first place is the difficulty of gaining access to an inside meter. If access to a meter for collections purposes is an issue, access to perform a move from inside to outside will also be an issue. Moreover, Mr. Gay failed to consider the fact that the meter configuration or other specific characteristics at a location may make a move from inside to out unfeasible or impracticable. Thus, the cost of a program designed to move all or any number of meters would have to include the additional cost caused by these complicating factors.

Third, although the Company does not have a formal program in place aimed at moving inside meters to outside, it does, on a case-by-case basis, move individual meters from in to out when the opportunity arises during the course of other work being performed at the premises. However, moving a meter from inside to outside does not necessarily eliminate the collections issues associated with an account. The mere fact that a meter is outside does not guarantee that it is accessible. Meters may be located behind locked fences or otherwise secured from access. The account may also be protected from termination under applicable Commission rules. As indicated on Staff 1-143, over 50 percent of the Company's uncollectible is associated with *outside* meters.

Mr. Gay's argument may initially be intuitively appealing, but it simply does not stand up under scrutiny. As with many of the other points in his testimony, he has not done the rigorous analysis to support his conclusions, many of which are simply wrong and would not be cost-effective.

Q. Mr. Gay criticizes the Company for failing to perform street shut-offs on high balance arrear accounts. Can you comment on this issue?

A. While street shut-offs are an option when dealing with high balance arrears accounts, they are a very costly alternative and as such are generally the alternative of last resort. *See* Staff 1-147, a copy of which is attached as Attachment TBM/MUH-R6, which demonstrates that cost estimates range from $282 -$784. Moreover, street shut-offs are only an option for premises with a separate service for each meter. In cases where there are multiple meters connected to a single service this option is not available. Nor is there always an accessible street valve. In the absence of a street valve, the Company would require a permit from the city or town to dig up the street. As a general rule, non-emergency street opening permits are not allowed during the winter period or in cases where the street has been re-paved in the previous five years. Once again, Mr. Gay's critique is flawed because he failed to fully analyze the costs and benefits of the strategy he proposed. As with other suggestions in his testimony, he focuses on the benefits of more aggressive collections tactics in a single-minded fashion, without adequately considering the costs and other adverse impacts of such an approach.

Q. Mr. Gay's testimony suggests that the Company should be performing disconnects on residential heating accounts in the winter period. Do you agree?

A. No. The Company's policy of not disconnecting residential heating customers in the winter period was adopted out of concern for the safety and well-being of our customers. Based on our experience and interactions with other northern U.S. gas utility representatives, we believe that this policy is consistent with standard industry practices in northern states. Moreover, as a practical matter, although the Commission rules do not expressly prohibit winter period terminations, the rules, as adopted in 2004, do provide enhanced protections for customers in the winter period such that it would be difficult if not impossible for the Company to adopt processes to comply with them except in limited and special circumstances. Specifically, Puc Rule 1204.05 requires that in order to terminate service to residential customers the customers must provide notice of the termination to an adult occupant of the residence in person or by telephone, a minimum of two business days (but no more than eight business days) prior to the date of the proposed disconnection or it must seek commission approval before disconnecting service. When seeking commission approval, the Company must provide the (1) customer's age or estimate thereof; (2) number of children in the household under the age of 5, if known; (3) number of household members over the age of 65, if known; (4) amount of the customer's arrearage; (5) date and amount of the last 3 payments; (6) existence of any current or prior medical emergency certifications for the customer or household members; and (7) existence of any financial hardship, if known. Moreover, the rule provides that the Commission shall not approve disconnection of service to customers if the customer has financial hardship and the customer has made a good faith effort to make payments towards the utility bill. Clearly, these protections are intended to dissuade a utility from employing a general policy of winter terminations. The Commission itself has made its concern regarding winter terminations known, such as through orders in some prior years by which it imposed a moratorium on disconnection of service to residential heating accounts.

Q. Mr. Gay criticizes the Company for failing to adopt a replevin process in New Hampshire. Can you comment on this issue?

A. Yes. The Company agrees with Mr. Gay that replevin can be an effective collection tool. In fact, National Grid has successfully employed a replevin process in other jurisdictions. Moreover the Company considered a replevin process for New Hampshire as noted in the direct testimony of Ms. McCarthy. This issue perhaps best illustrates how Mr. Gay's testimony is not based on any specific analysis or hard information that he has, but rather on generalities, assumptions and incomplete data.

The Company included in its initial filing in this case a list of enhanced collections practices that it either has implemented or was planning to implement. At the time, the Company was considering implementing a replevin process because of the success National Grid has had with a similar process in other jurisdictions where it does business. Subsequently, the Company determined that, because of differences in the legal process in New Hampshire, replevin would not be a cost-effective approach in New Hampshire.[4] Mr. Gay, being aware that other utilities have successfully used replevin in other jurisdictions, expressed surprise that the Company did not already have such a program in New Hampshire. While the Company's obligation is to conduct an appropriate analysis to gather information to determine whether programs it adopts will actually be beneficial, Mr. Gay performed no such analysis himself. Instead, his testimony was based on assumptions, conjecture and generalizations. The point is that the Company's processes reflect careful thought and attention to both the costs and benefits of each program as well as legal and policy considerations. Mr. Gay's arguments,

[4] We understand from the Company's legal counsel that, in New Hampshire, in order to obtain a replevin order to recover a utility meter, a company would first have to file suit in District or Superior Court by way of a verified petition for a Writ of Replevin. Once the Court issues Orders of Notice for a hearing, the Utility would then have to serve the customer with a copy of the Orders of Notice. There would then be an initial hearing (which in some cases might be followed by a final hearing after a discovery process), and then, if the court issued the requested order, a sheriff would have to be engaged to accompany a utility representative to assist to attempt to gain entry to the premises and remove the meter. All of this assumes that a meter is even subject to replevin in the first place, something which is not completely clear because the process does not apply to situations where the personal property being recovered is affixed to real estate. The Company is not aware of any New Hampshire utility that has attempted to utilize the provisions of RSA 536-A, the replevin statute, as a collection tool.

instead, reflect a single-minded focus on enhancing the level of collections and are not soundly based in the specific facts and situations confronting the Company.

Q. Are there any other inaccuracies in Mr. Gay's testimony that you would like to comment on?

A. Yes. In response to Mr. Hirschey's direct testimony, which indicated that one consequence of increased disconnections for non-payment would be a reduction in the Company's revenue, Mr. Gay suggested that the customer restoration rate for gas utilities is 80 percent. As support for that statement he cites to his own Monticello report of January 2009. A review of table 2 at page 6 of the NARUC Study referenced above and provided as Attachment TBM/MUH-R3 indicates that in reality, the restoration rate for gas utilities is approximately 45 percent.

III. <u>BAD DEBT PERCENTAGE</u>

Q. Can you comment on how Mr. Gay arrives at his recommended bad debt percentage of 2.06 percent?

A. It appears that Mr. Gay begins with the Company's actual test year bad debt level of 3.36 percent and then adjusts it to reflect what he claims the impact would have been had the Company chosen to implement its enhanced collection practices sooner than it did. He does this by reviewing Mr. Hirschey's estimate of the potential impact of the Company's enhanced collection practices had they been in place during the test year, which is a range of between $1.1 million and $1.7 million. He then arbitrarily increased that range by a factor of 50 percent to a range of $1.7 million and $2.7 million which he then translates into a recommended bad debt percentage of 2.06 percent by applying the mid point of that range against the Company's test year bad debt performance. Mr. Gay offers no theoretical basis for his calculation or the 50 percent factor increase other than his unsupported statement that it seems reasonable.

Q Do you agree with Mr. Gay's recommended uncollectible write-off percentage of 2.06 percent for the Company's test year?

A No we do not. While Mr. Gay is highly critical of the Company's historic collection practices, he has offered no evidence that those practices were not in line with industry practices at the time. He critiques them in some instances, but he provides no evidence that the Company's practices did not measure up to those in use at other similarly situated utilities. Nor has he offered any evidence to suggest that the Company's actual bad debt experience is something other than the 3.36 percent reported in the direct testimony of Ms. McCarthy. Thus there is no basis for the Commission to deviate from its practice of allowing a utility to recover its test year level of the costs of providing service.

Q. How do you respond to Mr. Gay's position that increases in commodity prices have little impact on a customer's monthly bill and therefore that

increases in commodity prices do not contribute in any meaningful way to increases in charge offs for the same period?

A. As an initial matter, we would note that Mr. Gay, in support of his claim that commodity prices are not a significant driver of uncollectible write-offs, relies on the fact that external factors other than commodity prices contribute to the increased level of uncollectible write-offs experienced by the Company. However, the fact that external factors other than commodity prices have a bearing on revenue collections in addition to the impact of rising commodity prices serves only to underscore the fact that there are many moving parts within the customer consumption, billing and collections dynamic that (1) are beyond the control of the Company, and (2) make it difficult to isolate cause and effect in terms of evaluating write-off experience from period to period.

Moreover, the argument that increasing commodity costs do not result in corresponding increases to customer bills is simply not logical. Mr. Gay's analysis on this issue is flawed in several respects. First, Mr. Gay reviews average monthly bills over a twelve month period to analyze the impact of price on gross charge off dollars. By focusing on the average over a twelve month period, Mr. Gay obscures the fact that volumes are much higher in the winter, and thus commodity prices will have a greater impact on the total bill and correspondingly on the customer's ability to pay that bill. Therefore, one would reasonably expect that, coming out of the winter period, overall unpaid bills will be higher, and thus write-offs will be higher. Second, Mr. Gay attempts to compare the change in average monthly bills from year to year (which he inexplicably adjusts for inflation)[5] to the change in gross charge off dollars. This analysis, however, is also flawed to the extent that weather and other factors may affect the average monthly bill amount. Moreover, gross write offs will most likely be lagged to reflect the amount of time needed to affect a service termination and therefore may not be reflective of the period for which the average bill was calculated.

Q. Would you please comment on Mr. Frink's testimony regarding the recovery of commodity related bad debt?

A. Although Mr. Frink relies on Mr. Gay's testimony to recommend collection by the Company of something other than its actual commodity related bad debt, from a policy perspective the Company and Mr. Frink are in agreement that its is proper for the Company to recover its actual gas cost-related monthly net write offs through the COG reconciliation process instead of applying a fixed percentage against the actual monthly gas cost to the extent that those gas cost related monthly net write offs are beyond the Company's control. However, Mr. Frink goes on to argue that, based on Mr. Gay's analysis, a portion of the Company's bad debt expense should be disallowed (and, implicitly, that that disallowance should continue indefinitely).

[5] To the extent the analysis is focused on total write-off amounts it is not clear why an inflation factor is relevant to his analysis.

Q. Do you agree with Mr. Frink's proposed disallowance?

A. No we do not. His proposal is based entirely on the validity of Mr. Gay's conclusions, and as discussed above, those conclusions are based on seriously flawed assumptions, generalizations from other jurisdictions where Mr. Gay has been a consultant, and an analysis that is mistaken at best and, in a number of cases, simply non-existent.

As noted above, we do not agree that there is any basis for the Commission to find that the Company's historic collections practices were not prudent. Therefore, there is no basis to adopt Mr. Gay's recommended bad debt percentage. As a result, the Commission should allow the Company to recover its actual gas cost related bad debt through its cost of gas rate mechanism on a fully reconcilable basis.

IV. LOW INCOME CUSTOMERS

Q. Mr. Colton, on behalf of Pamela Locke, recommends that the Company's proposal to lower the thresh hold for service disconnections from $500 to $125 be disallowed on the basis that it will disproportionately impact low income customers and that there is no analytical basis to support the effectiveness of such a change. Would you please comment on Mr. Colton's position?

A. First, it is our understanding that the Company does not require Commission approval to make this change. The threshold at which the Company chooses to implement terminations for non-payment is within management discretion as long as it within the limits prescribed by the PUC rules. Second, by lowering the threshold the Company is seeking to take advantage of the additional resources necessary to affect additional service terminations that were made available through the settlement of its last rate case and to encourage customers in need to seek assistance sooner, before the balance becomes unmanageable. Under PUC rules, customers receive multiple notices prior to termination and have ample opportunity to seek out payment arrangements or other forms of assistance before their service is terminated. While we disagree with Colton's recommendation, his testimony points out that reasonable people can differ and that Mr. Gay is simply wrong when he says that it was imprudent for the company to have used a $500 cut off threshold before.

Q. Would you please comment on Mr. Colton's recommendation that Commission condition its approval of the revenue requirement associated with enhanced collection efforts on the adoption of the seven recommendations in Appendix C of his testimony?

A. The revenue requirement associated with enhanced collection efforts were designed to recover activities specifically agreed upon in the partial settlement in Docket DG-08-009. To the extent that additional conditions are now attached, the revenue requirement would need to be adjusted to reflect the costs of those conditions. Moreover, the Company is continuously seeking ways to improve its processes, and has previously considered each of the strategies identified by Mr. Colton. Specifically, his recommendations 1 and 6 are practices already employed by the Company. His recommendations 3 and 5 are subjects governed by Commission rules, which the Company is required to follow. His recommendations 4 and 7 are activities that would potentially fall within the ambit of the Consumer Advocate positions proposed by the Company in this case. And, finally, his recommendation 2 has been considered and rejected. Specifically, this recommendation is to provide for seasonal budget billing. Given that the purpose of budget billing is to allow customers the ability to better manage their payment obligation by smoothing out the impact of sharp seasonal increases in customer bills by averaging the peak and off-peak period bills, the Company determined that this recommendation would be counterproductive to the goal of the program.

Q. Finally would you please comment on Mr. Colton's recommendation that any approval of the revenue requirement associated with enhanced collection activities be conditioned on the Company taking additional efforts to enroll customers on the R-4 rate.

A. There is no basis for the Commission to require the Company to agree to additional actions as a condition of recovery. As documented in response to Data request Staff 1-130, which is provided as Attachment TBM/MUH-R7, the Company notifies customers of the availability of its low income discount in a number of different ways throughout the year. Specifically, information about the rate is included twice annually in a customer newsletter, in an annual fuel assistance insert provided with the November bill message, on the Company's web site, and through two letters sent annually to fuel assistance customers prior to and after the expiration of the discount. The Company has also proposed in this case the addition of two Consumer Advocate positions to further assist customers in need. To the extent that the Commission determines additional outreach efforts are necessary, the Company would expect appropriate cost recovery to implement them.

Q. Does this conclude your testimony?

A. Yes it does.