STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES
OFFICE OF ADMINISTRATIVE LAW

I/M/O THE PETITION OF ATLANTIC	)	**OAL Docket No:** PUC-04036-01
CITY ELECTRIC COMPANY, AND	)	**BPU Docket No:** EM01050308
CONECTIV COMMUNICATIONS, INC.	)	
AND NEW RC, INC. FOR APPROVAL	)	
UNDER N.J.S.A. 48:2-51.1 AND	)	
N.J.S.A. 48:3-10 OF A CHANGE IN	)	
OWNERSHIP AND CONTROL	)	

SURREBUTTAL TESTIMONY AND EXHIBITS OF BARBARA ALEXANDER

Filed on Behalf of

THE NEW JERSEY DIVISION OF THE RATEPAYER ADVOCATE

Blossom A. Peretz, Esq.
Director and Ratepayer Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, New Jersey 07102
(973) 648-2690 - Phone
(973) 624-1047 - Fax
www.rpa.state.nj.us
njratepayer@rpa.state.nj.us

November 2, 2001

REDACTED VERSION

Q. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.

A. My name is Barbara R. Alexander. I use a business title of Consumer Affairs Consultant. My address is 83 Wedgewood Dr., Winthrop, ME 04364. I appear in this case as a witness on behalf of the New Jersey Division of the Ratepayer Advocate (Ratepayer Advocate).

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS PROCEEDING?

A. Yes, I submitted Direct Testimony on September 21, 2001.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY AT THIS TIME?

A. I am submitting Surrebuttal Testimony on behalf of the Ratepayer Advocate in response to the Rebuttal Testimony submitted by Thomas S. Shaw, J. Mack Wathen, and Derek W. HasBrouck on behalf of Atlantic City Electric Company (ACE or the Company). I will provide a response to the testimony of these individuals with respect to service quality and reliability issues, as well as those involving my proposal for a universal service program directed to low-income customers as conditions to the proposed merger by ACE with Pepco.

Q. DO YOU AGREE WITH MR. SHAW S REBUTTAL TESTIMONY THAT CLAIMS YOU STATED THAT JOB LOSSES ARE INEVITABLE AS A RESULT OF THIS MERGER?

A. In my Direct Testimony at page 10 I discussed the various factors associated with service quality and reliability of service that are typically associated with the implementation of any merger of this type, that is, the merger of two electric distribution companies from states that have implemented retail electric competition. In such mergers, the electric distribution companies remain responsible for the bulk of the service quality and reliability of service delivered to residential customers in an environment in which the corporate utilities are eyeing the potential for greater profits from unregulated affiliates. I also described the impetus to, at the very least, find the savings to pay for the costs associated with the merger itself. For example, as of September 30, 2001, Conectiv has incurred actual merger-related costs of $14.5 million. [NJRAR-R-Rebuttal-109] I also stated that the promises to find and adopt best practices will cost management time, attention, and possibly additional implementation costs. I then stated, In short, stockholders of both companies will be looking to the balance sheet and income statement to determine if the merger was worth it. This motivation <u>may result</u> in efforts to reduce employees and programs in a manner that adversely effects service quality and reliability, particularly when the Company s headquarters are no longer located in New Jersey. [Emphasis added]

I stand by this statement as a description of the risks associated with approving this merger without any enforceable performance standards or conditions that will prevent these adverse events from occurring. While Mr. Shaw continues to state that the ...driving forces of this merger are not cost-cutting and job reduction , he continues to refuse to agree to conditions that will make this promise enforceable. Under Mr. Shaw s approach, Your Honor and the New Jersey BPU should not accept these statements as sufficient protection for New Jersey customers, because these statements are nothing more than the puffery that accompanies any salesperson s exhortations to buy the shiny used car. These statements are not enforceable should my concerns prove to be valid. In other words, the risk of accepting Mr. Shaw s approach and discovering too late that service and reliability has in fact suffered from cost cutting or altered business practices that just plain don t work as intended is far graver than building in protections for customers from the onset of this merger.

Finally, it is important to note that other state regulatory commissions have adopted service quality plans with penalties as a condition for approval of mergers of this type and for exactly the reasons I have suggested in my Direct Testimony. In adopting a service quality plan with penalties in the proposed merger of Public Service Company of Colorado and Northern States Power Co, the Colorado PUC stated, Public Service s agreement to continue the standards for measuring the quality of its electric services and to increase the bill credits imposed if those standards are not met will help ensure that the merged company does not pursue cost savings at the expense of quality of service provided to Colorado s customers. [http:..www.dora.state.co.us/puc/Decisions/2000/C00-0393_99A-377EG.doc] Similar programs and statements were made by the Massachusetts DTE when it approved the merger of Boston Gas Co., Cambridge Electric Light Co., Commonwealth Electric Co. and Commonwealth Gas Co. [...service quality plans can be an important bulwark against deterioration of a company s quality of service. See http:..www.state.ma.us/dpu/electric/99-19/order.htm at 33, n.27] BA Exhibit B attached to my Direct Testimony contains many other examples.[1]

[1] In order to assist Your Honor and the Board in consulting the decisions referenced in BA Exhibit B, the following Internet links are provided for these decisions:

California: See fn. 1, Exhibit B
Oregon: http://www.puc.state.or.us/orders/1999ords/99-616.pdf
Idaho: http://www.puc.state.id.us/orders/28213.htm
Massachusetts (Boston Gas): http://www.state.ma.us/dpu/electric/99-19/order.htm
Colorado: http://www.dora.state.co.us/puc/Decisions/2000/C00-0393_99A-377EG.doc
New York Reliability Standards: http://www.dps.state.ny.us/fileroom/doc716.pdf
New York Consolidated Edison merger order: http://www.dps.state.ny.us/fileroom/doc8899.pdf
Illinois: http://www.icc.state.il.us/icc/doclib/rules/83iac411.pdf
Nevada: http://puc.state.nv.us/electric/85001pr2.htm

Q. PLEASE COMMENT ON MR. WATHEN S REACTION TO YOUR UNIVERSAL SERVICE PROGRAM PROPOSAL.

A. Mr. Wathen s Rebuttal testimony [at 11-14] opposes the notion that the Board should consider universal service programs as a condition of any approval of this merger. It is clear that the linkage between mergers of this type and consideration of universal service programs and policies is not new and does not break new ground even in New Jersey. For example, I submitted testimony on these issues in the GPU Energy merger and a settlement agreement that the Board adopted included a provision to initiate a low-income Percentage of Income Payment (PIP) program, similar to the one being implemented by GPU Energy distribution utilities in Pennsylvania[2].

Low income customers are at particular risk if any deterioration in customer service or service quality does in fact occur. The types of changes that could have an adverse impact on customer service include: (1) the culling of senior and higher paid technicians and service personnel to reduce personnel costs and relying on less experienced and lesser paid customer service or field personnel; (2) the transfer of corporate offices, resulting in the loss

---

Ohio: http://www.puc.state.oh.us/ohioutil/energy/erindustry/4901%5F1%2D10.doc
Maine: http://www.state.me.us/mpuc/orders/99/99666oas.pdf (order) and
http://www.state.me.us/mpuc/orders/99/99666stip.pdf (stipulation) and
http://www.state.me.us/mpuc/orders/99/99666stipatt5.pdf (Appendix 5--calculation of service quality penalty)
Connecticut:
http://www.dpuc.state.ct.us/FINALDEC.NSF/2b40c6ef76b67c438525644800692943/475c51d2c845eb29852569af00668ace/$FILE/990418d.doc

[2] This program is called a Customer Assistance Program (CAP) in Pennsylvania, but its overall design is based on the PIP concept in that a customer s monthly payment for electric service is based on a percentage of the customer s household income.

of more experienced and local employees and managers; (3) the reengineering of processes and procedures that cause implementation snafus and customer confusion (such as changes in computerized billing and accounting systems that result in bill errors or the inability to monitor collections properly); (4) overall reductions in programs and personnel in an attempt to reduce expenses and increase earnings; and (5) implementation of consolidations of operations, practices, and corporate functions between the merged companies so that local payment and customer service centers are closed or previously offered payment arrangements or alternative collection practices are no longer offered by the merged company. These changes, if they occur, will have an adverse impact on low-income customers in particular because they often rely heavily on in-person payment centers, the need to contact the call centers for payment arrangements or to assure that payments from social service agencies have arrived in time to avoid a disconnection of service, and because they are typically living in poor neighborhoods that often have older distribution systems that experience more outages. Other advocates have pointed to similar potential and actual service quality effects of mergers. See Colton, Roger, The Low-Income Interest in Electric and Natural Gas Utility Mergers and Acquisitions, June 1997, http://www.fsconline.com/downloads/MERGERS.pdf (pp. 19-21; 25-28 contain examples of deterioration in service quality due to recent mergers in Colorado and Iowa)

Q. CAN YOU DISTINGUISH THIS MERGER PROCEEDING FROM THE ACE AND CONECTIV MERGER APPROVED BY THE BOARD IN 1998?

A. Yes, I can. The earlier merger decision by the Board occurred prior to ACE s restructuring proceeding and the initiation of the Universal Service Fund Proceeding in early 2000. The restructuring proceeding deferred consideration of universal service programs to another proceeding. The Universal Service Fund proceeding is still pending before the Board and I understand that the Board has approved the template of an order at its Meeting on October 27, 2001, but I have not yet seen a formal written order. When such an order appears I would like to reserve the right to review it and prepare Supplemental Testimony, if necessary. My proposal in this merger proceeding reflects the fact that ACE has not supported or proposed any specific statewide low income bill payment assistance program in the Universal Service Fund proceeding.

Q. ARE THE PROGRAMS CURRENTLY BEING IMPLEMENTED BY ACE SUFFICIENT TO RESPOND TO THE NEEDS OF LOW INCOME CUSTOMERS?

A. ACE currently contributes to New Jersey SHARES, a fuel assistance program, and funds a weatherization program, which includes a modest debt forgiveness program for weatherization program participants. These are useful and valuable programs. They are, however, insufficient to respond to the statutory obligation to ...ensure universal access to affordable and reliable electric power and natural gas services. [Section 2(a)(4) of the Electric Discount and Energy Competition Act of 1999] The NJ SHARES program responds to energy emergencies and provides a one-time assistance payment to eligible customers. However, it is not available to those low income customers who sacrifice spending for food or medicine and keep their utility bill current. It is insufficient to assure that the annual electric bill is affordable because the one-time payment is not linked to future affordable bill payments. The weatherization and debt forgiveness programs are an important adjunct to any affordability program because they reduce the total amount of the annual bill.

However, these programs also do not target assistance based on an analysis of household income and the size of the annual electric bill, nor do they focus on making the monthly electric bill payment affordable. It is only by combining the energy saving measures associated with a weatherization program with the bill payment assistance of a well designed percentage of income payment plan that the resulting annual electric bill can be truly described as affordable. The program that I proposed in my Direct Testimony will fill this gap for the low income customers of ACE and provide an important safety net for low-income customers in light of the potential for degraded service quality associated with the implementation of this merger.

Q. MR. HASBROUCK CONTINUES TO ALLEGE THAT THE PROPOSED CUSTOMER GUARANTEE PROGRAM IS SUPERIOR TO THOSE OFFERED BY OTHER ELECTRIC UTILITIES. PLEASE COMMENT.

A. Mr. HasBrouck appears to find it important to characterize ACE s proposed service quality guarantee proposal as superior [Rebuttal at 6, line 14]. He states that ACE should be commended for its proactive initiative. [Rebuttal at 6, lines 6-7] I do not think it is important whether the proposal is unique or superior. What I do find troubling is that Mr. HasBrouck continues to ignore the fact that <u>most utilities that he cites as having service quality guarantee programs are also subject to system-wide service quality and reliability performance standards to which significant penalty dollars are attached.</u> The issue before the Board is not whether ACE s service quality guarantee proposal is superior to other guarantee programs, but rather whether the proposed program, <u>as a whole</u>, is sufficient to respond to the Joint Petitioners promises that service quality and reliability of service would improve as a result of the merger or whether it is sufficient to respond to the obvious and well-accepted risks associated with deterioration in service quality that may occur as a result of a merger of this type.

Q. PLEASE REVIEW AGAIN THE NATURE OF ACE S PROPOSED SERVICE QUALITY GUARANTEE AND COMPARE IT TO YOUR SERVICE QUALITY PERFORMANCE PLAN.

A. ACE has proposed customer specific payments for failure to install a new service within 10 business days, for failing to issue an accurate bill, for failing to restore an outage within 24 hours, and for failing to keep a customer appointment. I support these proposals and urge the Board to adopt them. The other so-called guarantees are not really anything but promises to file a report to the Board if certain performance levels are not met with respect to individual circuit performance in relationship to other circuits, call center speed of answer and abandoned call rate. These latter performance areas are not enforceable guarantees at all because affected customers are not recompensed for poor service quality if their circuit performance falls below the average or they cannot get through to a customer service representative in a timely manner. Furthermore, ACE is not proposing any system-wide reliability performance standards that will incorporate the Joint Petitioners promises that reliability of service will improve as a result of the merger. Viewed in this light, ACE s proposals are modest at best and many other utilities surpass the scope and nature of the service quality guarantees offered by ACE.

For example, the SQI in effect for Puget Sound Energy (Washington) has 10 performance standards (% customers satisfied with performance; complaints per 1,000 customers; SAIFI, CAIDI, % calls answered within 30 seconds, % customers satisfied with call center; response time on gas emergencies; % customers satisfied with field services; % customers disconnected for nonpayment; percent appointments kept). These performance standards are backed up by a maximum penalty of $7.5 million <u>in addition to the customer specific guarantees as set forth in PSE s tariff</u> for keeping appointments and installing new service or reconnecting existing service. See, http://www.pse.com/account/pdfs/gassch_130_bookmark_2000_02_06.pdf.

The SQI in effect for Consolidated Edison (New York) contains the following performance areas: Commission complaints; Customer Satisfaction Survey results (3 specific areas); Outage Notification; New Installations: Days to Complete (Initial Phase) and Days to Complete (Final Phase); % Calls Answered; Percentage of Meters Read on Schedule; Bill Accuracy; Routine Investigation completions (days); and a variety of traditional reliability indices accompanied by a maximum penalty of $22 million. See http://www.dps.state.ny.us/fileroom/doc8899.pdf (order approving stipulation) and http://www.dps.state.ny.us/fileroom/doc8604.pdf (stipulation provisions, see Appendix D and Appendix E).

The SQI approved for the Boston Gas (NSTAR) merger includes SAIDI; SAIFI; % Calls Answered; On-Time In Service; Lost Time Accidents; On Cycle Meter Reads, and Response to Emergency Calls, all of which are subject to a maximum penalty of $4.9 million. See http://www.state.ma.us/dpu/electric/99-19/order.htm. These performance standards are <u>in addition to the NSTAR individual customer service guarantees</u> for appointments on schedule, accurate meter reading; notification of scheduled service interruptions; accurate direct/phone pay billing system; prompt answer to billing questions; and new residential service line connections on time. See http://www.nstaronline.com/your_home/service_guaranteed.htm

The PacifiCorp companies that Mr. HasBrouck cites as offering a comprehensive and similar service quality guarantee are accompanied by system-wide reliability performance standards with a maximum penalty of $7 million if the merger-related promises are not met. See the decision by the Idaho PUC cited in fn. 1, above. Even though Mr. HasBrouck repeatedly cites the Pacificorp service quality guarantees, he did not perform a detail review of the penalty structure associated with PacifiCorp s program for each state in which PacifiCorp operates. [NJRAR-SQ-Rebuttal-51] This is a curious oversight considering that the issue of the relationship between Mr. HasBrouck s proposed guarantees and my more comprehensive proposal for generic service quality standards and penalties is central to the resolution of this proceeding.

It is not at all unusual for an electric utility to offer customer service guarantees for billing, appointments, installation of service, or outage restoration. In fact, the Massachusetts DTE has stated that, ...customer service guarantees are complementary... to penalties and that ...a pattern of customer service guarantee payments associated with a particular SQ measure serves to alert utility management to the need for corrective action, thereby averting the imposition of a broad based penalty. [See, Order on Motion for Clarification by Joint Utilities, D.T.E. 99-84-B, September 28, 2001, http://www.state.ma.us/dpu/electric/99-84/928order.pdf, at 10]

Under the approach recommended by Mr. HasBrouck, ACE will promise to keep an individual customer appointment, but refuses to promise all the New Jersey ratepayers that the lights won t go out on average more than once per year per customer, as I have recommended. This is a standard that ACE has routinely met in the past ten years. ACE s proposals, while welcome, are no substitute for the system-wide service quality performance standards and penalty mechanism that I have recommended.

Q. MR. HASBROUCK HAS SUBMITTED INFORMATION THAT PURPORTS TO DEMONSTRATE THAT YOUR PROPOSED STANDARDS FOR CAIDI AND SAIFI DO NOT INCORPORATE A SUFFICIENTLY LARGE STANDARD DEVIATION. DO YOU AGREE WITH HIS CRITICISM?

A. No, I do not agree with Mr. HasBrouck s criticism. He appears to argue that because I have not adopted some sort of mathematical formula to derive my proposed performance standards for CAIDI and SAIFI, that my recommendations are flawed. My recommended baseline performance standards for CAIDI and SAIFI are based on two factors. First, ACE has in fact achieved the performance standards that I recommend, particularly within the last four years. I recommend a CAIDI standard of 100 minutes, an annual average that ACE has exceeded only twice in the last ten years, in 1995 and 1996. I recommend a SAIFI standard of 1 interruption per customer, an annual average that ACE has exceeded only once in ten years, and that exceedence in 1994 was minor (1.03). Second, my recommendations are designed to reflect the promises of the Joint Applicants to <u>improve</u> reliability of service for New Jersey customers if the merger is approved. Therefore, my recommendations reflect the need for ACE to demonstrate this improvement in its actual performance in these two key indicators of reliability of service. In other words, if the merger is supposed to deliver real benefits to New Jerseyans, I have made suggested performance standards so that this improvement can be measured and enforced.

Q. WHY HAVE YOU SUGGESTED ENFORCEABLE PERFORMANCE STANDARDS THAN ARE MORE STRICT THAN THE BPU INTERIM RELIABILITY STANDARDS?

A. My recommendations are stricter than the interim standards established by the Board last year because this merger was not before the Board at the time of the establishment of those standards. Nor were the promises by the Joint Petitioners to improve reliability of service as a result of the approval of this merger before the Board at that time. My recommendations respond to factors that were not before the Board at the time of the adoption of the generic reliability standards and my proposals respond to the proceeding that is now before the Board in which service quality and reliability programs and policies are an integral part of the Board s review and jurisdiction.

Q. WHAT IS YOUR REACTION TO MR. HASBROUCK S EVIDENCE CONCERNING THE VARIABILITY IN PERFORMANCE BY 20 U.S. UTILITIES?

A. I have a number of concerns about the validity of Mr. HasBrouck s study. First, ACE has not identified the 20 utilities used for this study. [NJRAR-SQ-Rebuttal-54(g)] I am, therefore, unable to determine whether Mr. HasBrouck has used utilities whose reliability results are comparable to ACE s. Since reliability results vary widely among electric utilities, in terms of service territory, customer density, weather, mode of generating and reporting service quality data, it is not proper to compare the results of 20 unknown utilities and suggest that the historical reporting methods or degree of variability in performance data is valid without further analysis. We do not even know, for example, whether any of these 20 utilities are located in New Jersey.

Second, the issue before the Board is not whether any other utility s historical performance has varied over some standard deviation. The only relevant issue before the Board is the degree of variability in the reported performance by ACE, as well as the promises by the Joint Petitioners that ACE s reliability performance will improve as a result of this merger. The Board does not need to concern itself with the variability in performance data as reported by 20 unknown utilities because those utilities and their reliability performance is not an issue in this proceeding.

Q. WITH RESPECT TO YOUR RECOMMENDATIONS FOR REPORTING OF MOMENTARY INTERRUPTIONS, WHAT IS YOUR RESPONSE TO MR. HASBROUCK S POSITION THAT SUCH REPORTING IS NOT FEASIBLE?

A. Mr. HasBrouck quotes [Rebuttal at 15] statements by the Board concerning the feasibility of reporting MAIFI included in the Board s adoption of the interim reliability standards. However, the Board at that time did not have this merger proposal before it. Nor was the Board aware at that time that Pepco, Conectiv s proposed merger partner in this proceeding, is able and does report MAIFI performance data to the Public Service Commission of the District of Columbia. My suggestion is that this merger may provide the opportunity for ACE to adopt the best practices in this area as already developed by Pepco.

Q. PLEASE DISCUSS YOUR PROPOSAL THAT THE SERVICE QUALITY PERFORMANCE PLAN INCLUDE A METRIC FOR CALL CENTER BUSY SIGNAL INSTEAD OF ACE S PROPOSAL FOR A GUARANTEE CONCERNING ABANDONED CALL RATE.

A. Mr. HasBrouck [Rebuttal at 16] continues to recommend that the abandonment rate is a more important issue to customers. This performance area measures the rate of those customers that hang up while waiting to speak to a customer service representative. However, Mr. HasBrouck is incorrect. The call waiting time (either percentage of call answered within 30 seconds or the average speed of answer) measures the amount of time that a customer waits, on average, prior to reaching a live customer service representative. If this performance is reasonable (i.e., 80% of the calls answered by a customer representative within 30 seconds), there will not be a significant abandonment rate. However, if ACE achieves its call center answering performance at the cost of increasing its busy signal rate so that customers are not able to even get into the call queue, then the results will not be satisfactory. Therefore, it is important that the Board track both call answering percentage and the busy signal rate.

Q. WITH RESPECT TO MR. HASBROUCK S OPPOSITION TO THE USE OF A CUSTOMER COMPLAINT RATIO IN THE SERVICE QUALITY PLAN, PLEASE STATE YOUR RESPONSE.

A. Mr. HasBrouck suggests that the use of a customer complaint ratio is subjective. [Rebuttal at 18] However, Mr. HasBrouck evidently does not understand the purpose of a customer complaint ratio in a service quality index such as the one I have recommended. A customer complaint ratio tracks the rate at which customers complain to the BPU after they are dissatisfied with the resolution of their complaint by ACE. It is a measure of the frequency which customers take an extra step to allege that they were either not treated fairly or properly by ACE s initial resolution or response to their concern. A complaint (either to ACE or to the Board) does not measure whether ACE did anything wrong. It is a measure of ACE s ability to satisfy customers who have complained to the Company. A certain historical level of such complaints is normal and expected. A significant increase in customer complaint levels, however, suggests that ACE has not responded properly to a number of customers, or that service quality has deteriorated, or that customer collections has changed direction. Whatever the cause, the purpose of including the customer complaint level is to prevent a deterioration in ACE s historical receipt and resolution of customer complaints. Many other states include such a customer complaint ratio in a service quality index such as the one I have recommended here, including Maine (Central Maine Power Co.), Washington (Puget Sound Energy), and New York (Niagara Mohawk, Consolidated Edison).

Q. HAS MR. HASBROUCK RESPONDED TO YOUR CONCERN ABOUT THE MANNER OF REPORTING CALL CENTER PERFORMANCE DATA BY ACE?

A. Mr. HasBrouck [Rebuttal at 19] has failed to respond to my point in raising the concern about ACE s methodology in reporting call center performance data. I never indicated or suggested that ACE would close any call center. My concern relates to the suggestion that ACE would alter its method of reporting call center performance data to match that currently used by Pepco. As I indicated in my Direct Testimony [at 24, fn. 6], ACE s currently reports the percentage of calls who seek to speak to a live customer representative, while Pepco currently includes VRU and voicemail calls in such performance data. The Board should insist that ACE continue to report its call center performance data in its current reporting format. The point of this measurement is to assess ACE s performance in allowing its customers to speak to a customer service representative and not to measure how long customers wait to access automated responses, a measurement that is presumably shorter and does not respond to the frustration of most customer who complain about customer call center performance. The inclusion of VRU and voicemail calls in this performance data will dilute the significance of the calls by customers who seek to speak to a customer service representative and inflate the data to make it appear better than it really is. I hope that this is not the type of best practice that New Jersey can expect from this merger.

Q. MR. HASBROUCK OPPOSES YOUR PERFORMANCE STANDARD OF ANSWERING 80% OF THE CALLS WITHIN 30 SECONDS. DO YOU WANT TO CHANGE YOUR RECOMMENDATION?

A. I continue to propose that the Board require ACE to meet a call center performance standard of an annual average of answering 80% of the calls within 30 seconds. This is a common performance standard for utility call centers. For example, based on my involvement in proceedings in both the U.S. and Canada, I provide the following list of utilities in which the regulatory authority has adopted a comparable standard:

Central Maine Power Co.(Maine):	80% within 30 seconds
Verizon (Maine):	25% answered over 20 seconds
GPU Energy (Pennsylvania):	90% w/in 60 seconds or 80% in 30 sec.
Verizon (New Jersey):	80% within 20 seconds
Puget Sound Energy (Washington):	Achieve 80% within 30 secs. over 3 yrs
Canadian Local Exchange Telephone Cos.:	80% within 30 seconds (federal)

This standard is also reflected in Commission rules or decisions for telephone utilities in Colorado, Florida, Oregon, and in several of the states in which Ameritech operates (e,g, Wisconsin). This same standard is also applicable to the PacifiCorp companies in Idaho, Washington, and Oregon. In addition, I have over the last several years viewed the national surveys conducted by Theodore Barry and Associates, several of which are available to ACE, that confirm that this is a typical performance standard for electric and natural gas utilities across the country.

Here, unlike the historical performance for CAIDI and SAIFI, Mr. HasBrouck insists that the proper standard should reflect historical performance. Normally, I agree, but where historical performance is clearly inadequate and below acceptable or widely recognized performance levels, the adopted performance standard should reflect the need for improved performance. And, where, as here, a merger is pending in which the Petitioners claim that the merger will result in improved service quality, the Board should adopt a performance standard that fulfills both of these objectives.

Q. MR. HASBROUCK CLAIMS THAT YOUR PROPOSED PENALTY STRUCTURE IS COMPLEX AND THAT IT RESULTS IN COMPENSATION SPREAD BLINDLY TO ALL CUSTOMERS. DO YOU AGREE?

A. No, I do not agree with Mr. HasBrouck s criticisms [Rebuttal at 24] of my penalty structure. First, my testimony is replete with examples from other states that have adopted the same general approach. Second, the proposed penalty structure is not complex. If ACE complies with the performance standards, there will be no penalty in any case. Further, the concept of incurring penalty points that then result into penalty dollars does not appear to be complex to other state public utility commissions. Finally, Mr. HasBrouck s criticism that my proposal results in compensation to all customers even when some have received acceptable service misses the entire point of the difference between individual customer service guarantees and a system-wide reduction in revenues due to poor service quality.

A customer who suffers an individual episode of poor service quality deserves compensation. Both Mr. HasBrouck and I agree with this proposition. However, Mr. HasBrouck appears to have overlooked the situation in which system-wide service quality failures have occurred and system-wide standards have been violated. At this point, a different purpose is served by a penalty in the form of a rebate or credit to all customers. Such a penalty is a means by which the Board should reduce the revenues allowed to be collected from all customers by ACE in response to a deterioration in service quality and reliability that is determined to be significant. This is the role played by the service quality standards. Since rates are paid by all customers, the penalty should be returned to all customers. The penalty is a substitute for a proceeding in which civil penalties are assessed on a utility, thus reducing the allowed revenues that contribute to earnings or profits. These two purposes are distinctly different. Contrary to Mr. HasBrouck s attempt to characterize my proposals as   onerous and unfair   [Rebuttal at 25], it is Mr. HasBrouck that is unfair in suggesting that New Jersey should embrace the proposed merger with Pepco with promises that are not enforceable or that are meaningless.

Q. DOES THIS COMPLETE YOUR SURREBUTTAL TESTIMONY AT THIS TIME?

A. Yes, it does.