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COMMONWEALTH EDISON COMPANY : 

: No. 10-0467

Proposed general increase in electric rates :

:

Supplemental Direct Testimony of

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I. Introduction and Purpose

A. Identification of Witness

Q. Please state your name and business address.

A. My name is Ronald E. Donovan. My business address is 1919 Swift Road, Oakbrook, Illinois 60521.

Q. By whom are you employed and in what capacity?

A. I am Vice President, Customer Business Transformation and Technology for Commonwealth Edison Company (“ComEd”).

B. Purposes of Testimony

Q. What are the purposes of your testimony?

A. My supplemental direct testimony presents and supports two cost studies that ComEd performed for its customer services costs, which have also been referred to as customer care costs. The first, entitled the Switching Study, analyzes the costs ComEd incurs in providing customer services to determine if these costs are sensitive to customers switching to a retail electric supplier (“RES”) from ComEd. The second, entitled the Allocation Study, examines the costs ComEd incurs in providing customer services and allocates these costs between delivery and supply.

C. Summary of Conclusions

Q. In summary, what are the conclusions of your testimony?

A. The results of both the Switching Study and the Allocation Study are set forth in the tables included with my testimony as ComEd Exhibits 19.1 and 19.2, respectively. The Switching Study shows that there is virtually no reduction in ComEd customer services...
costs when ComEd’s supply customers switch to RES supply. As explained in the
supplemental direct panel testimony of Messrs. Alongi and Garcia, ComEd does not
believe that the Allocation Study, which found that 82% of ComEd’s customer services
costs are allocated to delivery services, should be employed because ComEd realizes
virtually no cost savings when its supply customers switch to a RES.

D. Background and Experience

Q. Mr. Donovan, please summarize your duties and responsibilities in your current
position.

A. I am responsible for transformation of our customer service interface model through the
identification, development, and application of technology to enhance our customers’
experience. This includes the development of ComEd’s eChannel strategy, including the
use of the World Wide Web, voice response technologies, automated and electronic
billing, eservices, social media and the application of smart grid technologies such as an
advanced metering infrastructure. In addition, I am responsible for revisions to our
Customer Information Management System (“CIMS”) to accommodate regulatory or
legislative process changes as well as internally generated process improvements. I also
oversee the activities of the Customer Strategies and Support activities and our Customer
Relations activities.

Q. Prior to your current position, what other positions did you hold at ComEd?

A. Prior to my current position, I served as Director of Asset Performance and Investment
Strategy, where I oversaw the assessment of the material condition of ComEd’s delivery
system, the development of life cycle strategies for delivery equipment and facilities,
tools to optimize transmission and distribution expenditures, the development of long-
term capital requirements, and the delivery system research program. Prior to that I served as Director Distribution Capacity Planning for Exelon Energy Delivery, which included responsibilities for both ComEd and PECO. In this role, I was responsible for managing the development of short-term and long-range load forecasts for the electrical distribution systems of both ComEd and PECO and the development of plans to reconfigure or add capacity to the distribution system to ensure reliable service under normal and emergency conditions. Before this, I was the Director of Distribution Engineering for ComEd in Chicago. In this position, I was responsible for managing electrical distribution design engineering activities, the development of construction, engineering and maintenance standards, and the selection of distribution equipment.

Prior to that, I have held a number of engineering positions with ComEd. I was Director of Transmission Distribution Lines Engineering, where I was responsible for managing electrical transmission and distribution design activities; developing maintenance standards and practices; directing equipment purchases; creating design standards; and maintaining engineering expertise. Prior to that, I was Director of the Electric Supplier Services Department (“ESSD”), where I was responsible for providing services to the Retail Electric Suppliers (“RESs”) that were beginning to do business in the ComEd service territory. Other positions I have held include Project Manager of Customer Choice, Regional Manager of Customer Design and Construction, and Technical Analysis Manager.

Q. **Mr. Donovan, what is your educational background?**

A. I have a Bachelor of Science degree in electrical engineering from the University of Illinois - Urbana, and a Masters of Business Administration from Aurora University.
Q. **Do you hold any professional designations and memberships?**

A. Yes. I am licensed as a professional engineer by the State of Illinois. I am also a Senior Member of the Institute of Electrical and Electronic Engineers.

**II. General Description of the Cost Studies**

**A. Common Elements of Both Studies**

Q. Did the cost studies share any common elements?

A. Yes. Because each study is based on an examination of historic costs for a 2009 test year, both studies rely on the same identification of customer services costs and the grouping of those costs into distinct categories.

Q. **Can you please describe these costs and their categorization in more detail?**

A. Yes. ComEd identified the costs to be reviewed for purposes of the studies as the 2009 direct operating and maintenance (“O&M”) costs that were submitted in ComEd’s recent rate case filing on June 30, 2010. See Commonwealth Edison Co., Dkt. No. 10-0467. ComEd also determined that it would review the O&M costs incurred by its various departments that provide customer services, described in more detail below, under the assumption that RES supplied customers receive separate bills from ComEd and the RES.

Specifically, ComEd first reviewed the 2009 direct O&M costs as reflected in ComEd’s 2010 Rate Case filing and identified all of the costs that could be related to providing customer services. The costs ComEd identified for review total $176,231,365. These costs are grouped into the following functional categories that are derived from ComEd’s Embedded Cost of Service Study (“ECOSS”) filed in this case on June 30, 2010: (1) $100,041,678 for billing – computation and data management; (2) $19,175,961 for bill issue and processing; (3) $8,963,959 for customer information; and (4)
$48,049,417 for metering services. See Commonwealth Edison Co., Dkt. No. 10-0467, ComEd Ex. 22.1, Sch. 1a, pp. 9, 12. These costs are categorized further by department, as described in my testimony below and reflected in ComEd Exs. 19.1 and 19.2.

Second, although ComEd appropriately identified some costs as customer services costs and therefore within the scope of the initial analysis, certain of these costs were excluded from ComEd’s detailed analysis presented here because they undisputedly relate to ComEd’s delivery service. In particular, ComEd excluded costs incurred by Metering Services ($48,049,417) and Advertising ($2,339,560). I explain in detail below why these costs relate solely to ComEd’s delivery service.

Third, the remaining $125,842,388 was itemized by department, and ComEd determined that approximately 99% of these costs were in departments that had costs totaling an amount equal to or greater than $100,000. As a result, ComEd established a minimum threshold of $100,000 for the departmental costs to be considered in the study. Collectively, there were $586,090 in costs from individual departments that did not meet the threshold of $100,000 and, therefore, were not analyzed. This left a total of $125,256,298 in costs that were analyzed in ComEd’s studies, as reflected in the tables attached as ComEd Exs. 19.1 and 19.2.

Under the fourth and final step, ComEd applied both a Switching Study analysis and an Allocation Study analysis to each department’s costs.

Q. **What types of services are included in customer services?**

A. Customer services encompasses nearly every aspect of a customer’s direct interaction with ComEd, including Field and Meter Services, billing and mail services, the Customer Contact Center, Large Customer Solutions, Revenue Management, payment processing,
and customer relations, as well as costs related to back office support of these functions, such as project and support services, Information Technology, Demand Management, Electric Supplier Services, and Market Research. These services primarily are the responsibility of customer operations. The direct costs of these functions are, in most cases, recorded in the customer section of the Uniform System of Accounts (“USOA”) accounts on ComEd’s general ledger. In the case of meters, such costs also are reflected in the distribution plant and distribution O&M USOA accounts for meters.

Q. Previoulsy you mentioned that certain costs were excluded from your analysis because they “undisputedly relate to ComEd’s delivery service”. Can you please describe these costs and explain how ComEd determined they relate solely to delivery?

A. Yes. ComEd identified two categories of customer services costs that relate solely to delivery – Metering Services and Advertising. A description of each of these categories and the basis for the delivery-only determination follows below. In addition, in the Rate Design Investigation Docket (see Commonwealth Edison Co., Dkt. No. 08-0532), ComEd identified two additional categories of customer services costs that relate solely to delivery: Large Customer Services (now Large Customer Solutions) and Demand Management. Because other parties disputed whether these categories were delivery-only, however, ComEd has included them in its analysis at this time.

- **Metering Services** includes meter reading, meter equipment installation, exchange and removal, and other services described in ComEd’s Rate MSPS – Metering Services Provider Service. ComEd will continue to install, exchange, and remove meters and continue to read meters for the purpose of billing electricity supply and delivery charges regardless of a customer’s choice of electricity supplier. Also, I understand that the
Public Utilities Act defines delivery services as including standard metering and billing services.

- **Advertising** is a ComEd department that provides instructional information on outages and storm restorations, electric safety tips, and conservation of energy in print advertising, radio, newspapers, and billboards. ComEd excluded these costs from its studies because it is my understanding that, consistent with regulatory requirements, all advertising relates to ComEd’s role as a delivery service provider and will continue regardless of the level of switching.

**Q.** With those categories excluded, what categories remain that are subject to the studies’ analysis?

**A.** ComEd identified nine primary departments, which represent the business units that provide the foundation for the analyses. These are Field and Meter Services, Billing, Customer Contact Center, Large Customer Solutions, Revenue Management, Revenue Protection, Demand Management, Electric Supplier Services, and Market Research. I explain each of these departments in more detail below. In addition, ComEd identified six support departments that provide services to the primary departments. These include Information Technology, Finance, Support Services, Performance Assessment, Regulatory Programs, and Claims.

**B. Differences between Cost Studies**

**Q.** How do the methodologies employed by each cost study differ?

**A.** Although each study (the Switching Study and the Allocation Study) examines ComEd’s historical customer services costs for the 2009 test year, they diverge in terms of the basis each employs to determine what costs are attributable to delivery and supply.

**Q.** How does the Switching Study analyze the customer services costs?
A. The Switching Study’s methodology examines whether the customer services costs are sensitive to customers switching from ComEd supply to RES supply to determine what costs, if any, are directly related to ComEd’s delivery service. ComEd used the same assumptions set forth in the Rate Design Investigation Docket and examined switching at the current level, which is roughly 1%, as well as at the 10% and 100% levels. In sum, this approach is designed to show what ComEd costs, if any, would be eliminated at different switching levels.

Q. Why did ComEd examine three levels of customer switching?

A. In 2009, which is the year the costs reviewed were actually incurred, the rate of switching was approximately 1%. Although switching levels of 10% or 100% are not expected in the near future, ComEd nevertheless analyzed the impact on customer services costs at these switching levels to illustrate potential longer run impacts.

Q. What methodology does the Allocation Study employ?

A. The Allocation Study, on the other hand, is based more on assumptions that are unrelated to ComEd’s actual customer service operations. Under this approach, ComEd had to develop “base allocators,” each of which represents a methodology to apportion a department’s costs between delivery and supply.

Q. Can you please identify and explain these base allocators in more detail?

A. Yes. Based on consultations with the primary departments, ComEd developed the following four base allocators, which were selected and applied to the costs in a

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1 As of December 31, 2009, the percentage of all ComEd delivery services customers switching was 1.4%, which accounted for 49.8% of kWhs supplied. Among ComEd’s non-residential delivery services customers, the figures were 14.3% and 74.8%, respectively. See Electric Switching Statistics available at http://www.icc.illinois.gov/electricity/switchingstatistics.aspx.
department, as appropriate, to determine the apportionment of the costs between delivery and supply:

- **Direct Allocation**: Where it was clear that a particular cost in a given department was solely related to delivery (e.g., calls to the Customer Contact Center regarding outages), such costs were allocated 100% to delivery.

- **Company Revenue Allocation**: This allocator is applied when the underlying work is driven primarily by the total amount of dollars owed to ComEd, such as in the case of Revenue Management where disconnection activities are based on the total amount of dollars owed. Based on the delivery and supply revenues for the 2009 test year, ComEd calculated the Company Revenue Allocation as 38.4% delivery and 61.6% supply.

- **Bill Calculation Allocation**: This allocator is utilized for costs related to determining or explaining the line items on a bill and is applied to work performed in calculating bills for customers who receive delivery and supply from ComEd. It is based on the number of line items on a typical residential bill. Based on a review of a sample of 20 representative bills, ComEd found that of the 12 lines of charges, taxes and other, 9 related to delivery and 3 related to supply, resulting in a Bill Calculation Allocation of 75% delivery and 25% supply.

- **Bill Print, Mailing and Imaging Allocation**: This allocator was applied to the Billing department’s bill print, mailing and imaging costs. Like the Bill Calculation Allocation, ComEd selected a representative residential bill as the basis for its analysis, and then calculated the surface area of the bill that was dedicated to supply and delivery charges. Where areas of the bill were shared between delivery and supply (i.e., total amount due), ComEd determined the apportionment using the weighted average of the surface area as calculated by the dedicated supply and delivery portions of the bill. As a result, ComEd calculated the Bill Print, Mailing and Imaging Allocation as 83% delivery and 17% supply.
III. Findings of the Cost Studies

A. Primary Departments Analysis

1. Field and Meter Services

Q. What functions does ComEd’s Field and Meter Services department perform?

A. The Field and Meter Services department is responsible for all aspects of installation, investigation, replacement, testing, disconnection and reconnection of meters for all of ComEd’s customers.

Q. What Field and Meter Services costs were included in the studies?

A. In addition to the costs of providing the metering services described earlier that are undisputedly related to ComEd’s delivery service and therefore directly allocated to delivery service, ComEd’s Field and Meter Services department reviewed $6,326,077 of its costs relating to the disconnection of meters as a result of non-payment, or uncollectible accounts, as well as reconnection of meters. The primary costs relating to these activities are labor costs.

Switching Study Findings

Q. Is the level of costs for the Field and Meter Services department, as described above, subject to change depending on the number of customers switching to RES supply service, whether that switching totals 1%, 10% or 100%?

A. No. ComEd’s activities relating to disconnection of meters for nonpayment, as well as reconnection of meters, will continue at the same rate regardless of the level of switching, and thus ComEd would continue to bear the same costs that it does today. The activities of the Field and Meter Services department are directly related to those of Revenue Management, discussed later in my testimony. Like the activities related to credit and
collections, along with disconnections, the activities of this department will not be affected as switching volumes increase.

Allocation Study Findings

Q. **How did ComEd apportion the Field and Meter Services costs?**

A. ComEd analyzed the work performed by project code, and assigned, as applicable, costs to delivery. As I noted above, 100% of metering services-related work was assigned to delivery, which included meter exchanges, removals, new business sets and investigations involving the verification of the accuracy of the meter or interacting with customers to verify that there is no foreign load or other issues that could be impacting the measurement of their usage. With respect to costs related to disconnection for non-payment that were not directly allocated to delivery, ComEd applied the Company Revenue Allocation to those costs, which is consistent with the Revenue Management allocation for credit activities.

Q. **What was the overall apportionment for Field and Meter Services costs under the Allocation Study?**

A. The Allocation Study calculated that 74% of the Field and Meter Services costs were delivery related.

2. **Billing**

Q. **What functions does ComEd’s Billing department perform?**

A. The Billing department compiles the monthly meter reading data, validates that information, calculates ComEd charges, and prints and delivers customer bills and...
correspondence. The Billing department also manages relationships with the vendors that provide support for some of these functions, including bill printing and mailing.

Q. What Billing department costs were included in the studies?

A. In connection with the studies, ComEd’s Billing department reviewed a total of $22,155,768 related to its costs of producing customer bills, such as paper, printing, and postage, and labor costs, which include salaries, overtime pay, and travel.

Switching Study Findings

Q. Is the level of costs for the Billing department, as described above, subject to change depending on the number of customers switching to RES supply service, whether that switching totals 1%, 10% or 100% of total customers served?

A. Although the costs do not change at a switching level of 1%, there is a slight decrease in costs at 10% switching and a corresponding further decrease at 100% switching.

Q. Why is this the case?

A. With switching at any level, regardless of the number of customers that switch to a RES, the Billing department will continue to have almost the same customer obligations and corresponding costs it has today. ComEd still will have the same responsibility of calculating delivery service charges for all customer bills, including those customers taking supply from a RES. In addition, ComEd still will have postage and mail delivery costs, as well as any corresponding labor costs, for all ComEd mailed bills and any regulatory mailing that ComEd must send to its customers, regardless of whether any particular customer has switched to a RES. The exception to this general rule is that with increased switching, ComEd will not have the same responsibility for calculating supply
service charges for all customer bills so long as it is not required to offer a default service product to customers that have switched to a RES. Because ComEd will not have responsibility for calculating these charges, ComEd will not need to process supply rate adjustments for these charges. Thus, assuming that ComEd would have no obligation with respect to default service, we would expect the volume of these corrections to drop by 10% with 10% switching and 100% at 100% switching, which would result in a corresponding reduction in costs of $858 and $8,578, respectively, based on 2009 costs.

Allocation Study Findings

Q. How did ComEd apportion the Billing department costs?
A. For purposes of the Allocation Study, ComEd grouped the Billing costs into three major functional areas. First, the labor costs associated with work performed on retail delivery service accounts (customers with a RES) were directly allocated to delivery because a customer taking service from a RES only receives delivery service from ComEd. Second, ComEd applied the Bill Print, Mailing and Imaging Allocation to those costs associated with bill print, mailing, imaging and postage. Third, ComEd applied the Bill Calculation Allocation to the remaining costs, which are associated with work performed in calculating bills for customers who receive delivery and supply from ComEd.

Q. What was the overall apportionment for Billing department costs under the Allocation Study?
A. The Allocation Study calculated that 81% of the Billing department costs are delivery related.
3. **Customer Contact Center**

**Q.** What functions does ComEd’s Customer Contact Center perform?

**A.** The Customer Contact Center is responsible for providing customer contact services for ComEd’s customers. The Customer Contact Center handles a wide variety of general inquiries such as storm and emergency restoration calls, moving and relocation, credit activities, and general questions generated by the activities of the Field and Meter Services, Meter Reading, and Billing departments. The Customer Contact Center handles these inquiries through multiple channels (i.e., inbound telephone calls, web-related communications, and written correspondence). The Customer Contact Center is supported by (1) an operations group, which, among other functions defines operating plans, handles long range planning, forecasting, and real-time call volume management, and manages the budget, and (2) a project management group, which performs audits and inspections, handles communications relating to projects, manages process improvement, and implements quality management.

**Q.** What Customer Contact Center costs were included in the cost studies?

**A.** In connection with the studies, ComEd’s Customer Contact Center, and its supporting groups, reviewed a total of $25,855,365 related to their labor costs, which include salaries, overtime pay, contracting, and travel, as well as miscellaneous operating expenses, such as office supplies and postage.
Switching Study Findings

Q. Is the level of costs for the Customer Contact Center, as described above, subject to change depending on the number of customers switching to RES supply service, whether that switching totals 1%, 10% or 100%?

A. Although the costs do not change at a switching level of 1%, there is a slight decrease in costs at 10% switching and a corresponding further decrease at 100% switching.

Q. Why is this the case?

A. We analyzed the millions of calls that ComEd’s Customer Contact Center received in 2009 relating to a wide variety of customer concerns. The majority of the call volume (roughly 65%) was related to storm and emergency restorations, moving and relocation, and general and miscellaneous inquiries. These types of calls are not affected by customer switching because they relate to ComEd’s delivery service. ComEd then reviewed the impact of customer switching on the remaining 35% of call volume relating to balance inquiries, payment arrangements and payment verifications. Customer switching at a level of 1% has no impact on the costs of the Customer Contact Center because there are no significant changes in call volume at this switching level that reduce the labor needed to support regulated service levels. However, at rates of 10% and 100% switching, ComEd estimates that a modest amount of the call volume relating to these activities would be reduced, which would result in a corresponding reduction in labor costs of $53,100 and $531,002, respectively, based on 2009 costs. This non-linear impact is due to the nature of the types of customers switching. Currently, most customers that switch are non-residential customers having demands of greater than 400 kW. As switching increases to 10% or 100%, switching will necessarily involve smaller non-
residential and residential customers, which is likely to have a greater impact on call volume and the labor needed to support regulated service levels.

**Allocation Study Findings**

**Q.** How did ComEd apportion the Customer Contact Center costs?

**A.** Similar to the Switching Study, the Allocation Study began by examining the types of calls received by the customer service representatives. **First,** calls related solely to delivery were directly assigned 100% to delivery, which included the following: calls related to account maintenance; calls inquiring about customer choice (it is a function of delivery to provide information concerning customer choice or about existing RES service); calls regarding moving and relocation, meter reading and outages. **Second,** with respect to calls concerning bill questions (e.g., bill balance or explanation of charges), ComEd applied the Bill Calculation Allocation. **Third,** ComEd applied the Company Revenue Allocation to the calls concerning credit questions. **Fourth,** ComEd determined the Customer Contact Center Department Allocation – the overall weighted average of the items that could be assigned to delivery or supply using the three steps previously outlined in this paragraph – to those calls for which specific descriptions were not available.

**Q.** What was the overall apportionment for Customer Contact Center costs under the Allocation Study?

**A.** The Allocation Study calculated that 74% of the Customer Contact Center costs were delivery related.
4. **Large Customer Solutions**

Q. **What functions does ComEd’s Large Customer Solutions department perform?**

A. Large Customer Solutions is a ComEd department that provides account management services for large customers, which are those customers having demands greater than 400 kW. These services include billing inquiries, customer collections, demand response, new service installation, and storm restoration or emergency support.

Q. **What Large Customer Solutions department costs were included in the studies?**

A. ComEd analyzed the costs for this department in 2009 of $8,091,400, which were primarily related to labor for account management services.

**Switching Study Findings**

Q. **Is the level of costs for the Large Customer Solutions department, as described above, subject to change depending on the number of customers switching to RES supply service, whether that switching totals 1%, 10% or 100% of total customers served?**

A. No.

Q. **Why not?**

A. Because the provision of electric power and energy supply to customers served by the Large Customer Solutions department (customers having demands of greater than 400 kW) has been declared competitive by operation of law (see 220 ILCS 5/16-113(f)), these customers receive their supply services either from a RES or at the default hourly rate in accordance with Rate BESH – Basic Electric Service Hourly Pricing (with minor exceptions for Condominium Common Area accounts). The Commission’s integrated
delivery company rules prohibit any efforts to obtain or retain customers on default hourly supply. We therefore anticipate no reduction in the activities or costs of this department with increased switching.

**Allocation Study Findings**

Q. **How did ComEd apportion the Large Customer Solutions department costs?**

A. Large Customer Solutions reviewed their work functions and determined that they have two kinds of customer interactions that could support an allocation to supply because they deal with the total amount of a customer’s bill. These include (1) answering bill-related questions for customers on Rate BESH and (2) addressing credit and collection concerns for customers on Rate BESH. Large Customer Solutions performed a specific call analysis for each of these two functions and subsequently apportioned some of these costs to supply.

Q. **What was the overall apportionment for Large Customer Solutions department costs under the Allocation Study?**

A. The Allocation Study calculated that 99% of the Large Customer Solutions department costs are delivery related.

5. **Revenue Management**

Q. **What functions does ComEd’s Revenue Management department perform?**

A. The Revenue Management department is responsible for managing the portfolio of ComEd’s receivables, including credit disconnections and collection policies and procedures, as well as managing the work of its payment processing vendor, which
includes activities such as opening mail, creating an electronic image of the payment, and processing payments to associated accounts within CIMS.

Q. **What Revenue Management department costs were included in the studies?**

A. In connection with the studies, ComEd’s Revenue Management department reviewed a total of $10,208,810 related to its labor costs, which include salaries, overtime pay, and travel, as well as payment processing vendor costs and collection vendor costs.

**Switching Study Findings**

Q. **Is the level of costs for the Revenue Management department, as described above, subject to change depending on the number of customers switching to RES supply service, whether that switching totals 1%, 10% or 100% of total customers served?**

A. No.

Q. **Why not?**

A. ComEd’s activities relating to managing the portfolio of service receivables would continue regardless of the number of customers switching. ComEd’s Revenue Management department incurs costs relating to the disconnection of approximately 20-25% of customers who fall behind in their payments. ComEd estimates that this percentage of disconnections, and the corresponding costs, would remain steady regardless of the source of customers’ supply. In sum, even with more customers receiving supply service from a RES, ComEd would continue to aggressively manage its receivables and collection activities in the same manner. As such, ComEd would continue to incur the same related costs.
**Allocation Study Findings**

Q. **How did ComEd apportion the Revenue Management department costs?**

A. As described above, most of the Revenue Management department’s functions are focused on credit disconnections and credit management. With respect to the positive identification work associated with the connection of new service, ComEd assigned 100% of those costs to delivery. ComEd then applied the Company Revenue Allocation to the remaining Revenue Management department functions, which is consistent with the Field and Meter Service department service suspension work and the Customer Contact Center credit work.

Q. **What was the overall apportionment for Revenue Management department costs under the Allocation Study?**

A. The Allocation Study calculated that 46% of the Revenue Management department costs are delivery related.

6. **Revenue Protection**

Q. **What functions does ComEd’s Revenue Protection department perform?**

A. The Revenue Protection department focuses on investigating consumption on inactive meters, meter audits, stuck meters, and tampered meters, as well as back billing of customers.

Q. **What Revenue Protection department costs were included in the studies?**

A. In connection with the studies, ComEd’s Revenue Protection department reviewed a total of $847,053 related to its costs of supplies and labor costs, which include salaries, overtime pay, and travel.
Switching Study Findings

Q. Is the level of costs for the Revenue Protection department, as described above, subject to change depending on the number of customers switching to RES supply service, whether that switching totals 1%, 10% or 100% of total customers served?

A. No.

Q. Why not?

A. ComEd’s Revenue Protection activities would continue regardless of the number of customers switching, and as a result, ComEd would continue to incur the same related costs. For example, monitoring and investigating consumption on inactive meters is not dependent on who is supplying the electricity.

Allocation Study Findings

Q. How did ComEd apportion the Revenue Protection department costs?

A. As described above, most of the Revenue Protection department’s work is focused on properly measuring energy delivery via investigating consumption on inactive meters and meter audits and management, including back billing of customers. First, the cost associated with back billing customers was calculated, and the Bill Calculation Allocation was applied to these costs, which is consistent with the Billing department methodologies. Second, with respect to the remaining Revenue Protection costs, these were assigned to delivery.
Q. What was the overall apportionment for Revenue Protection department costs under the Allocation Study?

A. The Allocation Study calculated that 97% of the Revenue Protection department costs are delivery related.

7. Demand Management

Q. What functions does ComEd’s Demand Management department perform?

A. Demand Management is a ComEd department that plans and implements programs that offer ComEd’s customers incentives to change their usage patterns. In 2009, ComEd’s Demand Management department incurred $4,741,082 in costs associated with the programs in place that year.

Q. What Demand Management department costs were included in the studies?

A. The Demand Management costs included departmental labor, external vendors to manage various programs, and materials to support those programs.

Switching Study Findings

Q. Is the level of costs for the Demand Management department, as described above, subject to change depending on the number of customers switching to RES supply service, whether that switching totals 1%, 10% or 100% of total customers served?

A. No.

Q. Why not?

A. ComEd’s demand response programs offered in 2009 or in any subsequent year are offered on a competitively neutral basis to all customers, regardless of the customer’s
supply, and, consequently, there were no impacts to the associated costs when customers switched to RESs for the provision of such programs.

**Allocation Study Findings**

Q. **How did ComEd apportion the Demand Management department costs?**

A. ComEd first used the Direct Allocation method to allocate costs for those customers with RESs to the delivery function, similar to how they were allocated with the billing of accounts. For the remaining costs, they were primarily allocated using the Company Revenue Allocation method.

Q. **What was the overall apportionment for Demand Management department costs under the Allocation Study?**

A. The Allocation Study calculated that 77% of the Demand Management department costs are delivery related.

8. **Electric Supplier Services**

Q. **What functions does ComEd’s Electric Supplier Services department perform?**

A. ESSD maintains and manages ComEd’s operating relationships with the RESs that do business in ComEd’s service territory. ESSD is responsible for activities such as processing switching requests, providing customer data, and providing RES account management services.

Q. **What ESSD costs were included in the studies?**

A. In 2009, ESSD had a total departmental cost base of $732,000, of which $297,000 were assigned to customer services FERC Accounts as part of ESSD's routine budgeting process. These costs were primarily related to the department's labor costs, including
salaries and travel, and ComEd included this $297,000 in the studies. The remaining $435,000 of ESSD's cost base was charged to the Energy Acquisition department, which to my understanding flows through to the supply charge through Rate BES and Rate BESH. Because the Energy Acquisition department did not have any costs assigned to the customer services function, and thus no costs charged to the FERC Accounts analyzed in the studies, it was appropriate to focus solely on the $297,000.

**Switching Study Findings**

Q. Is the level of costs for ESSD, as described above, subject to change depending on the number of customers switching to RES supply service, whether that switching totals 1%, 10% or 100% of total customers served?

A. Yes – ComEd’s costs would increase.

Q. Why is that the case?

A. ESSD is directly involved in all switching processes with the RESs and ComEd. Due to their role in handling customers switching their supply from a RES to ComEd and from ComEd to a RES, some of these costs have previously been and currently are allocated to the supply function. Any variance in these costs based upon switching volumes is not included in the studies as it does not impact the delivery function. Increases in customer switching will lead to a corresponding *increase* in the related customer costs to ComEd of providing services to support the marketplace. Specifically, at 10% switching, ESSD estimates that its costs would increase by $59,400 due to the increased labor required to manage enrollments, data requests, and account management work necessary to support the marketplace. Any switching volume increases above 10% would necessitate a large capital project to be undertaken in order to automate those customer choice processes.
which are manual today and would increase the quantity and quality of controls and reports available to manage the switching functions. If switching volumes increased to 100%, assuming that such capital project has been completed, costs are anticipated to increase to $193,050 to cover costs of increased labor required to manage enrollments, data requests, and account management work necessary to support the marketplace.

Allocation Study Findings

Q. How did ComEd apportion the ESSD costs?
A. ComEd did not apportion any additional ESSD costs to supply pursuant to the Allocation Study because, as mentioned above, this department already allocates a portion of its costs to supply as part of its budgeting process.

9. Market Research

Q. What functions does ComEd’s Market Research department perform?
A. ComEd’s Market Research department plans and implements ComEd’s marketing research projects, including data analysis, report preparation, and vendor and internal client management activities. ComEd’s Market Research department also extracts and analyzes data from mainframe-based systems (e.g., CIMS) and personal computer-based systems to help solve complex business problems and facilitate decision making. Finally, ComEd contracts with market research firms to conduct a variety of information gathering regarding satisfaction with ComEd’s delivery performance and services.
Q. What Market Research costs were included in the studies?

A. In connection with the studies, ComEd’s Market Research department reviewed $1,707,686 relating to its labor costs, office expenses, vendor costs and telephony costs.

**Switching Study Findings**

Q. Is the level of costs for the Market Research department, as described above, subject to change depending on the number of customers switching to RES supply service, whether that switching totals 1%, 10% or 100% of total customers served?

A. No.

Q. Why not?

A. All Market Research costs support ComEd’s delivery service and will continue regardless of the level of switching.

**Allocation Study Findings**

Q. How did ComEd apportion the Market Research costs?

A. ComEd reviewed the following questionnaires administered by the Market Research department in 2009: Small C&I customer satisfaction survey, Large C&I customer satisfaction survey, Customer Contact Center customer satisfaction survey, New Business customer satisfaction survey, the University of Michigan American Customer Satisfaction Index survey (which is now operated by ACSI LLC), customer satisfaction survey among municipal mayors/village leaders, customer satisfaction survey among Chicago aldermen, and the customer satisfaction survey required by the Illinois Commerce Commission for residential and non-residential customers. ComEd analyzed the surveys listed above for questions dealing with supply, and determined that
approximately one percent of the questions were directly related to supply, and
approximately one-half of one percent of the questions were indirectly related to supply
(e.g. questions about customers’ perceptions of whether their bill was too high or too
low) and therefore 98.5% were related to delivery. ComEd then applied this 98.5%
overall percentage to the Market Research department’s 2009 costs.

Q. **What was the overall apportionment for the Market Research costs under the**
   **Allocation Study?**

A. The Allocation Study calculated that 98.5% of the Market Research costs (or $1,682,701)
   are delivery related.

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**B. Support Departments Analysis**

1. **Information Technology**

Q. **What function does Information Technology (“IT”) perform?**

A. Exelon Business Services Company (“BSC”) provides centrally managed IT support for
all Exelon operating companies, including ComEd.

Q. **What IT costs were included in the studies?**

A. In connection with the studies, BSC reviewed a total of $29,074,692 of IT services billed
to ComEd, including ComEd’s share of Exelon-wide projects and ComEd-specific
projects. These projects involve labor costs, contracting costs, hardware costs and
software costs. In addition, BSC reviewed other IT costs, such as ComEd’s telephony
usage, ComEd’s cellular usage, ComEd’s audio/visual usage, and ComEd’s share of
software license costs.
Switching Study Findings

Q. Is the level of costs for IT, as described above, subject to change depending on the number of customers switching to RES supply service, whether that switching totals 1%, 10% or 100% of total customers served?

A. Although the costs do not change at a switching level of 1%, there is a small decrease in costs at 10% switching and a corresponding further decrease at 100% switching.

Q. Why is this the case?

A. For the vast majority of costs incurred by IT, there would be no reduction at any level of switching because the equipment and services provided to support customer services would need to be maintained at current spend rates regardless of the number of customers with a RES. However, to the extent ComEd experiences a reduction in the volume of calls into the Customer Contact Center at rates of 10% or 100% switching, as described above, IT estimates that ComEd would experience a very minor reduction in telephony usage charges.

Q. Does ComEd have other IT cost considerations with customers switching?

A. Yes. ComEd uses electronic data interchange (“EDI”) transactions to send and receive data electronically to RESs and ComEd incurs costs for each EDI transaction processed. As it relates to customer switching, EDI transactions are used by ComEd to send switching, billing and usage information to every RES daily for each of their supply customers, and to receive enrollment and data requests from RESs. ComEd does not use these EDI transactions for billing customers taking supply from ComEd. ComEd would have to pay an external vendor to handle the additional processing of EDI transactions required by 100% switching.
When the increase in costs is netted with the decrease in costs, the ending result is a cost increase of $2,665,500 at 100% switching. As noted above, BSC reviewed a total of $29,074,692 of IT services billed to ComEd in 2009. Thus, this increase in costs at 100% switching would increase the IT costs by approximately 9% over 2009 costs.

**Allocation Study Findings**

Q. **How did ComEd apportion the IT costs?**

A. For purposes of the allocation analysis, IT costs were assigned to the primary departments or to customer operations as a whole, as applicable. First, where support was applied across all of customer operations, the weighted allocation of the six primary departments was applied to the cost. Second, ComEd’s CIMS system operating costs were split among the primary departments based on employee usage and then each department’s specific overall allocation percentage was applied. Third, the CIMS modification and enhancement costs were split among the primary departments based on the cost of work requests initiated by each department, then each department’s specific overall allocation percentage was applied.

Q. **What was the overall apportionment for IT costs under the Allocation Study?**

A. The Allocation Study calculated that 78% of the IT costs are delivery related.

**2. Other Support Departments**

Q. **What other support departments related to customer services costs did you review?**

A. ComEd reviewed five additional support departments: Finance, Support Services, Performance Assessment, Regulatory Programs, and Claims.
Q. **How did ComEd apportion these departmental costs?**

A. First, ComEd apportioned the costs from the five support departments to the primary departments for which the work was performed. ComEd then applied each primary department’s specific overall allocation percentage to the costs apportioned to that department.

C. **Impact Analysis From Rider PORCB**

Q. **Were any other analyses performed?**

A. Yes, one final analysis was completed. ComEd anticipates offering a new service to RESs in the next several months, in which ComEd purchases the RESs’ receivables and prints the RESs’ billing line items along with the ComEd delivery services bill. See *Commonwealth Edison Co.*, Dkt. No. 10-0138. ComEd analyzed the impacts of this service, which will be offered to RESs under Rider PORCB – Purchase Of Receivables with Consolidated Billing (“Rider PORCB”), to determine the similarities and differences between customers with ComEd supply and those with supply from a RES that utilizes Rider PORCB.

Q. **What did you find?**

A. Under each study methodology, ComEd found that the services provided for customers who will be served by a RES utilizing Rider PORCB will be essentially the same services as those provided by ComEd for a customer receiving supply from ComEd, and at the same cost (as any O&M costs associated with the provision of Rider PORCB are recoverable through that Rider). That is, when ComEd purchases a receivable from a RES, each of the functions analyzed in both cost studies will continue to take place at the same cost as when the customer is provided supply services from ComEd. Because no
costs are eliminated (and any O&M increases are recovered through the Rider), Rider PORCB has no effect on the results of the Switching Study. As such, I will only discuss PORCB’s effect on the Allocation Study in further detail.

Q. **How did you allocate costs incurred pursuant to Rider PORCB?**

A. First, we reviewed the base allocators to determine how they would be impacted by Rider PORCB service. Then, we reviewed how each department’s work would change, if at all, with the availability of Rider PORCB service and how the base allocators would impact the cost assignments previously discussed.

Q. **How are the base allocators impacted by Rider PORCB services?**

A. Based upon a review of each allocator, we identified the following impacts:

- **Direct allocation**: Upon review, we found no differences in how the direct allocation would be impacted by Rider PORCB.

- **Company Revenue Allocation**: As customers switch from ComEd supply to RESs providing supply service utilizing Rider PORCB, the portion of ComEd revenue allocated to supply services decreases, while the total billed amount to customers stays nearly the same. A substitution effect is thereby created, where instead of being able to allocate costs to supply or delivery, they are allocated to the purchased receivables or delivery. In other words, with a purchased receivable, there would be no supply to allocate, although ComEd will treat the receivable as if it had provided the supply service. Therefore, there is no change to the Company Revenue Allocation of 38.4% delivery and 61.6% supply and purchased receivables.
• **Bill Calculation Allocation:** For measuring the costs related to the line items on a bill, the consolidated bill that ComEd prints on a RES’s behalf will have no allocation to supply, but will have an allocation related to both delivery and the purchased receivable. This substitution of the purchased receivable for the supply portion of the printed line items, assuming ComEd will print three line items on behalf of the RES, will provide an allocation of 75% to delivery and 25% to the purchased receivable (as a substitute for ComEd provided supply). In the event RESs utilize the additional line items available to them under the consolidated bill, the portion of costs allocated to the purchased receivables would increase.

• **Bill Print, Mailing and Imaging Allocation:** This allocator has similar effects to the Bill Calculation Allocation. Since a consolidated bill would include RES related billing items, the resultant allocation to purchased receivables would potentially increase. Leaving this allocation percentage unchanged would create a conservative calculation of an allocation of costs, and would provide an allocation of 83% delivery, 17% purchased receivables (as a substitute for ComEd provided supply).

Q. **How does the work and costs for the customer service departments change considering the substitution effects of Rider PORCB?**

A. The work associated with customers with Rider PORCB is nearly exactly the same as the work for a ComEd supply customer. Below I review each department previously analyzed to demonstrate that customers being served by a RES utilizing Rider PORCB
services will be provided essentially the same services as those customers who receive supply service through ComEd.

- **Field and Meter Services** – Under the Allocation Study, the costs apportioned to supply and delivery for Field and Meter Services – involving installation, investigation, testing, disconnection, and reconnection of meters – were based upon the revenue allocator. With Rider PORCB services, the allocation substitutes supply with purchased receivables.

- **Billing** – Under PORCB, ComEd would still need to compile and validate monthly meter reading data, and correct, print, and mail bills to the same extent as for a ComEd supply customer. Thus, no costs would be allocated to supply, but would instead be allocated to purchased receivables.

- **Customer Contact Center** – ComEd would experience the same level of costs for managing inquiries from customers receiving service through a RES using Rider PORCB. For costs not directly allocated to delivery, the substitution of supply with the purchased receivables using the appropriate base allocator is again fitting.

- **Large Customer Solutions** - Because Rider PORCB services only apply to customers greater than 400 kW, and Large Customer Solutions provides services for only those customers, there are no impacts to costs for this department.

- **Revenue Management** – Under the provisions of Rider PORCB, ComEd may disconnect uncollectible accounts that were purchased under Rider PORCB as if those uncollectible accounts were directly supplied and billed by ComEd. Because the supply
receivable has been substituted with the purchased receivable, the costs allocated to supply also transfer to the purchased receivable.

- **Revenue Protection** – Because the allocation method assigns costs to supply based upon the Bill Calculation Allocation, those same costs again substitute supply with the purchased receivable.

- **Demand Management** – For the portion of these costs not directly assigned to delivery, the remaining costs would continue to receive the updated Revenue Allocation, assigning costs to delivery and purchased receivables.

- **Electric Supplier Services** – Impacts to ESSD are related to switching, and the substitution of supply with a purchased receivable would have no impact on the departmental costs.

- **Market Research** - Market research allocations would simply reallocate any costs related to supply to the same costs covered by purchased receivables.

- **Support Departments** – The allocations of support departments are dependent upon the primary departments they support. Therefore, Rider PORCB transfers any allocations from supply to the purchased receivables.

In summary, from the results it is clear that the purchased receivable is a nearly exact substitute for ComEd provided supply service.

Q. **Does this complete your Supplemental Direct Testimony?**

A. Yes, it does.