STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY : No. 14-____
Annual formula rate update and revenue : 
requirement reconciliation under : 
Section 16-108.5 of the Public Utilities Act. :

Direct Testimony of

RONALD E. DONOVAN, P.E.

Vice President,
Customer Channels
Commonwealth Edison Company
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I. INTRODUCTION

A. Identification of Witnesses

Q. What is your name and business address?

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

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

A. I am Vice President, Customer Channels for Commonwealth Edison Company (“ComEd”).

B. Purposes of Testimony

Q. What are the purposes of your direct testimony?

A. In my direct testimony:

• I give an overview of ComEd’s customer service operations, explaining the functions those operations perform.

• I also discuss and support the customer service-related portions of the 2013 operating expenses and ComEd’s rate bases, including the customer service-related portions of actual plant additions for 2013 and projected plant additions for 2014. This includes the investment ComEd will make pursuant to the Customer Field Operations blanket programs, the investment ComEd will make under the Energy Infrastructure Modernization Act (“EIMA”) with respect to its customer service operations, and the uncollectible accounts expense that ComEd incurs.

• I discuss how ComEd ensures that its capital costs and operating expenses incurred to provide customer service are reasonable, including several innovative
programs that ComEd has implemented and continues to implement to reduce operating costs.

- I explain how ComEd manages its operations and expenses to keep costs low and performance high. Among the tools that are critical to these efforts is ComEd’s performance-based incentive compensation program, which I also discuss.

- I present two cost studies that ComEd performed in regards to its customer services costs, which have also been referred to as customer care costs. The first, entitled the Allocation Study, examines the costs ComEd incurs in providing customer services and allocates these costs between delivery and supply function. The second, 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.

- Lastly, I introduce an alternative customer service cost analysis as described by Mr. Russell A. Feingold of Black and Veatch (“B&V”) in ComEd Exhibit (“Ex”) 8.0.

C. Summary of Conclusions

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

A. The main conclusions of my direct testimony are:

- ComEd plans, implements, and manages its customer service operations so as to meet its customers’ needs for timely, high quality customer service while controlling operating expenses and capital costs to ensure that they are prudently incurred and
reasonable in amount, and that capital expenditures result in assets that are used and useful.

- ComEd has adopted a number of programs that have reduced costs without detracting from customer service quality. ComEd prudently and reasonably executes the purchase, installation, removal, and exchange of meters through blanket programs in the Customer Field Operations category of work. ComEd also has significantly enhanced its available channels for customers to complete automated transactions.

- ComEd does not believe that the Allocation Study, which found that 94% of ComEd’s customer services costs are allocable to delivery services, should be employed because ComEd realizes virtually no cost reductions when customers switch to RESs as based on ComEd’s recent experience with municipal aggregation.

- ComEd endorses the Switching Study, which shows that there is virtually no reduction in ComEd customer services costs when customers switch suppliers because customer service costs are not driven by the identity of the provider of electric supply service.

Q. **Are there any exhibits attached to your direct testimony?**

A. Yes. The following exhibits are attached to my direct testimony:

**ComEd Ex. 7.01** is a copy of ComEd’s Annual Customer Assistance Report covering calendar year 2013 that was filed with the Illinois Commerce Commission (“Commission” or “ICC”) early in 2014;

**ComEd Ex. 7.02** is a listing of actual plant additions for 2013 and projected plant additions for 2014 related to customer operations functions, including blanket programs;
ComEd Ex. 7.03 provides ComEd’s proposed accelerated Advanced Metering Infrastructure (“AMI”) meter deployment schedule.

The last three attachments address the allocation of customer service costs:

ComEd Ex. 7.04 reflects the Allocation Study;

ComEd Ex. 7.05 reflects the Switching Study; and

ComEd Ex. 7.06 is the previously mentioned alternative analysis.

D. Background and Qualifications

Q. What are your duties as ComEd’s Vice President, Customer Channels?

A. I am responsible for all customer facing service channels, including the Customer Contact Center (“Contact Center”), ComEd’s eChannel strategy, including the use of the World Wide Web, voice response technologies, automated and electronic billing, e-services, and social media. In addition, I am also responsible for the transformation of ComEd’s customer service interface model through the identification, development, and application of technology to enhance the customer experience. Equally, I oversee the revisions to ComEd’s Customer Information Management System (“CIMS”) to accommodate regulatory or legislative process changes, internally generated process improvements, as well as the day to day activities of the Business Strategies and Customer Relations groups.

Q. What is your professional background?

A. Prior to my current position, I served as the Vice President of Customer Business Transformation and Technology, where I oversaw the application of smart grid technologies such as an advanced metering infrastructure, in addition to many of my current duties. Prior to that 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 of Distribution Capacity Planning, a position which was then responsible for both ComEd and PECO, the two utilities then owned by Exelon Corporation (“Exelon”). In that role, I was responsible for managing the development of short-term and long-range load forecasts for the electric distribution systems of both utilities, and for the development of plans to reconfigure or add capacity to the distribution system to ensure reliable service under normal and emergency conditions. Before that, I was the Director of Distribution Engineering for ComEd in Chicago. In that 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 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”), which is responsible for providing services to the RES community that was emerging 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. Have you previously testified before the ICC?
A. Yes. I have testified in several dockets at the Commission, including in multiple ComEd rate cases in regards to ComEd’s delivery service costs and allocation of those costs, specifically ICC Docket Nos. 10-0467, 11-0721, 12-0321, 13-0318, and 13-0387.

Q. What is your formal 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. Are you licensed as a Professional Engineer in the State of Illinois?
A. Yes. I have been a Licensed Professional Engineer in the State of Illinois for over 25 years.

II. COMED’S CUSTOMER SERVICE OPERATIONS

Q. How many electric customers are served by ComEd?
A. ComEd delivers electricity to approximately 3.8 million residential and business customers across northern Illinois. I note that when ComEd uses the term customer, that essentially means a premise that has an electric service account, e.g., a single family home is counted as one customer, no matter how many people live in the home. Overall, ComEd delivers electricity to about 70% of the population of the state of Illinois or over 9 million people.

Q. What functions and activities are included within ComEd’s Customer Operations area?
A. The Customer Operations area includes Meter Reading, Field and Meter Services, AMI implementation, Billing, Revenue Management, Revenue Protection, Cash Processing, the Contact Centers, and Customer Relations. Those operations cover nearly every
aspect of a customer’s interaction with ComEd. ComEd refers to these operations as customer services, all of which are governed by the Customer Operations area. Those functions: (1) allow customers to request new or modified service; (2) measure customers’ use of ComEd’s electricity delivery service; (3) provide data and other information about those services to customers, suppliers, transmission providers, and regulators, as applicable; (4) render customer bills; (5) respond to customer inquiries about those functions and provide other information to customers; and (6) handle payment processing and collections. All of these functions are necessary to the successful operation of a delivery utility like ComEd.

Q. **How are the costs of Customer Operations functions and activities accounted for?**

A. The expenses related to Customer Operations functions and activities are primarily recorded in “Customer” accounts and Administrative & General (“A&G”) expense accounts in the Uniform System of Accounts (“USOA”). Customer expense activities include meter reading, addressing billing questions, resolving billing disputes, providing information on service options, and revenue management functions that include activities related to collection and uncollectible accounts. These activities are integral parts of the delivery service function and are necessary for the successful operation of a delivery utility like ComEd. In addition, ComEd’s customer service activities are supported by other A&G expenses for items such as information technology (“IT”) support, human resources, and finance. The A&G expenses supporting the customer service activities are necessary to allow ComEd to provide cost-effective and efficient service to customers.

Q. **What categories of plant support customer service operations?**
A. Two categories of plant that support the provision of customer service are Distribution Plant, such as meters, and Intangible Plant, such as information systems like CIMS. Other types of plant that support customer service include vehicles used by meter readers, capitalized communications and other equipment, and office space used for and by personnel performing customer service functions (General Plant). Mr. Menon (ComEd Ex. 3.0 and associated attachments) provides more detail on the accounting for the costs incurred to provide customer service.

Q. What actions has ComEd implemented to enhance its customer service operations?

A. ComEd has and continues to implement several changes to enhance its customer service operations. In 2013, ComEd continued to refine an initiative that focused on driving customer satisfaction to 1\textsuperscript{st} quartile across the utility industry by 2015 while improving performance levels and reducing total customer service costs. The team shifted its thinking from an inside-out view to an outside-in view of what customers want from ComEd. As a result, the area designed, built, and implemented a model to enable a consistent review of new projects from a customer perspective (outside-in) as opposed to simply a financial review (inside-out). The model forces users to address the causal impacts across the Customer Operations organization as well as the impact to customer satisfaction. In addition, the model leverages concepts from ComEd’s Risk Scoring and IT Project authorization processes and provides a directional and balanced perspective across several key areas.

Through employee and customer focus group process improvement suggestions, the project team identified and evaluated more than 100 initiatives against improved
customer satisfaction, service performance levels, and total service costs in order to
identify a portfolio of initiatives that will provide the benefits needed to achieve the goal.
The team was able to execute on over 50 opportunities in 2013. For example, the bi-
lingual Customer Service Representatives in the Contact Center suggested that ComEd
evaluate accepting Matricula, a Mexican government issued identification card, as a valid
form of identification upon the request for new service. After consideration and working
in collaboration with Revenue Management, ComEd instituted the practice thereby
providing a better overall customer experience as well as decreasing costs by being able
to service the customer in the first interaction. Additional examples of a customer-centric
opportunity implemented in 2013 were the introduction of a Question and Answer section
related to estimated bills on www.comed.com as well as the ability to submit meter
readings via taking a picture of the meter. Each of the small changes made to ComEd’s
work practices led to large improvements in customer satisfaction. ComEd saw a 25%
reduction in the number of customer complaints, improvement in every one of its major
performance indicators (such as the Contact Center’s service level, abandonment rate,
and average speed of answer) over 2012, and the 6th largest improvement of all 126
brands in the JD Power Residential Customer Satisfaction Survey.

ComEd looks forward to the full implementation and benefit of the newly
designed customer bill in 2014. As part of the customer bill redesign, ComEd made an
effort to be responsive to customer needs by improving the customer’s experience. As
such, ComEd set up a number of on-line and social media portals for customers to share
their thoughts on what a bill should look like and what information was important to their
needs. For example, crowd sourcing was utilized to gather feedback from customers and
employees on the physical design and text of the bill. This resulted in over 1,100 pieces of feedback which were subsequently analyzed and incorporated into 70 draft designs. ComEd then presented the draft designs to customer focus groups in order to settle on a final product. In turn, the final product was tested with another set of customers, employees, and regulators to ensure that the bill met the goal of more transparent usage and charge information.

III. OPERATING EXPENSES RELATED TO CUSTOMER OPERATIONS

Q. What is the total amount of operating expense for Customer Accounts activities included in the updated revenue requirement?

A. The amount of Customer Accounts operating expense for 2013 included in the updated Revenue Requirement is approximately $198.7 million, after adjustments of $31.1 million to the total Customer Accounts operating expense included in ComEd’s formula rate update of $229.8 million as detailed by Mr. Menon (ComEd Ex. 3.0 and ComEd Ex. 3.1). Approximately $31.1 million of this adjustment is for uncollectible delivery service expense recovered through ComEd’s Rider UF – Uncollectible Factors. As previously referenced, the Customer Operations area consists of the Billing, Contact Center, Field and Meter Services, Meter Reading, Revenue Management, and the Revenue Protection departments. In 2013, these areas were responsible for reading the meters of and billing ComEd’s 3.8 million customers, as well as handling over 9.3 million telephone calls. The total Customer Accounts operating expenses of $229.8 million support the daily activities for each of these departments in addition to the uncollectible delivery service expense of approximately $33 million (ComEd Ex. 3.01).
Q. Were the operating expenses and associated A&G costs of ComEd’s Customer Account activities prudently incurred and reasonable in amount?

A. Yes. ComEd has designed its customer account systems (e.g., metering and billing systems) to operate efficiently and to meet the requirements of its customer base, service territory, and service offerings. These systems also are designed to comply with the Commission’s rules applicable to billing, remittance, and collections. Further, ComEd actively manages its customer service activities. Customer Operations, in conjunction with the finance function and, where appropriate, other operating departments, evaluates customer service activities to ensure that they are appropriate and that their costs are well-controlled, financially and operationally, and objectively reasonable. ComEd also considers the costs of new enhancements in these areas as an integral part of the planning and decision-making process for new customer service initiatives. In many cases, ComEd performs these functions internally. When ComEd uses contractors, the contractor procurement and management processes also emphasize cost control along with consistent quality. The costs associated with the Customer Accounts activities, including those recorded in these accounts and the related A&G expenses, are subject to the careful planning, budget, variance, and other cost control processes.

Q. Has ComEd included any uncollectible expenses in its delivery service revenue requirement?

A. No. As further discussed by Mr. Menon, ComEd has removed $33.1 million from Federal Energy Regulatory Commission (“FERC”) Account 904 related to uncollectible expense.
Q. How does ComEd collect past due accounts and minimize uncollectibles?

A. The collection of past due accounts and minimization of uncollectibles are two of the objectives of ComEd’s customer service operations, and ComEd works diligently within the established regulatory framework to achieve those objectives. Section 16-111.8(c) of the Public Utilities Act (“PUA”)\(^1\) identifies six categories of activities regarding collection of past due accounts and minimization of uncollectibles: (1) identify customers with late payments; (2) contact the customers in an effort to obtain payment; (3) provide delinquent customers with information about possible options, including payment plans and assistance programs; (4) serve disconnection notices; (5) implement disconnections based on the level of uncollectibles; and (6) pursue collection activities based on the level of uncollectibles.

Four of those six categories of activities are addressed by long-established, regulated processes that ComEd uses in implementing disconnections and pursuing collection activities, as well as information that ComEd makes available to customers in a variety of ways. When a customer defaults on payment, late payment charges are assessed and a deposit review is performed to assess if a deposit should be required. The customer is then called in an attempt to collect payment and educate the customer about possible payment options. Depending on the customer’s risk score, the call may or may not precede the issuance of the customer’s next bill. If ComEd is still unsuccessful in collecting payment, a disconnection notice is issued to the customer that explains that he or she may be disconnected in 10 business days. A “last chance” in the form of a call is

\(^1\) 220 ILCS 5/16-111.8(c).
provided three business days before the customer enters the “cut” window. Failure to make payment makes the customer eligible for disconnection.

Finally, ComEd addresses the remaining two categories through the above processes as well as by using high-dollar and “behavioral cuts,” and by enhancing collection activities, as I describe below. ComEd also complies with the legal requirements relating to winter and summer disconnections.

Q. **What are the major additional steps you referred to that ComEd now takes as part of its collection processes?**

A. ComEd uses a robust mathematic algorithm to risk score every customer based on payment behavior. This risk score is automatically updated in ComEd’s system two days after every bill is due. Customers with poor payment history receive high risk scores, and the higher the risk score, the earlier ComEd attempts to disconnect, subject to legal requirements. This practice is known as “behavioral cuts.” In addition to the risk score, ComEd prioritizes disconnection efforts based on several other objective factors, for example, the dollar value of the unpaid accounts. This factor is employed because disconnections with higher unpaid account values are more likely to result in non-payment. By taking action when non-paying customers owe lower amounts, ComEd has the best chance of collecting from customers who can pay.

In addition, once an account has “finaled” (the customer is no longer being billed for electric service), ComEd issues a final bill and allows 30 days to pay. The account is handed over to a first stage collection agency on day 35 in the collection stream. The agency attempts to collect the debt within 90 days. If the agency is successful in
retrieving money owed, it is paid a commission. If unsuccessful, the account is retrieved by ComEd and charged-off (written off) to bad debt.

ComEd then moves the account to a next stage collection agency. Currently, this type of agency works the written-off accounts until ComEd retrieves the account for some other type of treatment, such as a debt sale. The agencies differ from final bill agencies in the time frame in which they are allowed to work the account as well as its overall commission incentives.

For the program at large, ComEd uses a number of external agencies in its collections processes, employing a “champion-challenger” model across both collection stages by rewarding high-performing agencies with additional accounts. Likewise, in an effort to increase recoveries, in both stages delinquent customers may be reported to credit bureaus after they follow the Federal Debt Protection Practices Act guidelines. ComEd also utilizes the DebtNext solution as part of its collection agency management processes. This solution allows for real-time reporting of account status and amounts collected. In addition, DebtNext also provides for the ability to change allocation portfolio percentages among agencies with reduced time and IT expense. As a result, if the collection rate and performance of an agency is not meeting expectations, the accounts and work can be quickly re-routed to a higher performing agency. This increases and accelerates collection recoveries and reduces costs.

Q. **What steps has ComEd taken to enhance its credit and collection activities?**

A. ComEd implements improvements every year with regards to seeking to recover past-due amounts or to minimize credit risks. Application Verification (“AV”) is a process ComEd administers to verify the identity of a potential customer who requests to start, or
a customer who requests to transfer, ComEd electric service. As part of the process, an
applicant’s identity is confirmed by a third party, and it is determined whether the
applicant should pay a deposit based on credit worthiness. The AV process is used by the
Contact Center Customer Service Representatives, the voice response unit (“VRU”), and
web communication channels, and ensures that the requesting party is not acting under
false pretenses.

In late 2012, ComEd implemented new technology to enhance and update current
AV functionality for existing, former and new customers. The new technology includes
an interface with Experian, ComEd’s new service provider, which allows better
validations of customer identity, determines level of credit risk for deposit requests, and
reduces the number of application denials requiring third party verifications. In 2013, or
the first full year after the project was deployed, over 480,000 applications were received
by year-end, with 460,000 applications received for residential customers and
approximately 20,000 received for non-residential customers. Of those applications,
329,000, or 71%, of residential applications “passed” and new service was established.
Conversely, only 2,224, or 11%, of commercial customer applications “passed”.
Therefore, ComEd must still continue to intervene manually and review a majority of
commercial applications for service. This is not all that surprising given the complexity
of business articles of incorporation for commercial customers.

Q. **What other internal activities has ComEd undertaken to protect its revenues?**

A. Revenue Protection Department focuses on investigating consumption on inactive meters,
meter audits, stuck meters, and tampered meters, as well as back billing of customers. In
2013, activities associated with the Revenue Protection Department’s scope of work resulted in 105,514 field orders completed and meters reviewed.

In addition, the Revenue Protection Department is tasked with identifying and resolving cases where customers attempt to defraud ComEd by tampering with or damaging equipment in order to take service with the intent of not paying for it. Examples include, but are not limited to, tampering with electric meters, diverting service to avoid metering, and illegal restoration of service. Because tampering can also give rise to criminal investigations and charges, the Revenue Protection Department cooperates with law enforcement agencies. In 2013, that department worked on 6 cases that resulted in arrests under the Interference with Utility Services Act for tampering with and/or theft of electricity during 2013. These measures help reduce costs to other customers caused by theft and tampering and potentially have a deterrent effect.

IV. RATE BASE RELATED TO CUSTOMER OPERATIONS

A. Plant Supporting Customer Operations

Q. How does the Customer Operations organization evaluate and manage its investments?

A. The Customer Operations organization employs a planning and project management process. The Customer Project Management department provides centralized services to all of Customer Operations, including business planning and project management. The Customer Operations area is subject to the same careful planning, budget, variance, and other cost control processes that are discussed in general by Mr. Moy (ComEd Ex. 6.0). More specifically, the Customer Operations organization reviews proposals, budgets, and expenditures to ensure that costs are prudently incurred and reasonable in amount.
Customer Operations has instituted a formal “gating” process under which significant projects must pass through various approval stages. The process begins by debating and challenging the business benefits of a proposed project. A project charter is developed and socialized with the Customer Operations leadership team; the project charter is a document created by the project team to define objectives, scope, schedule, business case, project team participants, and a preliminary budget, and provides the project manager with the authority to apply organizational resources to commence with project activities. If the leadership team decides that the project provides sufficient benefits for its cost, it is submitted to one of the Customer Operations vice presidents for approval, and if obtained, final approval of the initial estimate must be obtained by Val Jensen, Senior Vice President of Customer Operations. Before the project can enter the design and build stages, however, ComEd must obtain detailed estimates. The estimates are then examined and challenged, and once again the benefits versus the expenditures are debated. Final approval in each step of the process comes from Mr. Jensen. At the various checkpoints and gates, there are continual reviews of the actual and forecasted cost of each project in the pipeline. Variances are monitored, and the project owners are expected to be prepared to discuss any variances and necessary mitigation plans if a project is over budget.

Q. What is the total amount of actual plant additions for 2013 related to customer service operations?

A. The total amount of actual plant additions for 2013 related to customer service operations is approximately $54 million, as reflected in ComEd Ex. 7.02, which is attached to my
direct testimony. In addition, none of the projects within customer service operation require inclusion on Schedule F-4.

Q. What investment categories are utilized by Customer Operations?

A. Customer Operations utilizes two investment categories to track spending: Customer Operations and IT Projects. The amounts accrued under IT Projects are costs directly billed from Exelon IT to ComEd.

Q. Please describe the plant additions associated with the customer service function that were placed in service during 2013.

A. In addition to the assets placed in service through the blanket programs discussed below, 17 additional customer service related plant additions were completed in 2013 at a total cost of approximately $24 million. Of the 17 projects, the five most impactful projects are described below:

➢ The first project involves Electronic Data Interchange (“EDI”) transactions, the standard technology used by Illinois electric utilities and RESs to exchange information and transact business (e.g., enroll customers, send and receive billing information, etc.). EDI is also used by the supply function of Exelon Business Services Company (“BSC”) to deal with vendors most efficiently (e.g., customer e-billing, supply management, etc.). The EDI project addressed challenges from increased demand driven primarily by the Chicago Municipal Aggregation and general increases in customer reliance on energy supplier by RESs.

➢ The second project addresses Web Authentication, which allows customers to transition to a username that is based on an email address. In addition, the
password complexity and security questions will increase to ensure a secure
environment. Users will be able to transition their profile to the new format while
validating that their information is current. New functionality will be included to
retrieve a forgotten username or to change an existing username in addition to the
forgotten and change password capabilities that have already been provided.

- Under the **third** project, the extension of Billing & Payments for Phase II provides ComEd the ability to integrate the Deferred Payment Agreement (“DPA”) functionality as part of the existing VRU. This new functionality allows residential customers to enroll in a new DPA, reinstate a DPA, or renegotiate a DPA using both speech recognition and the telephone keypad

- The **fourth** project involved the Percent of Income Payment Plan (“PIPP”) developed in conjunction with the State of Illinois. PIPP is a low income assistance program implemented in 2011 where participants are provided with a monthly benefit and are given the opportunity to pay a monthly portion of their bill based on their income. On time payments are rewarded with an arrearage reduction credit allowing low income customers to manage their electric bills while reducing arrearages. In 2013, multiple IT changes were instituted within CIMS as required for the program.

- Under the **fifth** project, ComEd began to enhance customers’ experience by enabling customers to report an outage without having to login to their account, allowing customers to manage multiple accounts through www.comed.com and providing email confirmations for online transactions.
Q. What quantity of plant additions related to customer service operations does ComEd project will be placed in services in 2014?

A. For 2014, ComEd projects capital additions related to Customer Operations functions of approximately $178 million before jurisdictional adjustments, as shown in ComEd Ex. 7.02.

Q. Can you describe the major capital projects associated with the customer service function that are projected to be placed in service during 2014?

A. Yes. There are six major plant addition projects related to the customer service function projected for 2014. These strategic projects are geared toward enhancing the customers experience with ComEd, maintaining regulatory compliance, and the implementation of AMI.

➢ The first project relates to the requirements set forth through Public Act 98-0554. The project will enable ComEd to make supply cost adjustments to the accounts of retail customers served by RESs.

➢ The second project continues the modernization of the Contact Center through additional upgrades of the telephonic system utilized to answer a customer’s call. This system and its capability become especially important during times of large scale outages and ensure ComEd does not provide busy signals to customers.

➢ The third investment provides for contingency planning with respect to mass de-enrollment of supply customers. With the advent of utility consolidated billing with purchased receivables and municipal aggregation, roughly two-thirds of ComEd’s customers are supplied by Retail RESs. Market disruption could force RESs to leave the market suddenly without submitting formal drop requests to
ComEd for their supply customers. This project will provide ComEd with an automated way to switch large numbers of customers to ComEd supply.

- Under the **fourth** project, ComEd will be upgrading the meter reading system and handheld devices as both are beyond end of life and unsupported by the manufacturer.

- The **fifth** project relates to customer experience enhancements through www.comed.com. The enhancements will allow a customer to change their payment date, stop automatic payments from their checking accounts, and provide electronic billing services in house and without the use of a vendor.

- The **sixth** project supports AMI implementation, which is discussed in more detail below.

**Q.** Do Customer Operations functions also utilize blanket programs?

**A.** Yes. Capital blanket programs are generally described by Mr. Moy (ComEd Ex. 6.0). Blanket programs are used to track work activities that are small in cost, high in volume, and repetitive. Utilizing blanket programs allows work to proceed without requiring authorization on a case-by-case basis, but rather for the pre-defined activity as a whole. Customer Operations also has a category of work called Customer Field Operations, which is comprised of blanket programs as listed in ComEd Ex. 7.02. These blanket programs are also included in ComEd Ex. 6.05 attached to the direct testimony of Mr. Moy (ComEd Ex. 6.0). Mr. Moy discusses the controls applicable to blanket programs as well.

**Q.** What are the Customer Field Operations blanket programs?
A. The Customer Field Operations category is composed of nine blanket programs which are related to the Field and Meter Services as well as AMI deployment. Seven programs are used to track the capitalized labor costs associated with the installation, removal, testing, and exchange of meters. This includes meter exchanges for commercial customers that have been declared competitive based upon their prior year’s usage; meter exchanges for residential customers requesting service under Rate BESH – Basic Electric Service Hourly Pricing (“Rate BESH”) and Rider RRTP – Residential Real Time Pricing Program (“Rider RRTP”); periodic meter exchanges to meet regulatory requirements; meter installation, removals (including AMI), and exchanges associated with new business; meter exchanges associated with damaged or non-functioning meters; removal of meters that are no longer required; and testing of new meters. One blanket program is used to track the back office labor required to support the field crews.

Another program is used to track the material cost of purchasing new meters. New meters are routinely purchased to satisfy the needs identified above: new services, regulatory requirements, meter replacements, and exchanges. Due to the large volume of meters purchased every year at a relatively minor cost per unit, it is cost-prohibitive to track these on a per-project basis. Therefore, the purchases of these items are tracked in a blanket program. In addition, ComEd utilizes BSC supply function to obtain meters. Because BSC purchases meters for both ComEd and the other Exelon electric delivery utilities PECO and BGE, ComEd is able to realize a savings on the cost per meter.

Q. **How much did ComEd invest in calendar year 2013 for those blanket programs?**
A. ComEd invested approximately $30 million in the Customer Field Operations blanket programs in 2013. ComEd Ex. 7.02 provides a list of these blanket programs and the quantity of investment placed into service in 2013 through each program.

Q. How much does ComEd project it will invest in calendar year 2014 for the Customer Field Operations blanket programs?

A. ComEd projects that it will invest a total of approximately $121 million in the Customer Field Operations blanket programs in 2014. ComEd Ex. 7.02 also lists these blanket programs and the value of the projected 2014 investments in new plant in service.

Q. Were you able to form a professional opinion regarding whether the investments under the Customer Field Operations blanket programs you describe were, or will be, for assets projected to be placed in service by December 31, 2014, prudently incurred at a reasonable cost and used and useful in serving ComEd’s retail customers?

A. Yes. I am personally familiar with many of these blanket programs and the procedures under which they were designed and under which they are managed and implemented. The use of these blanket programs allows ComEd to efficiently manage this high-volume work and to control the associated costs. I conclude that ComEd acted and acts prudently in implementing these blanket programs and does so at reasonable cost. Moreover, these investments are, or will be when placed into service in 2014, used to serve customers and are an appropriate means of doing so, and are thus used and useful.

Q. Have you formed an opinion as to whether the investments associated with the customer service function included in ComEd’s rate base were, or will be for assets
projected to be placed in service by December 31, 2014, prudently made at a reasonable cost?

A. Yes. In my professional opinion, the investments associated with the customer service function included in ComEd’s rate base were prudently made at an objectively reasonable cost. The same is true of the investments associated with the customer service function that have been projected to be placed in service during 2013 and are included in the 2014 Initial Rate Year Revenue Requirement. I base my opinion on several factors, including my own knowledge of ComEd’s customer operations functions and investments. In addition, Customer Operations requires a business case review of the benefits compared to the overall cost to implement before material investments are made. Customer Operations prioritizes and selects the top projects that will increase productivity, efficiency, and the customer’s overall experience with the utility. The costs are also subject to the careful planning, budget, variance, and other cost control processes, such as review by the Project Review Committee ("PRC") that are discussed in general by Mr. Moy (ComEd Ex. 6.0).

Q. Are the investments associated with the customer service function included in ComEd’s rate base, and will the investments associated with the customer service function projected to be placed in service during 2014 be, used and useful in providing delivery services to ComEd’s customers?

A. Yes. These assets provide the physical and intangible tools used by ComEd to provide its customers with delivery services, and are thus used and useful. Moreover, assets included in ComEd’s projection of 2014 plant addition will be acquired and placed in
service because they can serve customers and are an appropriate means of doing so. They, too, will therefore be used and useful when placed in service.

VII. PARTICULAR SMART GRID EIMA INVESTMENTS

Q. What EIMA investments made by ComEd in 2013 are you addressing as part of the discussion of the customer operations function?

A. I address the EIMA funded AMI Implementation Program investments related to the deployment of AMI and associated cyber secure data communication networks. In addition, Mr. Kevin Garrido, ComEd’s Director of Financial Planning and Analysis, quantifies all of these investments and their specific contribution to rate base in his direct testimony (ComEd Ex. 5.0).

Q. What is the AMI Implementation Plan?

A. The AMI Implementation Plan (“AMI Plan”) encompasses ComEd’s replacement of the retail meters on the ComEd distribution system with AMI meters, a process that will include deployment of AMI technology, including a two-way communications infrastructure to support other customer services and Smart Grid applications.

submitted the 2013 Annual Implementation Progress Report ("AIPR"), which included certain updates to the Revised AMI Plan. On April 9, 2013, the Commission opened ICC Docket No. 13-0285 to investigate the AIPR. After the passage of PA 98-0015, the ICC entered an Interim Order on June 5, 2013, approving an accelerated deployment schedule in conformance with the new law. The AIPR was approved in the Final Order entered on June 26, 2013 ("2013 AIPR Order").

Q. What AMI Implementation Plan investments did ComEd place in service in 2013?

A. In 2013, ComEd’s AMI team accomplished several project activities in the Operational Deployment area including: (1) the evaluation and selection of key professional service providers and technology solutions; (2) the foundational activities of a Project Management Office ("PMO") under the direction of the AMI Vice President, which is responsible for providing management and oversight to the AMI Program; (3) the development of plans and strategies for the full service territory AMI deployment that began in 2013; (4) the planning and implementation of high-priority system enhancements and business process redesigns that focus on the deployment and operation of additional AMI meters and the development of core business processes; (5) development of an AMI Contact Center focusing on customers’ AMI inquiries, appointment setting and meter delay list; (6) in the initial deployment area of Maywood, the AMI Network was designed and built, 21 access points and 36 relays were installed, meeting and exceeding the target; and (7) the deployment of 70,881 meters in the Maywood area, exceeding the target of 60,000.

2 Formerly known as Senate Bill 9.
The AMI IT team also delivered tactical system improvements in the form of two separate IT system releases. These releases enhanced functionality and improved business processes in the areas of AMI Operations, AMI Deployment, and AMI Customer Experience. First, the AMI IT team drove the upgrade of UIQ, the Silver Spring Network AMI head-end system for AMI network monitoring and operation. Additionally, the AMI IT team completed the technical architecture design and initial build-out of the system components and points of integration tied to the Meter Data Management System (“MDMS”) implementation.

**Q. Has ComEd proposed to further accelerate AMI meter deployment?**

**A.** Yes. On March 13, 2014, ComEd proposed an AMI accelerated meter deployment schedule under which AMI meter installations will conclude in December of 2018 as opposed to December of 2021. Installations are proposed to ramp-up to 500,000 meters in 2014, increase to 833,000 meters in 2015, peak at 930,000 meters in both 2016 as well as 2017, and taper to 765,000 meters in 2018. The further accelerated plan is currently under consideration in ICC Docket Nos. 14-0212, 13-0285, 12-0298 (cons.). However, the projected costs of the accelerated plan are included in ComEd Ex. 7.02.

**Q. Can you describe the major projects associated with AMI implementation that are projected to be placed in service during 2014?**

**A.** In 2014, the AMI team plans to complete a number of operational objectives, including:

1. complete the technical architecture and MDMS replacement work;
2. ramp-up business process design work;
3. continue the planning of field deployment and cross dock operations;
4. complete the implementation of system enhancements and processes
to continue the improvement of system operations; (5) continue the use of data analytics

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tools and processes to improve the effectiveness of revenue protection and the system

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operations; (6) implement Rider NAM – Non AMI Metering, which was approved by the

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Commission in ICC Docket 13-0552 on February 5, 2014 ("Meter Refusal Docket"); (7)

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and the installation of additional meters as identified in ComEd Ex. 7.03.

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Q. **Do you have a professional opinion regarding whether the AMI Implementation**

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Plan investments you identified were, or will be for such assets projected to be

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placed into service by the end of 2014, prudently incurred at reasonable costs and

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are or will be used and useful in serving ComEd’s retail customers?**

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A. **Yes. I am personally familiar with these AMI Implementation Plan investments, as well**

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as the procedures and processes under which they were designed, managed, implemented,

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and constructed. I have reviewed or am familiar with the relevant documentation for

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these investments, and note that the activity these investments support is required by

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EIMA. I conclude that ComEd has efficiently managed AMI Implementation Program

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work and controlled the costs of the investments. Further, the AMI Implementation Plan

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investments made are, or will be for such assets projected to be placed into service by the

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end of 2014, used and useful in providing service to ComEd’s customers.**

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**VIII. LOW INCOME ASSISTANCE AND SUPPORT PROGRAMS**

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Q. **What did ComEd do in 2013 to provide the low income assistance and support**

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**programs required by EIMA?**

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3 See Section 16-108.5(b-10) of the PUA.
A. In 2013, ComEd utilized many of its financial assistance programs, also known as ComEd’s CARE programs, to meet its obligation under EIMA to pay $10 million per year for 5 years to assist low-income customers and to help customers that faced financial hardships and had difficulty paying their electric utility bills to avoid imminent disconnection. ComEd paid $10 million for these purposes during 2013, allocated as follows:

- $6.31 million for Residential Special Hardship, a program designed to help eligible residential customers pay their electric bills. Participating customers also received education about no-cost and low-cost ways to decrease their future electric bills, extending the benefit beyond the period of direct assistance.

- $179,838 for Nonprofit Special Hardship, which focuses on assisting nonprofit organizations that have fallen behind on their electric bills. Organizations receiving program grants were also required to attend an educational workshop / webinar on energy management to help lower their future electric bills.

- $2.34 million for Chicago Housing Authority (“CHA”) All Clear program, a partnership between CHA and ComEd to assist CHA residents and Housing Choice Voucher participants with their electric bills. Although this partnership has been in existence for a number of years, the 2013 program included mandatory attendance at an energy management workshop for customers with high account balances.

- $53,100 for Educational Classes. Energy management education for first time homebuyers was conducted through the Chicago Urban League and LUCHA, and education for nonprofits was developed and implemented with CNT Energy (now
known as Elevate Energy), a division of the Center for Neighborhood Technology.

- $1.05 million paid for Outreach, Marketing and Advertising, which included energy fairs, local community events, senior outreach and partnerships with local housing authorities. Other methods of communication included radio, newspaper and billboard ads, press conferences and news releases, Facebook and Twitter, www.comed.com, brochures, fact sheets and talking points for distribution in municipalities and with legislators.

In addition, ComEd expended approximately $59,631 for ComEd Helps Activated/Disabled Military Personnel (“CHAMP”), a program to help military personnel experiencing hardship in paying their electric bills. Participating military personnel also received education about no-cost and low-cost ways to decrease their future electric bills.

Q. **Were funds expended in compliance with ComEd’s EIMA obligations included in the revenue requirement in this filing?**

A. No. These costs were excluded entirely from the revenue requirements.

Q. **Has ComEd provided any additional information to the Commission concerning its customer assistance efforts and programs under EIMA?**

A. Yes. On February 20, 2014, ComEd filed with the Commission its Annual Customer Assistance Report for 2013. That report specifies the programs that were funded and the amount of money each program received, and further demonstrates how ComEd has complied with its obligation to fund EIMA customer assistance programs. A copy of the report is attached as ComEd Ex. 7.01.
IX. INCENTIVE COMPENSATION

Q. During 2013, did ComEd offer an incentive compensation program in which its customer operations employees participated?

A. Yes. As described by Mr. Garrido (ComEd. Ex. 5.0), in 2013 ComEd had the Annual Incentive Plan (“AIP”) in effect in 2013: Instead of paying the entire amount of an employee’s compensation through a base salary, ComEd makes a portion of each employee’s pay subject to achievement of operational metrics specified in the AIP. By structuring compensation in this manner, ComEd implements a “pay at risk” approach under which ComEd’s employees are at risk of receiving less than a marketplace level of compensation if the metrics of the plans are not achieved. Therefore, the incentive compensation paid under AIP should not be construed as some form of “bonus” or additional compensation.

Q. What metrics were included in ComEd’s 2013 AIP?

A. The 2013 AIP had the following eight operational metrics (also referred to as goals or Key Performance Indicators):

- Controlling the total level of Operations & Maintenance (“O&M”) expense;
- Controlling the total level of capital expenditures;
- The OSHA Recordable Rate;
- Performance on the System Average Interruption Frequency Index (“SAIFI”);
- Performance on the Customer Average Interruption Duration Index (“CAIDI”);
- Performance on the Customer Satisfaction Index;
- Performance on the Customer Operations Index; and
Performance on the EIMA Reliability Index.

Mr. Garrido (ComEd Ex. 5.0) describes in detail how the metrics are defined, the weighted percentage of each metric, how performance under each metric impacts compensation, and why the same metrics are applied to all ComEd employees.

Q. What points concerning incentive compensation do you address?

A. I describe ComEd’s AIP as it relates to the approximately 1,400 employees in Customer Operations in 2013. By performing their respective duties, ComEd Customer Operations employees directly provide, support, or perform work essential to the provision of adequate, reliable, and safe customer service at a reasonable cost. The Customer Operations employees contributed toward achievement of the AIP metrics in numerous ways, as described below.

Q. How did the ComEd Customer Operations employees contribute toward achievement of the total O&M expense metric?

A. Each management employee of the Customer Operations area is responsible for ensuring that the organization remains within its allotted O&M expense for the year. ComEd expects its employees to recognize areas for savings, create viable solutions to decrease costs, and implement process improvements. In order to ensure that all employees are made aware of the goals and metrics, quarterly meetings are held with employees to discuss performance compared to the goals.

Furthermore, the eChannels group was tasked with implementing a portfolio of enhancements to provide more self-service options to our customers. Self-service transactions are traditionally lower in cost than a typical call placed to a Customer
Service Representative. The team, therefore, developed the ComEd mobile application, two-way text messaging, and the Facebook Outage application. As a result, over 84% of all transactions are handled via self-service channels, which are more cost-effective methods.

Q. **How did the ComEd Customer Operations employees contribute toward achievement of the total Capital Expenditures metric?**

A. Customer Operations employees were specifically tasked with selecting capital expenditures designed to decrease Customer Operations’ O&M expense after implementation. For example, by launching the ComEd Mobile Application capital project, ComEd lowered the total O&M spend of the area by shifting the work to a lower-cost solution; that is, the total cost to complete an automated transaction is lower than the cost of a phone call received by a Customer Service Representative.

Customer Operations will continue to prioritize and select the top projects that will increase productivity, efficiency, and the customer’s overall experience with the utility. As part of that process, Customer Operations requires a business case review of the benefits compared to the overall cost to implement. The costs are also subject to the careful planning, budget, variance, and other cost control processes.

Q. **How did the ComEd Customer Operations employees contribute toward achievement of the total OSHA Recordable Rate metric?**

A. Customer Operations stresses, on a daily basis, that ComEd’s number one priority is the safety of its employees. To reemphasize safety as a priority, ComEd begins almost every meeting with a safety-related message. Furthermore, if a safety-related incident occurs, ComEd requires its employees to complete a Condition Report which describes the
incident in detail and recommends corrective actions. The supervisor or manager is required to verbally share the Condition Report with the entire Customer Operations area. By sharing the report, ComEd creates a culture of self-criticism to stimulate continuous improvement. Therefore, employees directly impact and mitigate OSHA-related incidents.

In addition to the condition reporting process, Customer Operations engages its employees (both in the office and field) through its Target Zero panel. Target Zero is comprised of employees across the Customer Operations organization whose goal is to maintain a safe working environment. The panel led a campaign over the winter and spring months to focus employee attention on wearing the proper footwear both inside and outside of the office. By drawing attention to footwear, the group was able to create a culture that encouraged the wearing of shoes less susceptible to accidents. The culture shift led to a decrease in slips, trips, and falls for the organization.

Q. How did the ComEd Customer Operations employees contribute toward achievement of the total SAIFI metric?

A. During regular business hours, the Contact Center is staffed to handle power quality and outage calls from customers. Upon receipt of a power quality call, the Customer Service Representative creates a ticket for the customer issue (e.g., flickering lights, low hanging wires). The ticket is then routed to the Operations area for investigation. By receiving and creating the tickets, the Contact Center is assisting in the mitigation of service interruptions through the proactive nature of the ticket issuance. The Contact Center must be open and available in order for the tickets and request process to function properly. Thus, our Contact Center employees directly impact SAIFI.
In addition, all management employees within the Customer Operations area are required to function in a secondary job role during weather or disaster events. ComEd employees provide both direct and indirect support to the Operations area during restoration planning and execution.

Q. **How did the ComEd Customer Operations employees contribute toward achievement of the total CAIDI metric?**

A. Upon the receipt of a customer call, the Customer Service Representative asks a number of information-probing questions which assist in diagnosing the outage situation. A Customer Service Representative may assist with determining equipment failure (e.g., asking the customer whether or not they heard any noises when the power went out), the scope of the outage (e.g., asking whether the customer’s neighbors’ homes are dark), and the types of crews dispatched (e.g., by asking if the area is free from vegetation). The outage ticket is then routed to the Operations area for restoration work. Each of the answers to the questions provides the Operations area with more information in order to address the customer’s concerns accurately and timely and to facilitate safe, rapid, and efficient restoration.

Q. **How did the ComEd Customer Operations employees contribute toward achievement of the total Customer Satisfaction metric?**

A. The Customer Operations area drives customer satisfaction in every aspect of its business. Every employee within the area directly supports the performance of the Customer Satisfaction Index, whether by taking a customer call, reading a meter, or preparing a customer bill. These areas contribute to customer satisfaction by installing
and maintaining properly functioning meters, by performing timely and accurate meter
reads, and by timely and accurately billing customers.

More importantly, Customer Operations continues to implement customer-facing
changes to enhance its customer service operations. In 2013, ComEd completed a bill
redesign study that focused on transforming the Billing Statement from a data
presentment to a dynamic communication tool, utilizing social media crowd sourcing and
focus groups to gather input from customers. In early 2014, customers will begin
receiving the redesigned residential paper statement, while in 2015 ComEd will focus on
an interactive online presentment. The goal of the project is to provide customers with an
easier way to understand their bill, thereby increasing customer satisfaction while
decreasing calls into the Contact Center seeking information regarding usage, payment,
and rate information.

Q. **How did the ComEd Customer Operations employees contribute toward
achievement of the Customer Operations Index?**

A. The Customer Operations Index was a new AIP metric, and is the combination of Service
Level and Contact Center Satisfaction, where Service Level is weighted at 40% and
Contact Center Satisfaction at 60%. Service Level is number of calls answered within 30
seconds by all methods (customer service agent, VRU, and web) divided by the total calls
offered. Contact Center Satisfaction is the percent (%) of customers satisfied with
service received during a call to the Contact Center, and includes all types of transactions
handled by the VRU or a Customer Service Representative. The Contact Center
Satisfaction is based on a telephone administered survey of randomly selected residential
and small business customers who recently phoned ComEd. Customer Operations
employees contribute toward the achievement of this goal through the daily management
of the Contact Center, as well as through continued focus on improving the customer’s
experience through the design and execution of new and innovative projects.

Q. **How did the ComEd Customer Operations employees contribute toward
achievement of the EIMA Reliability Index?**

A. The EIMA Reliability Index was also a new AIP metric, and is an aggregate measure of
reliability based on four metrics: System SAIFI, System CAIDI, Regional SAIFI
(Northern and Southern), and Service Reliability. Customer Operations supports the
identification and execution of the work identified to improve reliability through
notification communications to customers prior to the work commencing in the field,
along with all of the aforementioned activities supporting CAIDI and SAIFI. Customer
Operations also assists with work scheduling and acts as the intermediate between the
customer and ComEd’s Operations group.

X. **CUSTOMER CARE COST STUDIES**

A. **Customer Care Costs Overview**

Q. **What are customer care costs?**

A. Customer care costs, as I use the term in the remainder of this direct testimony, refers to
the expenditures ComEd incurs that pertain to nearly every aspect of customers’
interactions with ComEd’s Meter Reading, Field and Meter Services, AMI
implementation, Billing, Revenue Management, Revenue Protection, Cash Processing,
the Contact Center, and Customer Relations departments, as well as costs related to back
office support of these functions, such as Support Services, IT, and Large Customer
Solutions (“LCS”). These services primarily are the responsibility of Customer
Operations. The costs of these functions are, in most cases, recorded in the customer section of the 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. **How have these costs been recovered from ComEd’s customers?**

A. Currently, these costs are recovered from all customers through delivery service charges. This practice is consistent with the manner in which these costs have been recovered from customers since pricing for electric service was unbundled.

Q. **How has the Commission treated customer care costs in the past?**

A. Since the restructuring of the electric industry and the creation of delivery service charges, the Commission has consistently treated customer care costs as delivery service costs and allowed for their recovery through delivery service charges. Ms. Brinkman (ComEd Ex. 2.0) provides additional historical prospective on this subject in her direct testimony.

**B. Current Situation with Regards to Customer Care Costs**

Q. **Were customer care costs addressed by the Commission in 2013?**

A. Yes, customer care costs were addressed in the recently concluded ICC Docket No. 13-0387, the 2013 Rate Design Investigation (“2013 RDI”). There, the Commission stated as follows:

Therefore, the Commission directs ComEd to provide an updated Customer Cost Allocation Study that allocates customer care costs between supply and delivery service functions in the next formula rate update filing.
Q. Has ComEd addressed that Commission directive?
A. Yes. I have overseen the preparation of an updated Customer Cost Allocation Study ("Allocation Study") which is presented in ComEd Ex. 7.04. The Allocation Study identified approximately $12 million of the total customer care cost amount that is attributable to supply service. ComEd also performed, under my supervision and direction, a 2014 updated Switching Study ("Switching Study"), which is presented in ComEd Ex. 7.05. That Switching Study shows no costs that are attributable to supply service.

Q. Has ComEd obtained an independent review of the two studies?
A. Yes. ComEd engaged B&V to review both studies as well as to provide an analysis of this subject, as it has been addressed by other utilities and public utility commissions across the United States. The results of B&V’s efforts are provided by Mr. Feingold (ComEd Ex. 8.0). As requested by Mr. Feingold, ComEd also presents the alternative analysis in ComEd. Ex. 7.06, which Mr. Feingold addresses in his testimony.

C. Switching Study and the Allocation Study Structures

Q. How is the Switching Study structured?
A. In general, the Switching Study considers the customer care costs that ComEd incurs and would incur as a result of customer switching at levels of 64%, 69% and 100%. The study aims to capture the impact on ComEd of costs of additional customers switching to RES supply, and the impact if the trend is otherwise; that is, if the portion of ComEd customers served by a RES is reduced from the current level. The study is a means of
determining whether these costs are inherently related to delivery service that is provided
to all customers, or related to supply service that is provided to only bundled service
customers.

Q. **How is the Allocation Study structured?**

A. In general, the Allocation Study seeks to determine what portion of customer care costs
are related to delivery service and what portion is related to supply service by applying
allocation factors that are developed to approximate the relative contribution of each
service function to the costs in question.

Q. **Are there any common features between the two studies?**

A. Yes. The starting point for both the Allocation Study and the Switching Study is the
identification of the embedded customer care costs for 2013 and the removal of the
portion of the costs that have previously been agreed upon to be directly related to
delivery service (e.g., meter reading), a step that is known as direct assignment.

Q. **How do the studies differ?**

A. The studies diverge in the next step, which concerns the allocation of costs that are
potentially related to both supply service and delivery service in some manner (e.g.,
billing and collection). With respect to these “common costs,” the Switching Study
further attempts to identify from this pool of common costs those costs that are related to
delivery service by measuring the impact of changes in customer switching levels as its
next step. That is, the Switching Study determines how cost levels change if certain
percentages of customers switch from receiving ComEd supply service to receiving RES
supply service. If ComEd would need to continue to perform a customer care activity or
process regardless of whether it provides supply service, then such costs are inherently related to delivery service. If, on the other hand, ComEd would no longer perform a customer care activity or process if an increasing percentage of customers switch to RES supply, then the costs associated with that activity or process would clearly not be related to delivery service.

The Allocation Study, on the other hand, does not include the additional analysis performed in the Switching Study and directly proceeds to the assumption that some portion of the common customer care costs is not attributable to delivery service. In the Allocation Study, no further attempts are made to discern the costs attributable to the core delivery service function. Rather, the next step is to apply allocation factors to determine what portion of the common customer care costs is to be attributed to delivery service and what portion is to be attributed to supply service.

Q. Can you please explain the allocation factors utilized in the Allocation Study?

A. As I previously noted, the Allocation Study is based on assumptions that a certain portion of customer care costs support only the delivery function while the remaining portion of customer care costs supply only the supply function. These assumptions do not necessarily consider ComEd’s actual customer service operations. Following this approach, I developed base allocators to apportion specified customer care costs between the delivery and supply functions. Based on consultations with people in the subject departments, I developed the following base allocators, which were selected and applied to the costs in a department, as appropriate, to determine the apportionment of the costs between delivery and supply:
• **Distribution Allocator**: This allocator is used when it is clear that a particular cost in a given department is solely related to delivery (e.g., calls to the Contact Center regarding outages). The Distribution Allocators are, therefore, set at 100% for the delivery function and 0% for the supply function.

• **Revenue Allocator**: This allocator is applied to costs when the underlying work could be considered to be driven primarily by revenues, such as Revenue Management disconnection activities, which are based in part on the amounts owed by customers. The Revenue Allocators are developed based on ComEd’s delivery and supply revenues for 2013, and are set at 77.2% for the delivery function and 22.8% for the supply function.

• **Bill Allocator**: This allocator is utilized for costs related to determining or explaining the line items on a bill and costs for work performed in calculating bills issued by ComEd. The Bill Allocators are developed based on the number of line items on a typical bill for a residential customer receiving supply service from ComEd; of the 11 lines of charges on the bill, five relate to taxes and other, four relate to delivery service, and two relate to supply service. The five taxes and other line items are related to delivery service because, for example, ComEd is required by law to include state and municipal taxes on the bills it issues for electric service. The resulting Bill Allocators are set at 81.8% for the delivery function and 18.2% for the supply function.

• **Bill Calculation Allocator**: This allocator is applied to the Revenue Management department’s bill print, mailing and imaging costs. The Bill Calculation Allocator is also based on a typical bill for a residential customer receiving supply service
from ComEd; specifically, it is based on the surface areas of the bill that are dedicated to supply charges and delivery charges, respectively. For areas of the bill that are shared by delivery and supply (i.e., total amount due), ComEd determined the apportionment using the weighted average of the surface area as calculated by the areas dedicated to supply and to delivery. The resulting Bill Calculation Allocators are set at 83.3% for the delivery function and 16.7% for the supply function.

- **Company Allocator:** This allocator is utilized for costs that pertain to activities that are specific to a single department. For these costs, individually calculated allocators are applied. These Company Allocators are defined in more detail below.

**Q. By comparison, how does the Switching Study analyze the customer services costs?**

**A.** The Switching Study examines whether the customer service 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 examined switching at its current level, which is roughly 69%, as well as at the 64% and 100% levels. In sum, this approach is designed to show what ComEd costs, if any, would be eliminated or increased at different switching levels.

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

**A.** In 2013, approximately 69% of customers received supply from RESs, with a majority of the switching attributable to municipal aggregation. I also analyzed the impact on customer services costs at the 100% and 64% switching levels to illustrate potential
longer run impacts of both increases and decreases of switching. In sum, this approach is designed to show how ComEd customer care costs change at different switching levels.

D. Customer Care Cost Categories

Q. Can you please describe customer care costs and their categorization in more detail?

A. Yes. I identified the costs to be reviewed for the purposes of the studies as the 2013 O&M costs that were submitted as part of this proceeding and which were incurred by the various ComEd departments that provide customer services, as described in more detail below.

Q. Are any of the costs addressed in the studies related solely to ComEd’s delivery service?

A. Yes. I 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:

- **Metering Services** includes meter reading, meter equipment installation, exchange and removal, and other services described in ComEd’s Rate MSPS – Metering Services Provider Service (“Rate MSPS”). 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 customers’ electricity suppliers. Also, I understand that the PUA 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. I excluded these costs from the 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.

ComEd’s Meter Reading, AMI Implementation, Field and Meter Services, and Revenue Protection departments reviewed approximately $62 million in costs included in the Meter Services category in 2013. No costs were accumulated in 2013 in ComEd’s Advertising department relating to customer service costs, a divergence from the 2010 study.

Q. With those categories excluded, what categories remain and are subject to the studies’ analyses?

A. ComEd identified thirteen primary departments which pertain to the categories of customer care activities subjected to the analyses. Those departments are Field and Meter Services, Billing, Contact Center, Customer Relations, LCS, Revenue Management, Revenue Protection, Demand Management, ESSD, Market Research, IT, Support Services, and Other. I explain each of these departments in more detail below.

Q. What functions does ComEd’s Field and Meter Services Department perform?
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 meter 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 approximately $12 million for the studies.

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

A. The Billing Department primarily focuses on resolving billing exceptions. These exceptions include delayed bills, manual bills, Contact Center requests related to potential billing issues, and service order transactions which prevent normal billing from occurring. Additionally the Billing Department partners with other departments within Customer Operations to maintain timely and accurate billing for ComEd’s customers and suppliers.

Q. **What Billing Department costs were included in the studies?**

A. In connection with the studies, ComEd’s Billing Department reviewed approximately $7.5 million related to its costs. Costs incurred by the Billing Department have significantly decreased since the 2010 study, as the cost of printing and mailing bills – as well as the vendor management relationship – has moved to the Revenue Management Department.

Q. **What functions does ComEd’s Contact Center perform?**
A. The Contact Center is responsible for providing customer contact services for ComEd’s customers. The 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 Contact Center handles these inquiries through multiple channels (i.e., inbound telephone calls, web-related communications, and written correspondence). The 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 Contact Center costs were included in the cost studies?

A. In connection with the studies, ComEd’s Contact Center and its supporting groups reviewed approximately $38 million 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.

Q. What functions does ComEd’s Customer Relations Department perform?

A. The Customer Relations Department responds to and resolves customer complaints received through the Commission, Better Business Bureau, Citizens Utility Board (“CUB”), and requests sent to ComEd executives regardless of the customer’s supplier. This department provides root cause and process improvement information to ComEd through their trend analysis work.
Q. **What Customer Relations Department costs were included in the studies?**

A. In connection with the studies, ComEd’s Customer Relations Department reviewed a total of approximately $1 million related to its labor costs, which include salaries, overtime pay, and travel.

Q. **What functions does ComEd’s LCS Department perform?**

A. LCS is a ComEd department that provides account management services for large customers, which are those customers having demands greater than 400 kilowatt-hour (“kW”). These services include billing inquiries, customer collections, demand response, new service installation, and storm restoration or emergency support.

Q. **What LCS Department costs were included in the studies?**

A. ComEd analyzed the costs for this department in 2013 of approximately $9 million, which were primarily related to labor for account management services, for the studies.

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 ComEd’s 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. In addition, since 2012, Revenue Management also manages the relationship with the vendor that is responsible for bill and correspondence printing and mailing.

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 approximately $28 million related to its labor costs, which include salaries, overtime pay and travel, payment processing vendor costs and collection vendor costs, and bill printing and mailing.

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. Most of the costs related to the Revenue Protection Department are considered 100% metering similar to Field and Meter Services.

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 approximately $2.4 million related to its costs of supplies and labor, which include salaries, overtime pay, and travel.

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

A. The Demand Management Department plans and implements programs that offer ComEd’s customers incentive to change their usage patterns.

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. In 2013, ComEd’s Demand Management Department incurred approximately $4.5 million in costs associated with the programs in place that year, which amount was reviewed for the studies.
Q. **What function does IT perform?**

A. 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, approximately $28 million of IT services billed to ComEd, including ComEd’s share of Exelon-wide projects and ComEd-specific projects, were reviewed. These projects involve labor costs, contracting costs, hardware costs and software costs. In addition, other IT costs were reviewed, such as ComEd’s telephony usage, ComEd’s cellular usage, ComEd’s audio/visual usage, and ComEd’s share of software license costs.

Q. **What functions does ComEd’s ESSD perform?**

A. ESSD maintains and manages ComEd’s operating relationships with 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. **Were ESSD costs included in the studies?**

A. No. ESSD costs were not included in the studies because 36% of the labor costs are already allocated to the supply function as part ComEd’s normal course of business.

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 activities regarding satisfaction with ComEd’s delivery performance and service.

Q. Were Market Research costs included in the studies?

E. Allocation Study Analysis and Findings

Q. How did you apportion the Field and Meter Services costs in the Allocation Study?
A. I analyzed the work performed by project code, and assigned, as applicable, costs to delivery. As previously discussed, 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, I applied the Revenue Management Allocator (91.5%) to those costs, most of which are related to credit related activities. For the remaining items, we took the total spend for the department of approximately $117 million and divided by the total which was dedicated to delivery of $115 million to determine the remaining percent to be allocated for the back office functions such as training.
Q. What was the overall apportionment for Field and Meter Services costs under the Allocation Study?

A. The Allocation Study calculated that 99% of the Field and Meter Services costs were delivery related. Therefore, approximately $114,000 was identified as being related to supply in the Allocation Study.

Q. How did you apportion the Billing Department costs in the Allocation Study?

A. For purposes of the Allocation Study, we reviewed numerous sets of data within the department. First, the labor costs associated with the work performed on retail delivery service accounts (where a customer takes supply from a RES) were directly allocated to delivery, because a customer taking service from a supplier only receives delivery service from ComEd. Second, the inflow of delayed bills was examined. A delayed bill occurs at such time when an actual or estimated meter reading is not consistent with historical usage patterns. Rather than submit an incorrect bill to a customer, ComEd’s system is designed to delay the bill until such time that a second review of the account can take place. Residential accounts are reviewed automatically by the IT system and rarely require manual intervention by the Billing department. Therefore, the residential delayed bill inflow was not considered. However, almost all delayed bills for commercial customers must be reviewed manually. Thus, the commercial bill inflow was considered in the calculation. In this review process, a biller may update or estimate usage. This usage information is then forwarded to the supplier if appropriate. By isolating the time spent on billing activities related directly to supply charges, we were able to determine how much of the Billing Department’s total spend related to pure distribution activities.
Q. **What was the overall apportionment for Billing Department costs under the Allocation Study?**

A. The Allocation Study concluded that 85% of the Billing department costs are delivery related. Therefore, approximately $1.1 million was identified as being related to supply in the Allocation Study.

Q. **How did you apportion the Contact Center costs in the Allocation Study?**

A. Similar to the Switching Study, the Allocation Study began by examining the types of calls received by the Customer Service Representatives as well as the correspondence requests received by mail, fax, or the World Wide Web. I also note that since 2010, ComEd has undergone a modernization of its Contact Center. This modernization includes more robust reporting with regards to call types and transactions. Therefore, the number of call categories has significantly increased since the last study. Utilizing this new reporting, ComEd first identified calls related solely to delivery, and directly assigned 100% to delivery for 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); and calls regarding moving and relocation, meter reading, outages, vegetation management, ICC claims, voltage issues, distribution equipment damage, and AMI implementation. Second, with respect to calls concerning bill questions (e.g., bill balance or explanation of charges), we applied the Bill Calculation Allocators. Third, we applied the Revenue Allocators to the calls concerning credit questions. Lastly, we determined the Contact Center Allocators – the overall weighted average of the items that could be assigned to delivery or supply using
the three steps previously outlined in this response – to those calls for which specific
descriptions were not available.

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

A. The Allocation Study calculated that 88% of the Contact Center costs were delivery
related. Therefore, approximately $4.7 million was identified as being related to supply
in the Allocation Study.

Q. **How did ComEd apportion the Customer Relations Department costs in the Allocation Study?**

A. As described above, most of the Customer Relations Department’s functions are focused
on resolving customer issues. Customer Relations is now recognized as a primary
department within ComEd, instead of merely a support organization as previously
identified in 2010. Customer Relations can quickly identify and diagnose large scale
issues and/or problems within ComEd, similar to the Contact Center. In addition, since
2010, Customer Relations has taken measures to better identify and quantify the type of
work received into the department. As such, each activity and request type within the
department was reviewed and applied a corresponding allocator consistently and
similarly to the Contact Center.

Q. **What was the overall apportionment for Customer Relations department costs under the Allocation Study?**
A. The Allocation Study calculated that 84% of the Customer Relations department costs are delivery related. Therefore, approximately $170,000 was identified as being related to supply in the Allocation Study.

Q. **How did ComEd apportion the LCS Department costs in the Allocation Study?**

A. LCS reviewed its work functions and determined that there were 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. Almost 90% of large customers now take supply from a RES. Therefore, less than 10% of customers are on Rate BESH. Of those remaining customers, interviews with the LCS account managers determined that very few (if any), call to ask questions related to their supply costs.

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

A. The Allocation Study calculated that 99% of the LCS department costs are delivery related. Therefore, approximately $90,000 was identified as being related to supply in the Allocation Study.

Q. **How did you apportion the Revenue Management Department costs in the Allocation Study?**

A. As described above, most of the Revenue Management Department’s functions are focused on credit disconnections and credit management. Since 2010, Revenue Management has taken measures to better identify and quantify the type of work received
into the department. As such, each activity and request type within the department was
reviewed. With respect to the positive identification work associated with the connection
of new service, late payment charges, deposits, payment agreements, or collection agency
requests, ComEd assigned 100% of those costs to delivery. We then applied the Revenue
Allocation to the remaining Revenue Management department functions, which is
consistent with the Field and Meter Service department service suspension work and the
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 92% of the Revenue Management department costs
are delivery related. Therefore, approximately $2.4 million was identified as being
related to supply in the Allocation Study.

Q. **How did you apportion the Revenue Protection Department costs in the Allocation
Study?**

A. Most of the Revenue Protection Department’s work is focused on properly measuring
energy delivery via investigating consumption on inactive meters, meter audits, and
unaccounted for energy management. A portion of this work includes the back billing of
customers when usage is identified. First, the cost associated with back billing customers
was calculated, and the Bill Calculation Allocator was applied to these costs. Second, the
remaining Revenue Protection costs 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 89% of the Revenue Protection Department costs are delivery related. Thus, approximately $242,000 was identified as being related to supply in the Allocation Study.

Q. How did you apportion the Demand Management Department costs in the Allocation Study?

A. We first used the Company 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 Revenue Allocators.

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

A. The Allocation Study calculated that 89% of the Demand Management Department costs are delivery related. Thus, approximately $512,000 was identified as being related to supply in the Allocation Study.

Q. How did you apportion the IT costs in the Allocation Study?

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 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 91% of the IT costs are delivery related. Therefore, approximately $2.6 million was identified as being related to supply in the Allocation Study.

Q. **In summary, what portion of customer care costs was apportioned to supply in the Allocation Study?**

A. Of the total $203 million in customer care costs incurred by ComEd in 2013, approximately $12 million, which is about 6% of the total, was apportioned to the supply function in the Allocation Study.

F. **Switching Study Analysis and Findings**

Q. **Is the level of costs for Field and Meter Services subject to change depending on the number of customers switching to RES supply service, whether that switching totals 64%, 69% or 100%?**

A. No. ComEd’s activities relating to metering services, disconnection of meters for nonpayment, as well as reconnection of meters, will continue at the same rate regardless of the level of switching; thus, ComEd would continue to bear the same costs that it does today. The Field and Meter Services activities are directly related to those of Revenue Management. Like the activities related to credit and collections, along with disconnections, the activities of this department will not be affected as switching volumes change.
A. Is the level of costs for the Billing Department subject to change depending on the number of customers switching to RES supply service, whether that switching totals 64%, 69% or 100% of total customers served?

A. No.

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 delivery customer bills, including those customers taking supply from a RES.

Q. Is the level of costs for the Contact Center, as described above, subject to change depending on the number of customers switching to RES supply service, whether that switching is at 64%, 69% or 100%?

A. Yes. Costs change at the 64% and 100% switching levels.

Q. Why is this the case?

A. We analyzed the millions of calls that ComEd’s Contact Center received in 2013 relating to a wide variety of customer concerns. The majority of the call volume 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. We then reviewed the impact of customer switching on the remaining call volume relating to balance inquiries, payment arrangements and payment verifications. Through ComEd’s experience, the pure act of a customer switching
suppliers does not necessarily correlate to an increase or decrease in calls. However, seasonality, usage, and the cost of RES supply pricing drive call and complaint volume. To illustrate, the ComEd service territory experienced unusually cold weather from December 2013 through March 2014, in addition to spikes in wholesale electricity prices. These conditions were reflected in customer bills beginning in January. From January through March, ComEd experienced the following transactions volumes:

<table>
<thead>
<tr>
<th></th>
<th>Jan 7 – Jan 31</th>
<th>Feb 1 – Feb 28</th>
<th>Mar 1 – Mar 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal Aggregation Calls</td>
<td>638</td>
<td>731</td>
<td>1,432</td>
</tr>
<tr>
<td>High Bill Calls</td>
<td>1,249</td>
<td>1,296</td>
<td>1,970</td>
</tr>
<tr>
<td>Customer Choice Complaints</td>
<td>14</td>
<td>54</td>
<td>133</td>
</tr>
<tr>
<td>High Bill Complaints</td>
<td>47</td>
<td>76</td>
<td>85</td>
</tr>
</tbody>
</table>

While the general amount of usage across the service territory was higher as compared to recent winters, it has been well publicized that customers supplied by RESs that have variable supply charge rates saw double if not triple the cost per kilowatt-hour for that supply. Of the 1,970 high bill calls received in March, 56% of the customers received supply services from a RES, or 1,103 calls. Of the 1,103 calls received, 25% of those calls were related to the rates charged by the RES.

In another example, ComEd received a complaint from a customer with RES supply whose previous rate of 4.6 cents per kilowatt-hour increased to 21.4 cents per kilowatt-hour. Therefore, even with 100% switching, ComEd does and will continue to see increases in calls and complaints for issues related solely to customers taking supply from RESs.
Q. Is the level of costs for the Customer Relations Department subject to change depending on the number of customers switching to RES supply service, whether that switching totals 64%, 69% or 100% of total customers served?

A. No.

Q. Why not?

A. ComEd’s activities relating to answering and addressing customer complaints would continue regardless of the number of customers switching.

Q. Is the level of costs for the LCS Department subject to change depending on the number of customers switching to RES supply service, whether that switching totals 64%, 69% 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 LCS 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 RESs or at the default hourly rate in accordance with Rate BESH (with exceptions limited to certain condominium common area accounts). The Commission’s integrated delivery company (“IDC”) rules prohibit ComEd from expending any efforts to obtain or retain customers on ComEd supply service. ComEd, therefore, anticipates no reduction in the activities or costs of this department with changes in switching.
Q. Is the level of costs for the Revenue Management Department subject to change depending on the number of customers switching to RES supply service, whether that switching totals 64%, 69% 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 suppliers. ComEd’s Revenue Management department incurs costs relating to the disconnection 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’ electric supply. In sum, even with more customers receiving supply service from RESs, 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.

Q. Is the level of costs for the Revenue Protection Department subject to change depending on the number of customers switching to RES supply service, whether that switching totals 64%, 69% 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.
Q. Is the level of costs for the Demand Management Department subject to change depending on the number of customers switching to RES supply service, whether that switching totals 64%, 69% or 100% of total customers served?
A. No.

Q. Why not?
A. ComEd’s demand response programs offered in 2013 or in any subsequent year are offered on a competitively neutral basis to all customers, regardless of the customer’s supplier, and, consequently, there were no impacts to the associated costs when customers switched to RESs for the provision of such programs.

Q. Is the level of costs for IT subject to change depending on the number of customers switching to RES supply service, whether that switching totals 64%, 69% or 100% of total customers served?
A. There is a decrease in costs at the 64% switching level and an increase at the 100% switching levels.

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 RES supply.

Q. Does ComEd have other IT cost considerations with customers switching?
A. Yes. ComEd uses 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, resulting in an increase of approximately $700,000. As switching decreases to 64%, the number of EDI transactions required would also decrease, which equates to a decrease of approximately $112,000.

Q. **In summary, what portion of customer care costs was apportioned to supply in the Switching Study?**

A. Of the total $203 million in customer care costs incurred by ComEd in 2013, $112,343, which is about 0.1% of the total, will decrease at the 64% switching level, whereas $563,739, which is about 0.3% of the total, will increase at the 100% switching level. The Switching Study demonstrates that ComEd’s common customer care costs do not generally change based on the levels of customers receiving supply service from ComEd.

G. **Overall Conclusion**

Q. **What is ComEd’s position with respect to the two studies pertaining to customer care costs?**

A. ComEd supports the Switching Study for use in determining what customer care costs should be allocated to the supply function, because its results are more accurate than the results from the Allocation Study.
Q. Why does ComEd believe that the Switching Study provides more accurate results than the Allocation Study?

A. The Switching Study determines how customer care costs would actually change, due to customers switching suppliers. The examination of the impact of switching enables the determination that customer care costs are inherently related to the provision of delivery service and not to supply service. In contrast, the Allocation Study is predicated on an assumption that some customer care costs are attributable to delivery service and some are not, relying on the selection of allocation factors as the means of determining the extent to which they should be allocated to delivery service or supply service. In light of the findings in the Switching Study, any allocation factor employed to divide common customer care costs between delivery service and supply service, as is done in the Allocation Study, is inherently arbitrary.

H. Alternative Analysis

Q. Did ComEd perform any additional analysis pertaining to the allocation of customer care costs?

A. Yes. It is provided in ComEd Ex. 7.06. This analysis is based upon a description provided by Mr. Feingold (ComEd Ex. 8.0) regarding an alternative manner in which customer care costs could be reviewed and presented in an effort to provide the Commission and its Staff with as much information as possible to enable an informed decision to be made.

XI. CONCLUSION

Q. Does this conclude your direct testimony?
1428  A.  Yes