

**STATE OF ILLINOIS**  
**ILLINOIS COMMERCE COMMISSION**

COMMONWEALTH EDISON COMPANY :  
 : No. 10-\_\_\_\_\_  
Proposed general increase in electric rates :

Direct Testimony of  
**FIDEL MARQUEZ, JR.**  
Senior Vice President,  
Customer Operations  
Commonwealth Edison Company

## List of Issues & Major Conclusions

- ComEd’s customer service operations enable customers to start service, obtain information, and manage their accounts.
- ComEd has successfully implemented numerous initiatives that have broadened customers’ service options as it implements its Customer Vision.
  - Customers can continue to use traditional modes of communication with the utility, such as calling and speaking with a Customer Service Representative.
  - They can also use the automated Voice Response Unit (“VRU”) system, which is ready “24/7” to render assistance or accept information to process calls within one second on average.
  - Recent data indicate a high degree of customer satisfaction with calls to the call centers.
  - Customers are also able now to interact “24/7” with “ComEd.com,” including through mobile Web-enabled devices.
  - The Advanced Metering Infrastructure (“AMI”) Pilot further empowers customers, and its costs are prudent and reasonable.
  - More improvements are planned for 2010, such as additional Spanish language functionality on ComEd.com.
- ComEd meets its customers’ needs for timely, high quality customer service while controlling capital costs and operating expenses to ensure that they are prudently incurred and reasonable. ComEd has adopted a number of programs that have reduced costs and improved its credit and collection activities.
- ComEd also has adopted other new programs relating to customer choice as well as customer service. The costs of its purchase of receivables with consolidated billing (“PORCB”) project are prudent and reasonable.

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1 **I. Introduction**

2 **A. Identification of Witness**

3 **Q. Please state your name and business address.**

4 A. My name is Fidel Marquez, Jr. My business address is One Financial Plaza, 440  
5 S. LaSalle St., Suite 3300, Chicago, Illinois 60605.

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

7 A. I am employed by Commonwealth Edison Company (“ComEd”) as its Senior Vice  
8 President, Customer Operations.

9 **B. Purposes of Testimony**

10 **Q. What are the purposes of your direct testimony?**

11 A. In my testimony:

- 12 • I give an overview of ComEd’s customer service operations, explaining the  
13 functions those operations perform.
- 14 • I briefly describe ComEd’s Customer Vision, by which I mean ComEd’s  
15 programs designed to transition from a traditional utility customer service model  
16 to a model in which customers: (1) can choose to continue to use traditional  
17 modes of communication with the utility but also can choose to manage their  
18 accounts through automated systems, the Internet, and mobile web-enabled  
19 devices, depending on their preferences; and (2) are empowered to take advantage  
20 of technology to better monitor and control their electricity demand, usage, and  
21 costs.

- 22           •     I discuss and support the operating expenses and capital costs that ComEd incurs  
23                     to provide customer service, including uncollectible accounts expense. I discuss  
24                     several innovative programs that ComEd has implemented to reduce costs.
- 25           •     Finally, I discuss certain regulatory programs that ComEd has undertaken relating  
26                     to customer choice and customer service.

27           **C.     Summary of Conclusions**

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

29    A.     ComEd’s customer service operations cover nearly every aspect of a customer’s  
30             interaction with ComEd. Our customer service operations enable customers to start  
31             service, obtain information, and manage their accounts. Our operations also provide for  
32             the maintenance of those accounts and the billing and collection of the amounts owed for  
33             utility service.

34             In recent years, including 2009, ComEd has designed, adopted, and successfully  
35             implemented numerous initiatives that have broadened customers’ service options as it  
36             implements its Customer Vision. Customers can continue to use traditional modes of  
37             communication with the utility, such as calling one of our call centers (a “Customer  
38             Contact Center”) and speaking with a Customer Service Representative (“CSR”), if that  
39             is the customer’s preference.<sup>1</sup> Customers can also contact a call center and use the  
40             automated Voice Response Unit (“VRU”) system, which is ready “24/7” to render  
41             assistance or accept information to process calls within 1 second on average. The VRU’s  
42             functionality was recently enhanced to allow customers to start, stop, and transfer service.

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<sup>1</sup> The Customer Contact Centers sometimes also are referred to as “Customer Care Centers”. That term should not be confused with the ComEd CARE program.

43 Recent data indicates a high degree of customer satisfaction with calls to the call centers  
44 (including calls to CSRs and the VRU). Customers are also able now to interact “24/7”  
45 with ComEd’s home web page for its customers, “ComEd.com” (www.comed.com),  
46 including through mobile web-enabled devices. ComEd’s Advanced Metering  
47 Infrastructure (“AMI”) Pilot project further empowers customers, and its costs have been  
48 prudently incurred and are reasonable. Further steps planned for 2010 will result in even  
49 more improvements, such as, for example, additional Spanish language functionality on  
50 ComEd.com.

51 ComEd plans, implements, and manages its customer service operations  
52 (including the associated operating expenses and capital costs) so as to meet its  
53 customers’ needs for timely, high quality customer service while controlling costs to  
54 ensure that they are prudently incurred and reasonable. ComEd has adopted a number of  
55 programs that have reduced costs without detracting from customer service quality.  
56 ComEd also has significantly improved its billing of unmetered / unbilled revenues and  
57 its credit and collection activities.

58 ComEd has adopted and is adopting other valuable new programs relating to  
59 customer choice as well as customer service. The costs of the purchase of receivables  
60 with consolidated billing (“PORCB”) project are prudent and reasonable.

61 These conclusions are reflected in the synopsis at the front of my testimony.

62 **D. Background and Qualifications**

63 **Q. What are your duties as ComEd’s Senior Vice President, Customer Operations?**

64 **A.** I am responsible for overseeing all customer support functions, including Strategies and  
65 Support (centralized support for all Customer Operations departments, including business

66 planning, project management, maintenance of our Customer Information Management  
67 System (“CIMS”), and escalated customer complaints), Customer Field Operations  
68 (installing, maintaining, and reading meters), the Customer Contact Centers, Customer  
69 Financial Operations (billing and revenues, including credit and collection activities), and  
70 Advanced Metering Infrastructure/Regulatory Programs.

71 **Q. Please briefly describe your professional background.**

72 A. Prior to my current appointment, I served as Vice President of External Affairs and Large  
73 Customer Services for ComEd. In that role, I was responsible for overall leadership and  
74 relationship management with the City of Chicago and over 400 municipalities in  
75 northern Illinois, as well as community and civic organizations within the ComEd service  
76 territory. Prior to that position, I served as Vice President of Transmission and  
77 Substation Operations.

78 I also spent more than two years as Senior Vice President of Electric  
79 Transmission & Distribution for the City Public Service Board in San Antonio, Texas,  
80 overseeing the planning, design, construction and maintenance operation of the  
81 transmission and distribution systems.

82 Prior to that role, I served as the Director of Transmission Operations at ComEd. I  
83 was team lead of the Operations Working Group on the Regional Transmission  
84 Organization (“RTO”) development effort and worked on the Unicom/PECO Merger  
85 Integration Team for Transmission Management and Transmission & Substation  
86 Processes. In addition, I managed the development of the Power Exchange in Illinois in  
87 support of Retail Open Access and Energy Market Development and served as executive  
88 staff and financial coordinator for Transmission and Distribution.

89 I am a member of the boards of trustees / directors for BUILD, Inc; the Illinois  
90 Math and Science Academy; the National Museum of Mexican Art; Luna Negra Dance  
91 Theater; Easter Seals of Metropolitan Chicago; and the Alumni board of the Illinois  
92 Institute of Technology.

93 **Q. Please briefly describe your educational background.**

94 A. I received my master's degree in Business Administration from Northwestern University  
95 in 1999. I also received bachelor's and master's degrees in electrical engineering from  
96 the Illinois Institute of Technology in 1983 and 1990, respectively.

97 **II. ComEd's Customer Service Operations**

98 **Q. How many retail electric customers are served by ComEd?**

99 A. ComEd delivers electricity to approximately 3.8 million residential and business  
100 customers across northern Illinois. I should note that when ComEd uses the term  
101 customer in that sense, we essentially mean a point of service that has an account, e.g., a  
102 single family home with a single meter and a single account would count as one  
103 customer, no matter how many people live in the home. Thus, ComEd delivers  
104 electricity to about 70% of the population of the state of Illinois or over 8 million people.

105 **Q. What functions and activities are included within ComEd's customer service  
106 operations?**

107 A. Customer service operations include all of ComEd's Customer Accounts (sometimes  
108 called "meter-to-cash") and Customer Service and Information functions, including  
109 Meter Reading, Customer Field Operations, Billing, Revenue Management, Cash  
110 Processing, the Customer Contact Centers (the call centers), and Customer Relations.

111 Those operations cover nearly every aspect of a customer’s interaction with ComEd.  
112 Those functions: (1) allow customers to request new or modified service; (2) measure  
113 customers’ use of ComEd’s electricity delivery services; (3) provide data and other  
114 information about those services to customers, suppliers, transmission providers, and  
115 regulators, as applicable; (4) render customer bills; (5) respond to customer inquiries  
116 about those functions and provide other information to customers; and (6) handle  
117 payment processing and collections. All these functions are necessary to the successful  
118 operation of a utility like ComEd. The following graphic gives a high level perspective  
119 of Customer Service Operations’ core functions.



120  
121 I am not an accountant, but my understanding is that the operating expenses  
122 related to the above functions are in many cases recorded in “Customer” accounts in the  
123 Uniform System of Accounts. My understanding is that Customer operating expenses are  
124 typically divided into the Customer Accounts and Customer Service and Information  
125 groups of accounts, although these customer operations also incur certain expenses  
126 accounted for as Administrative & General (“A&G”) expenses in the A&G accounts. My  
127 understanding is that the assets used by the Customer function, such as information

128 systems and meters, are accounted for in certain General Plant, Intangible Plant, and  
129 Distribution Plant Accounts. Later in my testimony, I discuss further the use of plant to  
130 provide customer service. The testimony (including attachments) of ComEd witnesses  
131 Kathryn Houtsma and Martin Fruehe provides much more detail on the accounting for  
132 the costs incurred to provide customer service, including the portions of A&G expenses  
133 and of Distribution Plant, General Plant, and Intangible Plant that are attributable to the  
134 provision of customer service.

135 **Q. Are ComEd's operating expenses and capital costs incurred to provide customer**  
136 **service prudently incurred and reasonable in amount?**

137 A. Yes. As I discuss later in my testimony, ComEd carefully plans, implements, and  
138 manages its customer service operations so that its costs are prudent and reasonable, and  
139 the plant used to provide customer service is both used and useful. Moreover, ComEd  
140 has undertaken numerous actions not only to control but to reduce its costs without  
141 sacrificing service quality.

142 **Q. Do you plan to implement any organizational changes in customer service**  
143 **operations in the future?**

144 A. Yes. I recently announced several changes we will make this year in Customer  
145 Operations. We will modify our existing organizational structure and form a new  
146 department dedicated to the development of a longer term strategy and business  
147 transformation driven by smart meters and e-channel technology. Three additional  
148 departments will report to me, including consolidated Field Operations, Revenue  
149 Assurance, and Customer Care Operations.

150 Q. **What is the primary purpose of this re-organization?**

151 A. These changes will enhance Customer Operations' focus on the meter-to-cash business  
152 processes needed to meet the changing expectations of customers. This transition to a  
153 new organizational structure is more a case of changing roles and responsibilities to  
154 improve customer service. Although I do not anticipate an immediate reduction in costs,  
155 I do expect these changes to limit the amount our costs may increase in the future. At the  
156 end of the day, this initiative is about enhancing customer services.

157 Q. **What is your timeline for the changes to be in place?**

158 A. We plan to have all personnel moves complete and the new organization functioning by  
159 the end of the third quarter of 2010.

160 **III. Customer Vision**

161 **A. The Evolving Model of Customer Service**

162 Q. **You earlier referred to the traditional utility customer service model. What is the**  
163 **traditional utility customer service model?**

164 A. Like most utilities, ComEd traditionally has served customers using what for the most  
165 part was a one-size-fits-all model. The traditional service model was essentially limited  
166 to setting up the customer's account, setting the meter, reading the meter, billing per the  
167 meter, collecting the revenue, and answering customers' questions regarding these  
168 processes through the customer call center. The call center typically dealt with  
169 straightforward issues such as outages, bill payments, or starting/stopping service.

170 Q. **Does ComEd still use the traditional utility customer service model?**

171 A. The services provided under the traditional model are essential, and ComEd continues  
172 and will continue to provide them. In recent years, however, ComEd has aggressively  
173 expanded its customer service approach in a number of ways that leverage new  
174 technologies to give all customers more choices and more information to make those  
175 choices. ComEd has been moving steadily to a more technologically sophisticated,  
176 customer-empowering model that preserves the ability of customers to talk to CSRs but  
177 also gives customers many more options to manage their accounts.

178 Q. **Why is ComEd both continuing to use, and moving beyond, the traditional utility  
179 customer model?**

180 A. The changes are driven by the availability of new technologies; by customers'  
181 expectation of being able to use those technologies to simplify their lives or save time;  
182 and by ComEd's identification of ways to modernize the customer service model and  
183 give customers more choice and more control.

184 Some customers will continue to prefer a "live person on the phone" as their  
185 primary channel to interact with ComEd. ComEd will continue to make that opportunity  
186 available.

187 The number of customer transactions through self-service channels, however, is  
188 on the rise. The ubiquitous use of mobile web-enabled devices is changing further the  
189 manner in which customers prefer to interact with ComEd.

190 Accordingly, as part of this evolution, ComEd has developed and will continue to  
191 develop comprehensive and robust self-service channels which provide customers who

192 want such options the ability to complete transactions “24/7”, via secure and reliable  
193 channels, using their device of choice, including a wide variety of mobile devices.

194 **Q. What initiatives has ComEd undertaken relating to customers’ ability to use**  
195 **ComEd’s web portal ComEd.com and their use of mobile devices to access that**  
196 **portal?**

197 **A.** ComEd has implemented a number of initiatives relating to the functionality of ComEd’s  
198 Internet presence and the use of mobile devices to access ComEd.com.

199 • In August 2009, ComEd migrated to a new web platform, greatly improving  
200 ComEd.com to make it easier for customers to navigate the web site.

201 • ComEd.com can process the following transactions:

Account summary	View outage related information	Report an outage	Update the mailing address
Phone and email update	Start/Stop electric funds transfer	Start/Stop budget plan	Pay online
View bill image	View an activity statement	Report a meter reading	Start/Stop/Transfer service

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203 • In accessing ComEd.com, customers are no longer limited to their personal  
204 computers. ComEd has “mobile-enabled” ComEd.com. Customers can access  
205 the web site (including the outage maps) and their accounts with smartphones  
206 (any phone with Internet access), Blackberrys, and iPhones, with a view that is  
207 specialized based on the capabilities of their device. That provides customers a  
208 full-functionality self-service channel available to them at, and for, their  
209 convenience. The following are examples of actual screen shots of access on  
210 web-enabled cell phones to ComEd.com.



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212 Q. Has ComEd also implemented initiatives to improve the automated call center  
213 system?

214 A. Yes.

215 • The automated call center system (the Voice Response Unit) is ready to render  
216 assistance or accept information to process a call within 1 second on average.

217 • The VRU can process the following transactions:

Provide an account balance	Order an activity statement	Update a phone number	Start budget billing
Request extensions	Request payment plans	Report and status for electric outages	Locate payment agent
Enter a meter reading & payment verification	Pay by phone	Request duplicate bill	

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- ComEd also has installed new technologies and capabilities to the call center phone systems. Virtual Hold capacity was increased to offer more customers the opportunities to “hold” their place in queue without waiting on the phone. This allows the customer to continue to do other things rather than wait on the phone. When their place in queue comes up, the system calls the customer back, connecting the customer with an agent.

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**Q. Is AMI part of ComEd’s customer vision?**

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A. Yes. In addition to the communications technologies I have discussed above, ComEd’s pilot program of installing advanced metering infrastructure (AMI) will test what ComEd believes will prove to be a powerful tool to help customers gain control of their electric usage and their monthly bills. In the future and if the Commission approves, the widespread deployment of AMI will require ComEd to develop new information management and analytic capabilities to make the best use of the new information that these “smart meters” will provide. Ultimately, deployment of AMI is likely to create new jobs and new products and services.

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**Q. How have new technologies affected the form of customer service transactions?**

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A. In 2009, customers initiated almost 18 million contacts with ComEd, of which over 8 million, nearly half the total, were web transactions. Of the 9.8 million calls to the call centers, our Customer Service Representatives responded to 5.7 million of them. The

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238 other 4.1 million were completed through the VRU. For emergencies, CSRs are available  
239 at all times, but otherwise CSRs are available Monday through Friday from 7 a.m. to 6  
240 p.m. central time. In contrast, the automated channels (web and VRU) allow customers  
241 to process transactions any day of the week at any time -- "24/7" -- at their convenience.  
242 Moreover, during storms and peak volumes, these channels ensure the customer can  
243 immediately report an outage to us.

244 Customers' use of ComEd self-service channels (web and VRU) has steadily  
245 increased over the past five years. The volume of transactions completed via self-service  
246 channels increased from 53% in 2005 to 68% in 2009. Web transactions have increased  
247 over 400% since 2005. Customers are increasingly valuing the convenience of our  
248 self-service channels and this trend of using self-service channels is expected to continue.

249 **Q. In response to this technological trend, what is ComEd doing to diversify and**  
250 **enhance further the means by which customers can interface with ComEd?**

251 **A.** ComEd has made significant improvements to its website and its call center systems.

- 252 • In 2010, ComEd expects to launch a Spanish-language web page.
- 253 • In 2010, ComEd also expects to install additional web page functionality (features  
254 on its web site) for business customers.
- 255 • In addition, speech recognition technology was recently deployed in 2010 to  
256 allow all move-related transactions to be completed through the VRU platform.

257 **Q. Has the increased use of the web by customers resulted in fewer calls to the call**  
258 **centers?**

259 A. Eventually we expect such calls to decrease, but they did not in 2009. In 2009, customers  
260 placed 9.8 million calls to the Customer Contact Centers, as I noted earlier. This  
261 compared to 9.4 million in 2008. This represents the largest volume ever experienced,  
262 despite having 700,000 fewer outage-related calls due to a lower than average number of  
263 storms.

264 Q. **Has ComEd adjusted the staffing of the call centers to meet demands and improve**  
265 **the quality of customer service?**

266 A. Yes. ComEd has responded in ways that not only met the increased demand but  
267 improved the quality of the responses. We added staff, hiring full-time and part-time  
268 agents as well as supplementing the staff with temporary employees for the peak periods.  
269 We formed specialized groups of customer service representatives more experienced in  
270 handling particular types of calls. We have long had CSRs who handle the Spanish- and  
271 Polish-language calls and calls from business customers. We now have formed groups  
272 specially trained to deal with credit-related calls and AMI-related calls. This represents a  
273 shift in our customer service model to one that provides more individualized service.

274 Q. **How did customer satisfaction with calls to the call centers (whether handled by the**  
275 **CSRs or the VRU) in 2009 and the first quarter of 2010 compare with 2008?**

276 A. Customer satisfaction with the call center remained steady in 2009 (85.4% in 2009,  
277 compared to 85.3% in 2008). Customer satisfaction with the call center jumped to a  
278 record high of 88.9% in the first quarter of 2010.

279 Q. **How did customer satisfaction in general (the overall Customer Satisfaction Index**  
280 **or “CSI”) in 2009 and the first quarter of 2010 compare with 2008?**

281 A. Customer satisfaction in general increased to 80.6% in 2009 from 79.2% in 2008.  
282 Customer satisfaction in general was 82.3% in the first quarter of 2010.

283 Q. **You have discussed increased options that customers have to contact ComEd. Has**  
284 **ComEd developed any program for enhanced communication to customers?**

285 A. Yes. In 2009, ComEd initiated an Outage Notification Pilot program. This pilot provides  
286 residential customers the opportunity to receive text messages on their mobile phones  
287 regarding interruptions of service to their homes. The purpose of this experiment was to  
288 determine if customers valued this type of service. The customers are sent a text message  
289 if service to their home is interrupted, indicating time of interruption and estimated time  
290 to restore. Updates are provided as the information becomes available. As of May 2010,  
291 over 10,000 customers are registered to receive the notifications. A recent survey  
292 indicated that 92% of the customers have a more favorable opinion of ComEd as a result  
293 of this pilot and that over 80% want to receive the notifications around the clock. One  
294 may conclude that customers value this service.

295 **B. Customer Empowerment Through AMI**

296 Q. **What is the AMI Pilot?**

297 A. As approved by the Illinois Commerce Commission (the “Commission” or “ICC”) in its  
298 Docket No. 09-0263 (Order October 14, 2009), ComEd’s AMI Pilot is a significantly  
299 sized initial deployment of AMI meters in select areas of ComEd’s service territory. The  
300 pilot will allow ComEd and various other stakeholders to assess the potential benefits of  
301 AMI.

302 The following table gives an overview of the AMI Pilot.

ICC Pilot Locations	Objective	Meters to be Exchanged
<p><b>“I-290 Corridor”</b> All meters in the following nine (9) towns: Bellwood, Berwyn, Broadview, Forest Park, Hillside, Maywood, Melrose Park, Oak Park, River Forest</p>	<ul style="list-style-type: none"> <li>• Validate operational business case</li> <li>• Conduct customer experiments</li> </ul>	100,000
<p><b>City of Chicago – Humboldt Park Area</b> Footprint bounded by Chicago Ave (S), Pulaski Rd (W), Diversey Ave (N), Sacramento Ave (E)</p>	<ul style="list-style-type: none"> <li>• Test AMI technology technical limits</li> <li>• Conduct expanded customer experiments</li> </ul>	30,000
<p><b>High Rise Buildings in Chicago</b></p>	<ul style="list-style-type: none"> <li>• Test AMI systems in High Rise Application</li> </ul>	500
<p><b>Tinley Park</b></p>	<ul style="list-style-type: none"> <li>• Test AMI water meters</li> </ul>	500
<p><b>TOTAL</b></p>		131,000

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The costs and benefits of the AMI Pilot were addressed in detail in the proceedings that resulted in the Commission’s direction of the program. Because the costs and benefits were considered at length by the Commission when it approved the project, I will give only a brief summary here:

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- The Pilot is designed to evaluate the operational benefits of using Smart Meters and the extent to which customers will take advantage of price signals to modify their consumption of electricity. The results of the Pilot will allow ComEd, the

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311 Commission, and customer stakeholders to design further steps toward improving  
312 demand response programs and increasing system efficiencies.

313 • Most current meters serve no other purpose than to support a monthly bill  
314 calculation. They do not provide customers with readily accessible information to  
315 control their electric usage and thus their bills, and they do not provide ComEd  
316 and the ICC with information to design tariffs that encourage demand side  
317 efficiencies. ComEd worked collaboratively with stakeholders to include in the  
318 AMI Pilot a formal assessment that couples the near real-time ability of AMI to  
319 provide customers with usage information with dynamic pricing alternatives to  
320 test customers' acceptance and use of the tools that can help them reduce their  
321 monthly bills by shifting usage to times when the price of electricity is lower.

322 • Such a shift and/or reduction in usage patterns would reduce peak system usage  
323 and potentially peak time power prices, benefitting both the customers directly  
324 affecting the system usage pattern and all control area customers.

325 **Q. Does the AMI Pilot consist solely of deployment of AMI meters?**

326 A. No. The Pilot involves AMI meters and associated communications and information  
327 systems infrastructure.

328 **Q. As part of the Pilot, how many AMI meters have been installed?**

329 A. To date, ComEd has installed approximately 120,000 AMI meters from the total of  
330 131,000 to be installed in the Pilot locations and has successfully billed a number of  
331 customers from the AMI reads. Our post-meter installation survey measures how

332 satisfied customers are with the process of installing the new meters. To date, 89.6% of  
333 customers have been satisfied with the AMI installation experience.

334 **Q. What costs are included in rate base for the AMI Pilot?**

335 A. As set forth in the testimony (including attachments) of Ms. Houtsma and Mr. Fruehe  
336 (ComEd Ex. 6.0), the rate base includes \$51,888,000 (gross plant amount) for the AMI  
337 pilot, which also is one of the projects listed on “Schedule F-4” (ComEd Ex. 9.1) attached  
338 to the testimony of Michael McMahan. That amount is being prudently incurred to meet  
339 the plan approved by the ICC, is reasonable due to the careful planning and  
340 implementation of the project, and the meters and other equipment are used and useful in  
341 measuring usage as well as providing the other data that are part of the design of the  
342 project. The capital spend has been on budget, and is consistent with the project timeline  
343 and expectations.

344 Vendor selection began during the AMI workshops. ComEd, with input from  
345 stakeholders, developed and revised a Request for Proposal (“RFP”) that explored pricing  
346 and optionality. ComEd issued the revised RFP in February 2009 to ten vendors with  
347 known AMI deployments. Eight of the ten vendors responded. The requirements  
348 included criteria for capability, flexibility and scalability, network performance, security,  
349 maturity, obsolescence risk, economic stimulus, interoperability, MWBE, and  
350 environment. Three vendors passed the “gates” within the criteria. ComEd conducted an  
351 extensive process to evaluate and score the three proposals. ComEd shared its scoring  
352 results as well as its “order of magnitude” pricing comparison, preserving vendor  
353 anonymity, with the applicable stakeholders. ComEd conducted price negotiations with  
354 the three vendors as well as due diligence inquiries. The vendor that finally was selected

355 scored highest on 9 of the 10 criteria, and, based on ComEd’s evaluation, provided the  
356 most secure, highest performing, and most interoperable solution that also met all of  
357 ComEd’s gates.

358 **Q. What alternatives did ComEd consider prior to making the proposal that resulted**  
359 **in the AMI Pilot directed by the ICC?**

360 A. The status quo was the only viable alternative, in the sense that “doing nothing” was an  
361 option before ComEd made the proposal that ultimately led to the ICC directing the AMI  
362 Pilot project. However, “doing nothing” would not achieve the benefits that led the ICC  
363 to direct the AMI Pilot project.

364 **IV. Costs (Capital Costs and Operating Expenses)**

365 **A. Planning and Cost Controls**

366 **Q. Does the Customer Operations organization have an overall planning and project**  
367 **management process?**

368 A. Yes. The Strategies and Support department provides centralized support for all  
369 Customer Operations departments, including business planning and project management.  
370 The Customer Operations organization reviews proposals, budgets, and expenditures to  
371 ensure that costs are prudently incurred and reasonable in amount. We have instituted a  
372 formal “gating” process where significant projects must pass through various approval  
373 stages. We begin by debating and challenging the business benefits of a proposed project.  
374 A charter is developed and socialized with the Customer Operations leadership team. If  
375 it is deemed that the project is worthwhile it is approved by me for an initial estimate.  
376 Before it can enter the design and build stages, we are presented with detailed estimates.  
377 We examine and challenge the estimates and once again debate the benefits versus the

378 expenditures. I control the approval in each step of the process. At these meetings, we  
379 also review the actual and forecasted spends of each project in the pipeline. We monitor  
380 the variances and the project owners are expected to be prepared to discuss any variances  
381 and necessary mitigation plans if a project is over budget.

382 **Q. What are some examples of assets used to support the customer service function?**

383 A. Two categories of plant that support the provision of customer service are meters  
384 (Distribution Plant) and information systems (Intangible Plant) used to support customer  
385 accounts and customer service and information systems (such as CIMS). Other types of  
386 plant that support customer service include vehicles used by meter readers and capitalized  
387 communications and other equipment and office space used for and by personnel  
388 performing customer service (General Plant). The assets used to support customer  
389 service are both used and useful. The Uniform System of Accounts does not have any  
390 category for “Customer” Plant. The testimony (including attachments) of Ms. Houtsma  
391 and Mr. Fruehe addresses the accounting for plant in rate base, including meters (in  
392 Distribution Plant) and the portions of General Plant and Intangible Plant costs  
393 attributable to delivery services.

394 **Q. What are ComEd’s Customer Accounts activities and how do they support the**  
395 **provision of retail distribution services?**

396 A. Customer Accounts activities include meter reading, billing, and revenue management  
397 functions, including activities related to collection and uncollectible accounts. These  
398 activities are integral parts of the delivery services function and are necessary for the  
399 successful operation of a delivery utility like ComEd. The amount of Customer Accounts

400 expenses included in the revenue requirement is \$196,288,000 (including uncollectible  
401 accounts expense of \$36,460,000), the vast majority of which is incurred to support the  
402 meter reading, customer records, and collections functions, plus uncollectible accounts  
403 expense, as detailed in the testimony (including attachments) of Ms. Houtsma and  
404 Mr. Fruehe.

405 **Q. What are ComEd's Customer Service and Information activities and how do they**  
406 **support the provision of retail distribution services?**

407 A. Customer Service and Information activities are associated with: customers establishing  
408 new service, customer support services, and many customer-related aspects of data  
409 management, as well as with providing information to our customers, suppliers,  
410 transmission providers, and regulators, as applicable. Accordingly, Customer Service  
411 and Information expenses reflect the costs of such basic tasks as establishing delivery  
412 service, addressing billing questions, resolving billing disputes, and providing  
413 information on service options. The amount of Customer Service and Information  
414 expenses included in the revenue requirement is \$9,067,000, as detailed in the testimony  
415 (including attachments) of Ms. Houtsma and Mr. Fruehe.

416 **Q. You earlier referred to A&G expenses incurred in order to support the customer**  
417 **service function. What are some examples of these expenses?**

418 A. Some examples include information technology support, human resources, and finance.  
419 The testimony (including attachments) of Ms. Houtsma and Mr. Fruehe discusses the  
420 portion of A&G expenses attributable to the provision of customer service.

421 Q. **Are the costs of ComEd's Customer Account activities and the associated capital**  
422 **and A&G costs prudent and reasonable in amount?**

423 A. Yes. ComEd has designed its customer account systems (*e.g.*, metering and billing  
424 systems) to operate efficiently and to meet the requirements of its customer base, service  
425 territory, and service offerings. These systems also are designed to comply with the  
426 Commission's rules applicable to billing, remittance, and collections. The costs  
427 associated with the Customer Accounts activities, including those recorded in these  
428 accounts and the related A&G expenses and plant costs, are subject to the careful  
429 planning, budget, variance, and other cost control processes that I have referenced earlier  
430 and that also are discussed in general by other ComEd witnesses.

431 Q. **Are the costs of ComEd's Customer Service and Information activities and the**  
432 **associated capital and A&G costs prudent and reasonable in amount?**

433 A. Yes. ComEd actively manages its Customer Service and Information activities. My  
434 departments, in conjunction with the finance function and, where appropriate, other  
435 operating departments, evaluate Customer Service and Information activities to determine  
436 that they are appropriate and that their costs are well-controlled, financially and  
437 operationally, and objectively reasonable. ComEd also considers the costs of new  
438 enhancements in these areas as an integral part of the planning and decision-making  
439 process for new customer service initiatives. In many cases, ComEd performs these  
440 functions internally. When ComEd uses contractors, the contractor procurement and  
441 management processes also emphasize cost control along with consistent quality. Also,  
442 as with the Customer Accounts activities, the costs associated with the Customer Service  
443 and Information activities, including those recorded in these accounts and the related

444 A&G expenses and plant costs, are subject to the careful planning, budget, variance, and  
445 other cost control processes that I have referenced earlier and that also are discussed in  
446 general by other ComEd witnesses.

447 **B. Uncollectible Accounts Expense**

448 **Q. What amount of uncollectible accounts expense is included in operating expenses in**  
449 **the proposed revenue requirement?**

450 A. As discussed in the testimony (including attachments) of Ms. Houtsma and Mr. Fruehe,  
451 \$36,460,000 of uncollectible account expense is included in operating expenses in the  
452 proposed revenue requirement. They explain that that figure is limited to uncollectible  
453 accounts expense for delivery services. They also explain the relation of this amount to  
454 the implementation of the new provisions for recovering incremental uncollectibles costs  
455 contained in ComEd's uncollectibles rider, Rider UF.

456 **Q. In connection with the minimization and collection of uncollectibles, does ComEd:**

- 457 **(1) identify customers with late payments;**  
458 **(2) contact the customers in an effort to obtain payment;**  
459 **(3) provide delinquent customers with information about possible**  
460 **options, including payment plans and assistance programs;**  
461 **(4) serve disconnection notices;**  
462 **(5) implement disconnections based on the level of uncollectibles; and**  
463 **(6) pursue collection activities based on the level of uncollectibles?**

464 A. Yes. The minimization and collection of uncollectibles are two of the objectives of our  
465 customer service operations and we work diligently within the established regulatory  
466 framework to achieve those objectives. The first four of those six categories of activities  
467 involve long-established processes that ComEd uses in implementing disconnections and  
468 pursuing collection activities and information that it makes available to customers in a

469 variety of ways. When a customer defaults on payment, we begin by performing a  
470 deposit review to assess if a deposit should be required. We next place proactive calls to  
471 the customer in an attempt to collect payment. Depending on the customer's risk score,  
472 which I discuss further below, the proactive call may or may not precede the issuance of  
473 the customer's next bill. If we are still unsuccessful, we issue a disconnection notice to  
474 the customer that explains they may be disconnected in 10 days. We also issue a "last  
475 chance" in the form of placing a call three days before they enter the "cut" window. If  
476 they do not make payment, they enter the population of customers eligible for  
477 disconnection.

478 We meet the fifth and sixth items on the list by pursuing the above processes. We  
479 also comply with the special legal requirements relating to winter disconnections.

480 We also take the following additional steps as part of our processes. We risk  
481 score every customer based on payment behavior. This takes place automatically in our  
482 system two days after every bill is due using a robust algorithm. We select the  
483 disconnects to execute based on several factors including high dollar accounts and  
484 "behavioral cuts". The behavioral cuts are the higher risk scores, which represent  
485 customers with poor payment history. The higher the risk score, the earlier we  
486 disconnect, subject to legal requirements. By doing so when the customer owes a lower  
487 amount, we have the best chance of collecting from customers who can pay. Higher  
488 account values are more likely to result in non-payment from this segment of customers.  
489 Once an account has "finaled" (the customer is no longer being billed for electric  
490 service), we issue a final bill and allow 30 days to pay. We hand the accounts over to our  
491 first stage of collection agencies that attempt to collect the debt within 90 days. After

492 90 days we pull the accounts back from the collection agencies and charge off the  
493 balance to bad debt. We then move it to our next stage of collection agencies. After one  
494 year, we transfer it to our final vendor who continues to work on collecting the debt.

495 **Q. Has ComEd taken any new or enhanced steps to improve its credit and collection**  
496 **activities?**

497 **A.** Yes. ComEd has increased its focus on collections activities, seeking to recover amounts  
498 owed from those able to pay, and taking into account the level of uncollectibles. ComEd  
499 replaced all but one of its credit collection vendors in the first quarter of 2009 in an effort  
500 to improve performance. In the fourth quarter of 2009, ComEd implemented a  
501 “Champion Challenger” model to assist with cash recoveries on monies owed to ComEd.  
502 As a result, collections net of commissions for 2009 were \$1.949 million higher than  
503 2008, representing a 31% increase. In addition, in 2009, we terminated nearly 151,000  
504 delinquent accounts.

505 ComEd, through litigation, also has increased its collections from those who can  
506 pay. In particular, a special claims-litigation group was highly successful in this regard,  
507 ultimately significantly reducing the cost of uncollectibles. The group recovered  
508 \$7,090,000 in cash and obtained another \$2,620,000 in judgments in 2009. \$5,960,000  
509 still was in litigation at the end of 2009. Some amounts were recategorized, e.g., a  
510 successor was back-billed, the customer filed bankruptcy, estimated meter reads were  
511 trued up, or a billing issue was corrected.

512 In addition, the Experian Matching Project was implemented to match accounts  
513 that were previously written off to active customers. As a result of these and other  
514 efforts, from January 2009 to November 2009, over 60 day total receivables (which

515 represents monies owed to ComEd more than 60 days after the bill date) improved by  
516 18%.

517 Additionally, in July 2009, ComEd implemented both a short and long term  
518 process to detect and prevent fraud. The processes prevented an estimated \$800,000 of  
519 losses in 2009.

520 **Q. Have you developed any models to help with your collections decision making?**

521 A. Yes. We worked with a well known consulting firm, PA Consulting, to develop a credit  
522 and collection optimization model from a thorough analysis of current customer data.  
523 The optimization and decision support tool is currently in use, which enables us to  
524 migrate from experience-based to evidence-based decisions on collection activity. We  
525 are able to better forecast by creating “what-if” scenarios, prioritizing eligible customers  
526 based on risk, and determining optimal points of collections by our different risk  
527 segments. The model follows a systematic approach of (1) determining the objective to  
528 be optimized, (2) developing simulation models that account for constraints and possible  
529 outcomes, (3) ultimately identifying the variables and decision points for rules, and 4)  
530 update of the probabilities and resulting rules annually.

531 **Q. Are there any other notable recent initiatives you have undertaken or plan to take**  
532 **relating to cost recovery?**

533 A. Yes. We have made process and system changes which will greatly reduce the number of  
534 “NSF” (non-sufficient funds) checks we receive after we restore service, reducing  
535 uncollectibles. This includes a holding period prior to restoration that allows us to verify  
536 sufficient funds and instituting cash-only requirements.

537 In addition, a current project will upgrade our Application Verification/POSID  
538 system to help us ensure customers who sign up for service are who they say they are.  
539 We can also use this information to better transfer debits to customers who have not paid  
540 their bills at previous addresses, reducing uncollectibles.

541 **V. Regulatory Programs**

542 **A. Purchase of Receivables with Consolidated Billing**

543 **Q. In 2009, did ComEd take any steps to implement its purchase of receivables**  
544 **program relating to Retail Electric Suppliers (“RESs”)?**

545 **A.** Yes. P.A. 95-0700 amended the Public Utilities Act to require that electric utilities  
546 provide certain services to RESs, including a purchase of receivables (POR) service. All  
547 of these required services involve ComEd’s billing system.

548 ComEd participated in statewide workshops lead by Torsten Clausen of the ICC’s  
549 Office of Retail Market Development (“ORMD”) to get market input on how to  
550 implement the POR project. The workshops included participation by ICC Staff, the  
551 Citizens Utility Board, the Illinois Attorney General’s Office, the Ameren utilities,  
552 current Retail Electric Suppliers (“RES’s”), and RES’s interested in serving the mass  
553 market in Illinois. ComEd took the input from this group to design a product that would  
554 handle not only the new billing and receivables financial transactions required, but the  
555 increased switching, increased data exchange, and new Electronic Data Interchange  
556 (“EDI”) Standards required to effectively implement the POR service. Based on this  
557 input, ComEd proposed a purchase of receivables service with consolidated billing,  
558 which is reflected in its proposed Rider PORCB – Purchase of Receivables with  
559 Consolidated Billing (“Rider PORCB”) tariff currently pending in Docket No. 10-0138.

560 ComEd successfully designed and implemented a prudent approach to the 2009  
561 project scope for implementation of the PORCB program at a reasonable cost, with the  
562 assistance of strategic partner Accenture and with oversight by Exelon IT. ComEd  
563 successfully completed on schedule and on budget the 2009 project scope. ComEd  
564 successfully completed detailed designs, secured funding, and began coding of the major  
565 components, including CIMS (the customer information management system), CEDI  
566 (choice electronic data interchange), CDW (customer data warehouse), and the revised  
567 customer bill. The project was designed and managed to incur only those costs that were  
568 prudently required in order to comply with the new law and that were reasonable in  
569 amount, and is used and useful. ComEd also successfully petitioned the ICC to remove  
570 the technical terms and conditions from the back of customer bills to enable dual-sided  
571 printing for the new customer billing format, which will result in saving bill production  
572 and postage costs.

573 The PORCB project is one of the projects included on Schedule F-4 attached to  
574 the testimony of Mr. McMahan. The rate base includes \$16,679,000 (gross plant  
575 amount) for the PORCB project as reflected in the testimony (including attachments) of  
576 Ms. Houtsma and Mr. Fruehe. The amounts for this project are currently sought to be  
577 recovered by ComEd in its proposed Rider PORCB. If ComEd is successful in that  
578 regard, then the amounts will be removed from rate base for purposes of determining the  
579 revenue requirement in the instant proceeding.

580 Q. **Did ComEd consider any alternatives to the PORCB project?**

581 A. There was no alternative to complying with the law regarding the POR service. The only  
582 question was how best to implement the law. ComEd successfully designed and  
583 implemented a prudent approach at a reasonable cost, as I stated above.

584 **B. Uncollectible Factor (UF), Percentage of**  
585 **Income Payment Plan (PIPP), and On-Bill Financing**

586 **Q. Have you taken steps to implement the Uncollectible Factor, Percentage of Income**  
587 **Payment Plan and On-Bill Financing provisions of P.A. 96-0033?**

588 A. Yes. ComEd has successfully implemented the system changes required to implement  
589 the Uncollectible Factor and Percentage of Income Payment Plan provisions of the law  
590 (the former involving the uncollectibles rider, Rider UF, which I previously mentioned).  
591 As to the On-Bill Financing provisions, ComEd participated in the workshop process  
592 required by statute during 2009, and filed an implementation plan in early 2010. That  
593 plan was approved by the Commission on June 2, 2010. ComEd now will be working  
594 expeditiously to implement the billing system changes need to accommodate the  
595 program. Cost recovery for this program will be through the Energy Efficiency and  
596 Demand Response Adjustment (Rider EDA) for residential customers post  
597 implementation.

598 **Q. Does this complete your direct testimony?**

599 A. Yes.