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ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY :
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16-108.5 of the Public Utilities Act. :

Direct Testimony of
LAURA NOVY
Vice President,
Customer Care
Commonwealth Edison Company

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1 **I. Introduction**

2 **A. Identification of Witnesses**

3 **Q. What is your name and business address?**

4 A. My name is Laura Novy. My business address is 1919 Swift Road, Oakbrook, Illinois
5 60521.

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

7 A. I am Vice President of Customer Care for Commonwealth Edison Company (“ComEd”).

8 **B. Purposes of Testimony**

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

10 A. In my testimony:

- 11 • I give an overview of ComEd’s customer service operations, explaining the
12 functions those operations perform.
- 13 • I also discuss and support the 2011 operating expenses, the 2011 capital costs for
14 plant additions that ComEd has incurred, and the 2012 capital costs for projected
15 plant additions that ComEd will incur to provide customer service, including the
16 investment ComEd will make pursuant to the Customer Field Operations Blanket
17 Programs and the uncollectible accounts expense that ComEd incurs.
- 18 • I discuss the ways that ComEd ensures that its capital costs and operating
19 expenses to provide customer service are reasonable, including several innovative
20 programs that ComEd has implemented and continues to implement to reduce
21 operating costs.

22 **C. Summary of Conclusions**

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

24 A. The main conclusions of my testimony are:

- 25 • ComEd plans, implements, and manages its customer service operations so as to meet
26 its customers' needs for timely, high quality customer service while controlling
27 operating expenses and capital costs to ensure that they are prudently incurred and
28 reasonable in amount, and that capital expenditures result in assets that are used and
29 useful.
- 30 • ComEd has adopted a number of programs that have reduced costs without detracting
31 from customer service quality. ComEd prudently and reasonably executes the
32 purchase, installation, removal, and exchange of meters through blanket programs in
33 the Customer Field Operations category of work. ComEd also has significantly
34 enhanced its billing of unmetered / unbilled revenues and its credit and collection
35 activities.

36 **D. Background and Qualifications**

37 **Q. What are your duties as ComEd's Vice President, Customer Care?**

38 A. I am responsible for overseeing the development and execution of the Customer Care
39 strategy. Customer Care directs the first point of contact for all residential, small
40 commercial and industrial inquiries through phone, written, and web contact. I provide
41 leadership for the operational plan through long-range forecasting and planning, mid-
42 range operating planning and real-time management. I am also responsible for the
43 oversight of forecasting, staffing, revenue recovery, and payment processing initiatives,

44 as well as oversight for the timely and accurate processing of approximately 4 million
45 customer bills on a monthly basis. When appropriate, adjustments to customer bills are
46 handled under my direction, which include manual billing of complex accounts and
47 management of back office processes for investigation and subsequent billing of diverted
48 revenue. I ensure monthly billing oversight, including strategic planning as to future
49 billing strategies designed to drive toward reduced costs and optimization of operations
50 while minimizing billing exceptions. This strategy also focuses on reducing the number
51 of bill adjustments, automating manual billing processes and tightening financial
52 controls. I use industry best practices in order to optimize technological change and
53 innovation while overseeing the budget process for Customer Care. I focus on meeting
54 the needs of customers, while protecting company revenue, maximizing company
55 financial returns and increasing the performance of key performance indicators.

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

57 A. Prior to my current role, I served as the director of ComEd Revenue Management. Prior
58 to joining ComEd in 2008, I spent twelve years in the financial sector, where my
59 responsibilities included site management and training development.

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

61 A. I hold a bachelor's degree in Accounting from Robert Morris College and a Masters of
62 Business Administration from Lewis University. I also graduated from the Internet
63 Design Program at the Illinois Institute of Technology.

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

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

66 A. ComEd delivers electricity to approximately 3.8 million residential and business
67 customers across Northern Illinois. I should note that when ComEd uses the term
68 customer, we essentially mean a point of service that has an account, *e.g.*, a single family
69 home with a single meter and a single account would count as one customer, no matter
70 how many people live in the home. Overall, ComEd delivers electricity to about 70% of
71 the population of the state of Illinois or over 9 million people.

72 **Q. What functions and activities are included within ComEd's Customer Operations**
73 **area?**

74 A. The Customer Operations area includes Meter Reading, Field and Meter Services,
75 Billing, Revenue Management, Revenue Protection, Cash Processing, the Customer
76 Contact Centers (the "Call Centers"), and Customer Relations. Those operations cover
77 nearly every aspect of a customer's interaction with ComEd. ComEd refers to these
78 operations as customer services, all of which are governed by the Customer Operations
79 area. Those functions: (1) allow customers to request new or modified service; (2)
80 measure customers' use of ComEd's electricity delivery service; (3) provide data and
81 other information about those services to customers, suppliers, transmission providers,
82 and regulators, as applicable; (4) render customer bills; (5) respond to customer inquiries
83 about those functions and provide other information to customers; and (6) handle
84 payment processing and collections. All these functions are necessary to the successful

85 operation of a utility like ComEd. The following graphic gives a high level perspective
86 of customer service operations' core functions.



88 **Q. How are these functions and activities accounted for?**

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

101 **Q. What categories of plant support customer service operations?**

102 A. Two categories of plant that support the provision of customer service are meters
103 (Distribution Plant) and information systems such as the Customer Information and
104 Management System (“CIMS”) (Intangible Plant). Other types of plant that support
105 customer service include vehicles used by meter readers, capitalized communications and
106 other equipment, and office space used for and by personnel performing customer service
107 (General Plant). The testimony (including attachments) of ComEd witness Martin Fruehe
108 (ComEd Ex. 3.0) provides more detail on the accounting for the costs incurred to provide
109 customer service.

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

111 A. ComEd has and continues to implement several changes to enhance its customer service
112 operations. One of the most notable changes was an in-depth review of the various touch
113 points between ComEd and its customers. As a result of this review, Customer Care
114 commenced a Customer Experience initiative focused on First Call Resolution and Total
115 Quality. First Call Resolution refers to remedying the customer’s issue the first time in
116 which he/she calls. Areas of opportunity to improve First Call Resolution include
117 focusing on improving hiring practices, providing additional Customer Service
118 Representative (“CSR”) training, implementing call segmentation and the automated
119 telephone response system known as the Voice Response Unit (“VRU”), menu/scripting
120 changes, and improving quality monitoring. Total Quality refers to and includes the
121 development of a multifaceted philosophy for monitoring, interpreting, measuring,
122 auditing and reporting the customer’s call experience. In addition to the Customer
123 Experience initiative projects, 2011 proved to be one of the most severe storm seasons in

124 ComEd history. This resulted in the creation of a Customer Operations task force to
125 review all of the lessons learned from the storms as well as provide tactical improvements
126 in time for the 2012 storm season. The Customer Operations task force group overhauled
127 the storm response process within ComEd and completed a reorganization of storm roles
128 in an effort to better serve the customer and to function more efficiently.

129 **Q. What additional actions has ComEd taken to improve customer service?**

130 A. ComEd is leveraging new technologies to communicate with customers in the means and
131 manner in which they want to be communicated with. It was not too long ago when the
132 primary means of contact for a customer required a call into the Call Center. Beginning
133 in 2011 and going forward, ComEd has utilized new electronic channels to provide our
134 customers the flexibility to contact us to process orders or research information through a
135 portfolio of electronic channels, including the web at ComEd.com, Facebook, Twitter,
136 and YouTube; Outage Text Notification; and a Mobile Application. In 2011, the Call
137 Center handled 13.6 million telephone calls, while 14.0 million customer transactions
138 were processed through the web, 246 thousand customer transactions were processed
139 through the Mobile Web Application, and over 316 thousand outbound outage text
140 notifications were delivered to customers.

141 In addition, in 2011, the VRU was enhanced with a new billing and payment
142 application allowing customers to handle all billing and payment related business by
143 using speech recognition. When necessary, customers also have the option to use their
144 telephone keypad. The application communicates directly with CIMS to issue the
145 appropriate transaction; customers always have the option to transfer out of the

146 application and speak with a live CSR during normal business hours. The application is
147 available 24 hours a day, seven days a week. In addition to this new application, the
148 VRU's functionality was also improved to include: a payment history list, the ability to
149 stop budget billing, and the ability to enroll, modify, or stop an Electronic Funds Transfer
150 ("EFT"). This speech application also gives customers the option to receive a text
151 message confirming their VRU transaction. In addition, ComEd's website was enhanced
152 to increase customer usability based upon direct feedback from customers, and self-
153 service options were added to the web for small commercial and industrial customers.
154 ComEd initiated a Web enhanced Customer Satisfaction Survey which allows ComEd to
155 track customer satisfaction via the Web, LIHEAP Communications, Enhanced Outage
156 Alerts, an internal document repository website which is easily accessible by our CSRs,
157 which will increase efficiencies and overall customer satisfaction. Additional updates
158 were done with the billing system to allow for more accurate billing estimations and
159 additional functions to inform customers of outages in their specific areas.

160 **III. Capital Costs and Operating Expenses**

161 **A. O&M Expenses**

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

164 **A.** The total amount of Customer Accounts operating expense for 2011 included in the
165 updated revenue requirement is approximately \$196 million (ComEd Ex. 3.1, Sch
166 FR A-1, Line 2). As previously referenced, the Customer Operations area consists of the
167 Billing, Call Center, Field and Meter Services, Meter Reading, Revenue Management,

168 and the Revenue Protection Departments. In 2011, these areas were responsible for
169 reading the meters and billing the ComEd service territory consisting of 3.8 million
170 customers, as well as handling over 13.6 telephone calls. The operating expenses, which
171 total \$196 million, support the daily activities for each of these departments as well as the
172 uncollectible delivery service expense of approximately \$25 million, as detailed in the
173 testimony of Martin Fruehe (ComEd Ex. 3.0). ComEd Ex. 3.1, App 7 – Sum of lines 13
174 and 26).

175 **Q. Were the operating expenses and associated A&G costs of ComEd’s Customer**
176 **Account activities prudently incurred and reasonable in amount?**

177 **A.** Yes. ComEd has designed its customer account systems (*e.g.*, metering and billing
178 systems) to operate efficiently and to meet the requirements of its customer base, service
179 territory, and service offerings. These systems also are designed to comply with the
180 Commission’s rules applicable to billing, remittance, and collections. Further, ComEd
181 actively manages its customer service activities. Customer Operations, in conjunction
182 with the finance function and, where appropriate, other operating departments, evaluates
183 customer service activities to determine that they are appropriate and that their costs are
184 well-controlled, financially and operationally, and objectively reasonable. ComEd also
185 considers the costs of new enhancements in these areas as an integral part of the planning
186 and decision-making process for new customer service initiatives. In many cases,
187 ComEd performs these functions internally. When ComEd uses contractors, the
188 contractor procurement and management processes also emphasize cost control along
189 with consistent quality. The costs associated with the Customer Accounts activities,

190 including those recorded in these accounts and the related A&G expenses and plant costs,
191 are subject to the careful planning, budget, variance, and other cost control processes.

192 **Q. What amount of uncollectible accounts expense is included in operating expenses in**
193 **the updated revenue requirement?**

194 A. As discussed by Martin Fruehe (ComEd Ex. 3.0), approximately \$25 million of
195 uncollectible account expense is included in operating expenses in the updated revenue
196 requirement. He explains that figure is limited to uncollectible accounts expense for
197 delivery service. He also explains the relationship between this amount and the
198 implementation of the new provisions for recovering incremental uncollectibles costs
199 contained in ComEd's Rider UF – Uncollectible Factors ("Rider UF"). This topic is
200 discussed in more detail in the Rider UF reconciliation proceeding, Docket No. 11-0609,
201 filed with the Commission on August 31, 2011.

202 **Q. How does ComEd minimize and collect uncollectibles?**

203 A. The minimization and collection of uncollectibles are two of the objectives of ComEd's
204 customer service operations and we work diligently within the established regulatory
205 framework to achieve those objectives. Section 16-111.8(c) of the Public Utilities Act
206 ("Act") (220 ILCS §16-111.8(c)) identifies six categories of activities regarding
207 minimization and collection of uncollectibles: (1) identify customers with late payments;
208 (2) contact the customers in an effort to obtain payment; (3) provide delinquent
209 customers with information about possible options, including payment plans and
210 assistance programs; (4) serve disconnection notices; (5) implement disconnections based

211 on the level of uncollectibles; and (6) pursue collection activities based on the level of
212 uncollectibles.

213 The first four of those six categories of activities involve long-established,
214 regulated processes that ComEd uses in implementing disconnections and pursuing
215 collection activities, as well as information that ComEd makes available to customers in a
216 variety of ways. When a customer defaults on payment, we first assess late payment
217 charges and perform a deposit review to assess if a deposit should be required. We then
218 place calls to the customer in an attempt to collect payment and educate the customer
219 about possible payment options. Depending on the customer's risk score, the call may or
220 may not precede the issuance of the customer's next bill. If we are still unsuccessful in
221 collecting payment, we issue a disconnection notice to the customer that explains they
222 may be disconnected in 10 business days. We also provide a "last chance" in the form of
223 a call three business days before the customer enters the "cut" window. Failure to make
224 payment makes the customer eligible for disconnection. We meet the fifth and sixth
225 items on the list by pursuing the above processes, as well as utilizing high dollar and
226 "behavioral cuts," and enhancing our collection activities, all of which are described
227 below. We also comply with the special legal requirements relating to winter
228 disconnections.

229 **Q. Does ComEd take additional steps as part of its processes?**

230 **A.** Yes. We use a robust algorithm to risk score every customer based on payment behavior.
231 This risk score is automatically updated in our system two days after every bill is due.
232 Customers with poor payment history receive high risk scores, and the higher the risk

233 score, the earlier we disconnect, subject to legal requirements. This practice is known as
234 “behavioral cuts.” In addition to the risk score, ComEd selects disconnects to execute
235 based on several factors including dollar value of the accounts. This selection is
236 employed because higher account values are more likely to result in non-payment from
237 this segment of customers. By disconnecting when the customer owes a lower amount,
238 we have the best chance of collecting from customers who can pay.

239 In addition, once an account has “finaled” (the customer is no longer being billed
240 for electric service), we issue a final bill and allow 30 days to pay. We hand the accounts
241 over to our first stage of collection agencies that attempt to collect the debt within 90
242 days. After 90 days, we pull the accounts back from the collection agencies and charge
243 off the balance to bad debt. We then move it to our next stage of collection agencies.
244 After one year, we transfer it to our final vendor who continues to work on collecting the
245 debt.

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

247 **A.** ComEd implements improvements every year seeking to recover amounts owed from
248 those able to pay. ComEd implemented a model to assist with cash recoveries on monies
249 owed to ComEd. The model places ComEd’s collection agencies in direct competition
250 with each other by rewarding those achieving higher recoveries with additional accounts
251 upon which to collect. As a result, collections net of commissions increased by \$338
252 thousand in 2011 over 2010. In addition, ComEd terminates service for approximately
253 110,000 to 140,000 delinquent accounts each year.

254 ComEd has also increased its collections by focusing on litigation based
255 collections activities. A special claims-litigation group was highly successful in this
256 regard, ultimately achieving significant collections and reducing the amount of
257 uncollectibles. The group recovered \$6,055,650 in cash and obtained another \$1,537,570
258 in judgments in 2011.

259 **Q. Has ComEd undertaken any other initiatives relating to cost recovery?**

260 A. Yes. ComEd has made process and system changes that will greatly reduce the number
261 of non-sufficient funds (“NSF”) checks we receive after we restore service, reducing
262 uncollectibles. For example, ComEd found that some restored customers were making
263 payments for amounts much greater than the amount owed and then closing their account.
264 Refunds were being issued on these payments that days later were returned for NSF. As
265 a result, system changes were made to provide for a 15-day clearing period before
266 releasing checks greater than \$200 on accounts that have been closed. In addition, a
267 holding period of 5 days prior to restoration of a disconnected service has been instituted
268 when a customer pays with a paper check to allow us to verify sufficient funds. Not only
269 does this practice ensure that we have collected the funds, it eliminates two technician
270 field trips – one to restore service based on funds that were actually insufficient, and
271 another to disconnect the service a second time. If the customer makes a payment via
272 credit card, debit card, cash, or certified funds, we follow the regular restore process. We
273 have also instituted “cash-only” requirements for customers that have two returned items
274 in less than 12 months. “Cash-only” customers also have the option to pay via cash
275 equivalents, such as credit or debit card.

276 Q. **What additional activities has ComEd undertaken to protect its revenues?**

277 A. ComEd fully staffs its Revenue Protection Department (“RevPro”). RevPro is tasked
278 with improving the billing of unmetered / unbilled revenues and the utility’s credit and
279 collection activities. Included in RevPro’s function is to find and bill customers who
280 attempt to defraud the utility of revenue by committing acts with the intent of not
281 measuring or paying for delivered electricity. Examples include, but are not limited to,
282 tampering with electric meters, diverting service to avoid metering, and illegal restoration
283 of service. RevPro began a process of applying charges for costs incurred in cutting
284 service due to tampering. Additionally, ComEd achieved 26 arrests prosecuted under the
285 Interference with Utility Services Act, for tampering with and/or theft of electricity.
286 These measures help reduce costs to other customers caused by theft and tampering and
287 potentially have a deterrent effect. Finally, in 2011, RevPro completed 79,549 field
288 visits, billing an additional \$22.6 million worth of services as a result.

289 **B. Plant Additions**

290 Q. **What is the total amount of actual plant additions for 2011 related to customer**
291 **service operations?**

292 A. The total amount of actual capital additions for 2011 related to customer service
293 operations is approximately \$18.8 million, as reflected in ComEd Ex. 7.1.

294 Q. **Please describe the plant additions associated with the customer service function**
295 **that were placed in service during 2011.**

296 A. In addition to the assets placed in service through the blanket programs discussed below,
297 there were nine additional customer service related plant additions completed in 2011 at a

298 combined cost of approximately \$2.5 million. The three largest projects, each with a cost
299 greater than \$300,000, incorporate improvements geared toward enhancing a customer's
300 experience with the utility. The largest project deployed technology which allows the
301 Call Center's VRU to process billing and payment transactions via speech recognition.
302 The technology allows customers to utilize spoken word to make their selections in the
303 automated menu instead of having to manually press a number on their telephone keypad.
304 The second largest project involves upgrades to CIMS pertaining to accounting issues on
305 closed customer accounts. After a customer closes his/her account, ComEd issues a final
306 bill. On occasion, a customer may either overpay or underpay the final bill resulting in a
307 credit or debit on the account. The capital project enables CIMS to move the credit or
308 debit to a customer's new account once it is established. The third project involves a
309 technology which enables ComEd to quickly extract meaningful intelligence from our
310 calls to provide a range of business benefits designed to increase the customer's
311 satisfaction while reducing operating costs.

312 **Q. What is the total amount of projected plant additions for 2012 related to customer**
313 **service operations included in the updated rate base?**

314 **A.** The total amount of projected capital additions for 2012 related to customer service
315 operations is approximately \$72.8 million. ComEd's projected plant additions for 2012
316 are identified in ComEd Ex. 6.2 attached to the testimony of Michelle Blaise (ComEd Ex.
317 6.0).

318 **Q. Can you describe the capital projects associated with the customer service function**
319 **that have been or will be added to rate base during 2012?**

320 A. Yes. ComEd will complete several capital projects associated with the customer service
321 function in 2012. There are thirteen additional customer service related plant addition
322 projects projected to be completed in 2012 at a cost of approximately \$6.1 million. The
323 two largest projects have a cost greater than \$2.85 million and deployed additions to
324 ComEd's website, www.comed.com, allowing for mobile device access, Spanish
325 translation, and frequently asked questions. The third largest project involves upgrades to
326 ComEd's appointment tool for field visits. On occasion, ComEd schedules appointments
327 with customers with damaged meters or meters requiring maintenance. The tool allows
328 ComEd's Call Center customer service representatives to schedule appointments with the
329 customer as well as provides for better field workforce management.

330 **Q. Were the capital costs for the assets associated with the customer service function**
331 **added to and included in ComEd's rate base or, with respect to assets projected to**
332 **be placed in service during 2012, will such costs be prudently incurred, reasonable**
333 **in amount, and incurred for assets that are used and useful in providing delivery**
334 **service?**

335 A. Yes. Customer Operations requires a business case review of the benefits compared to
336 the overall cost to implement. In addition, Customer Operations prioritizes and selects
337 the top projects which will increase productivity, efficiency, and the customer's overall
338 experience with the utility. The costs are also subject to the careful planning, budget,
339 variance, and other cost control processes, such as review by the project review
340 committee ("PRC") that also are discussed in general by Michelle Blaise (ComEd Ex.

341 6.0). Moreover, these projects are being or will be used to serve customers and are an
342 appropriate means of doing so, and are thus used and useful.

343 **Q. Do Customer Operations Functions utilize blanket programs?**

344 A. Yes. Capital blanket programs are generally described in the testimony of Michelle
345 Blaise (ComEd Ex. 6.0). Customer Operations also has a category of work called
346 Customer Field Operations, which is composed of blanket programs, and is included in
347 ComEd Exhibit 6.2 attached to Michelle Blaise's testimony. The controls for blanket
348 programs are discussed in Michelle Blaise's testimony (ComEd Ex. 6.0), as well.
349 Blanket programs are used to track work activities that are small in cost, high in volume,
350 and repetitive. Utilizing blanket programs allows work to proceed without requiring
351 authorization approval on a case-by-case basis, but rather for the pre-defined activity as a
352 whole.

353 **Q. Please describe the Customer Field Operations Blanket Programs.**

354 A. The Customer Field Operations category is composed of fifteen blanket programs,
355 including the five new AMI blanket programs for 2012. Nine of the programs are related
356 to the Field and Meter services area, and the five new blanket programs are related to
357 ComEd's advanced metering infrastructure ("AMI") Plan, and one is related to the
358 Customer Experience project as mentioned above. Out of the nine programs related to
359 Field and Meter services, seven of these are used to track the capitalized labor costs
360 associated with the installation, removal, testing, and exchange of meters. This includes
361 meter exchanges for commercial customers that have been declared competitive based
362 upon their prior year's usage; meter exchanges for residential customers requesting

363 service under Rate BESH – Basic Electric Service Hourly Pricing (“Rate BESH”) and
364 Rider RRTP – Residential Real Time Pricing Program (“Rider RRTP”); periodic meter
365 exchanges to meet regulatory requirements; meter installation, removals, and exchanges
366 associated with new business; meter exchanges associated with damaged or non-
367 functioning meters; removal of meters that are no longer required; and testing of new
368 meters. One of the nine blanket programs for Field and Meter services is used to track
369 the back office labor required to support the field crews.

370 The last of the nine blanket programs is used to track the material cost of
371 purchasing new meters. New meters are routinely purchased to satisfy the needs
372 identified above: new services, regulatory requirements, meter replacements, and
373 exchanges. Due to the large volume of meters purchased every year at a relatively minor
374 cost per unit, it is cost-prohibitive to track these on a per-project basis. Therefore, we
375 track the purchase of these items in a blanket program. In addition, ComEd utilizes
376 Exelon Business Services Company’s (“BSC”) sourcing function to obtain meters.
377 Because BSC purchases meters for both ComEd and its sister utility PECO, BSC is able
378 to realize a savings in meter cost per unit, which is passed on to ComEd. In addition to
379 the nine blanket programs for Field and Meter Services, for 2012 five programs are
380 related to the purchase of AMI meters pursuant to ComEd’s AMI Plan filed with the
381 Commission in Docket No. 12-0298.

382 **Q. How much did ComEd invest in calendar year 2011 for these Blanket Programs?**

383 A. ComEd invested a total of approximately \$16.2 million in the Customer Field Operations
384 Blanket program in 2011. The spreadsheet attached as ComEd Ex. 7.1 to my direct
385 testimony provides a list of these blanket programs and their associated dollar value.

386 Q. **How much does ComEd project it will invest in calendar year 2012 for these Blanket**
387 **Programs?**

388 A. ComEd projects that it will invest a total of approximately \$66.7 million in the Customer
389 Field Operations Blanket Programs in 2012. The increase in blanket program costs in
390 comparing 2011 and 2012 is mainly driven by the addition of the AMI meters to be
391 installed pursuant to the AMI Plan. The spreadsheet attached as ComEd Ex. 7.2 to my
392 direct testimony provides a list of these blanket programs and their associated dollar
393 values.

394 Q. **Were the capital costs for the investments made under these blanket programs or,**
395 **with respect to assets projected to be placed in service during 2012, will such costs**
396 **be prudently incurred, reasonable in amount, and incurred for assets that are used**
397 **and useful in providing delivery service?**

398 A. Yes. I am personally familiar with many of these blanket programs and the procedures
399 under which they were designed and under which they are managed and implemented.
400 The use of these blanket programs allows ComEd to efficiently manage this high-volume
401 work and to control the associated costs. I conclude that ComEd acted and acts prudently
402 in implementing these blanket programs and does so at reasonable cost. Moreover, these
403 projects are, or will be when placed into service in 2012, used to serve customers and are
404 an appropriate means of doing so, and are thus used and useful.

405 **C. Planning and Cost Controls**

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

408 A. Yes. The Customer Business Transformation and Technology department provides
409 centralized services to all of Customer Operations, including business planning and
410 project management. The Customer Operations area is subject to the same careful
411 planning, budget, variance, and other cost control processes that are discussed in general
412 by Michelle Blaise (ComEd Ex. 6.0). More specifically, the Customer Operations
413 organization reviews proposals, budgets, and expenditures to ensure that costs are
414 prudently incurred and reasonable in amount. Customer Operations has instituted a
415 formal “gating” process where significant projects must pass through various approval
416 stages. We begin by debating and challenging the business benefits of a proposed
417 project. A charter is developed and socialized with the Customer Operations leadership
418 team. The project charter is a document created by the project team to define objectives,
419 scope, schedule, business case, project team participants, and a preliminary budget, and
420 provides the project manager with the authority to apply organizational resources to
421 commence with project activities. If it is deemed that the project provides sufficient
422 benefits for its cost, it is recommended for approval by one of the Customer Operations
423 vice presidents with final approval of the initial estimate by the Senior Vice President of
424 Customer Operations. Before the project can enter the design and build stages, we obtain
425 detailed estimates. We examine and challenge the estimates and once again debate the
426 benefits versus the expenditures. Final approval in each step of the process comes from
427 the Senior Vice President of Customer Operations. At these meetings, we also review the

428 actual and forecasted cost of each project in the pipeline. We monitor variances, and the
429 project owners are expected to be prepared to discuss any variances and necessary
430 mitigation plans if a project is over budget.

431 **IV. Conclusion**

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

433 **A. Yes.**