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Direct Testimony of
RONALD E. DONOVAN, P.E.
Vice President,
Customer Business Transformation and Technology
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 Ronald E. Donovan. My business address is 1919 Swift Road, Oakbrook,
5 Illinois 60521.

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

7 A. I am Vice President, Customer Business Transformation and Technology for
8 Commonwealth Edison Company ("ComEd").

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 also discuss and support the 2011 operating expenses, the 2011 capital costs for
15 plant additions that ComEd has incurred, and the 2012 capital costs for projected
16 plant additions that ComEd will incur to provide customer service, including the
17 investment ComEd will make pursuant to the Customer Field Operations Blanket
18 Programs and the uncollectible accounts expense that ComEd incurs.
- 19 • I discuss the ways that ComEd ensures that its capital costs and operating
20 expenses to provide customer service are reasonable, including several innovative
21 programs that ComEd has implemented and continues to implement to reduce
22 operating costs.

23 **C. Summary of Conclusions**

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

25 **A.** The main conclusions of my testimony are:

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

37 **D. Background and Qualifications**

38 **Q. What are your duties as ComEd's Vice President, Customer Business
39 Transformation and Technology?**

40 **A.** I am responsible for transformation of our customer service interface model through the
41 identification, development, and application of technology to enhance our customers'
42 experience. This includes the development of ComEd's eChannel strategy, including the
43 use of the World Wide Web, voice response technologies, automated and electronic
44 billing, e-services, social media, and the application of Smart Grid technologies such as

45 an advanced metering infrastructure. In addition, I am responsible for revisions to our
46 Customer Information Management System ("CIMS") to accommodate regulatory or
47 legislative process changes as well as internally generated process improvements. I also
48 oversee the activities of the Strategies and Support and Customer Relations departments.

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

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

64 Prior to that, I have held a number of engineering positions with ComEd. I was
65 Director of Transmission Distribution Lines Engineering, where I was responsible for
66 managing electrical transmission and distribution design activities; developing

67 maintenance standards and practices; directing equipment purchases; creating design
68 standards; and maintaining engineering expertise. Prior to that, I was Director of the
69 Electric Supplier Services Department (“ESSD”), where I was responsible for providing
70 services to the Retail Electric Suppliers (“RESs”) that were beginning to do business in
71 the ComEd service territory. Other positions I have held include Project Manager of
72 Customer Choice, Regional Manager of Customer Design and Construction, and
73 Technical Analysis Manager.

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

75 A. I have a Bachelor of Science degree in electrical engineering from the University of
76 Illinois - Urbana, and a Masters of Business Administration from Aurora University.

77 **II. ComEd’s Customer Service Operations**

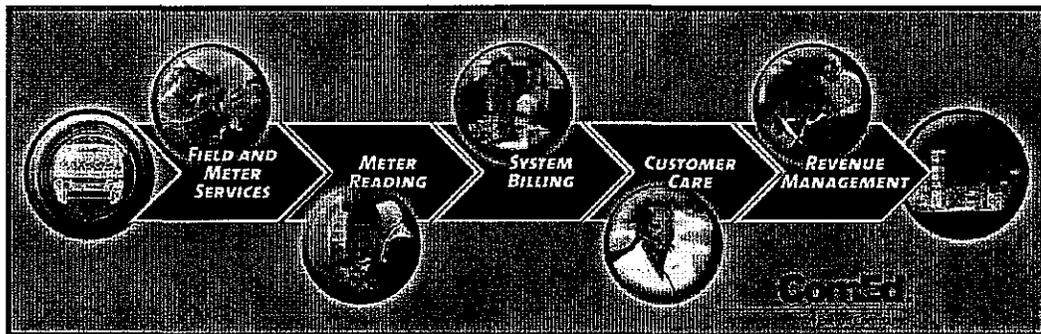
78 Q. **How many electric customers are served by ComEd?**

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

85 Q. **What functions and activities are included within ComEd’s Customer Operations
86 area?**

87 A. The Customer Operations area includes Meter Reading, Field and Meter Services,
88 Billing, Revenue Management, Revenue Protection, Cash Processing, the Customer

89 Contact Centers (the “Call Centers”), and Customer Relations. Those operations cover
90 nearly every aspect of a customer’s interaction with ComEd. ComEd refers to these
91 operations as customer services, all of which are governed by the Customer Operations
92 area. Those functions: (1) allow customers to request new or modified service; (2)
93 measure customers’ use of ComEd’s electricity delivery service; (3) provide data and
94 other information about those services to customers, suppliers, transmission providers,
95 and regulators, as applicable; (4) render customer bills; (5) respond to customer inquiries
96 about those functions and provide other information to customers; and (6) handle
97 payment processing and collections. All these functions are necessary to the successful
98 operation of a utility like ComEd. The following graphic gives a high level perspective
99 of customer service operations’ core functions.



100

101 Q. How are these functions and activities accounted for?

102 A. My understanding is that the expenses related to the above operating functions are
103 primarily recorded in “Customer Accounts” and “Administrative & General” accounts in
104 the Uniform System of Accounts. Customer service expense activities include meter
105 reading, addressing billing questions, resolving billing disputes, providing information on
106 service options, and revenue management functions, including activities related to

107 collection and uncollectible accounts. These activities are integral parts of the delivery
108 service function and are necessary for the successful operation of a delivery utility like
109 ComEd. In addition, ComEd's customer service activities are supported by other
110 Administrative and General ("A&G") expenses for items such as information technology
111 ("IT") support, human resources, and finance. The A&G expenses supporting the
112 customer service activities are necessary to allow ComEd to provide cost-effective and
113 efficient service to customers.

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

115 **A.** Two categories of plant that support the provision of customer service are meters
116 (Distribution Plant) and information systems such as the Customer Information and
117 Management System ("CIMS") (Intangible Plant). Other types of plant that support
118 customer service include vehicles used by meter readers, capitalized communications and
119 other equipment, and office space used for and by personnel performing customer service
120 (General Plant). The testimony (including attachments) of ComEd witness Martin Fruehe
121 (ComEd Ex. 3.0) provides more detail on the accounting for the costs incurred to provide
122 customer service.

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

124 **A.** ComEd has and continues to implement several changes to enhance its customer service
125 operations. One of the most notable changes was an in-depth review of the various touch
126 points between ComEd and its customers. As a result of this review, Customer Care
127 commenced a Customer Experience initiative focused on First Call Resolution and Total
128 Quality. First Call Resolution refers to remedying the customer's issue the first time in

129 which he/she calls. Areas of opportunity to improve First Call Resolution include
130 focusing on improving hiring practices, providing additional Customer Service
131 Representative (“CSR”) training, implementing call segmentation and the automated
132 telephone response system known as the Voice Response Unit (“VRU”), menu/scripting
133 changes, and improving quality monitoring. Total Quality refers to and includes the
134 development of a multifaceted philosophy for monitoring, interpreting, measuring,
135 auditing and reporting the customer’s call experience. In addition to the Customer
136 Experience initiative projects, 2011 proved to be one of the most severe storm seasons in
137 ComEd history. This resulted in the creation of a Customer Operations task force to
138 review all of the lessons learned from the storms as well as provide tactical improvements
139 in time for the 2012 storm season. The Customer Operations task force group overhauled
140 the storm response process within ComEd and completed a reorganization of storm roles
141 in an effort to better serve the customer and to function more efficiently.

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

143 **A.** ComEd is leveraging new technologies to communicate with customers in the means and
144 manner in which they want to be communicated with. It was not too long ago when the
145 primary means of contact for a customer required a call into the Call Center. Beginning
146 in 2011 and going forward, ComEd has utilized new electronic channels to provide our
147 customers the flexibility to contact us to process orders or research information through a
148 portfolio of electronic channels, including the web at ComEd.com, Facebook, Twitter,
149 and YouTube; Outage Text Notification; and a Mobile Application. In 2011, the Call
150 Center handled 13.6 million telephone calls, while 14.0 million customer transactions

151 were processed through the web, 246 thousand customer transactions were processed
152 through the Mobile Web Application, and over 316 thousand outbound outage text
153 notifications were delivered to customers.

154 In addition, in 2011, the VRU was enhanced with a new billing and payment
155 application allowing customers to handle all billing and payment related business by
156 using speech recognition. When necessary, customers also have the option to use their
157 telephone keypad. The application communicates directly with CIMS to issue the
158 appropriate transaction; customers always have the option to transfer out of the
159 application and speak with a live CSR during normal business hours. The application is
160 available 24 hours a day, seven days a week. In addition to this new application, the
161 VRU's functionality was also improved to include: a payment history list, the ability to
162 stop budget billing, and the ability to enroll, modify, or stop an Electronic Funds Transfer
163 ("EFT"). This speech application also gives customers the option to receive a text
164 message confirming their VRU transaction. In addition, ComEd's website was enhanced
165 to increase customer usability based upon direct feedback from customers, and self-
166 service options were added to the web for small commercial and industrial customers.
167 ComEd initiated a Web enhanced Customer Satisfaction Survey which allows ComEd to
168 track customer satisfaction via the Web, LIHEAP Communications, Enhanced Outage
169 Alerts, an internal document repository website which is easily accessible by our CSRs,
170 which will increase efficiencies and overall customer satisfaction. Additional updates
171 were done with the billing system to allow for more accurate billing estimations and
172 additional functions to inform customers of outages in their specific areas.

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

174 **A. O&M Expenses**

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

177 A. The total amount of Customer Accounts operating expense for 2011 included in the
178 updated revenue requirement is approximately \$196 million (ComEd Ex. 3.1, Sch
179 FR A-1, Line 2). As previously referenced, the Customer Operations area consists of the
180 Billing, Call Center, Field and Meter Services, Meter Reading, Revenue Management,
181 and the Revenue Protection Departments. In 2011, these areas were responsible for
182 reading the meters and billing the ComEd service territory consisting of 3.8 million
183 customers, as well as handling over 13.6 telephone calls. The operating expenses, which
184 total \$196 million, support the daily activities for each of these departments as well as the
185 uncollectible delivery service expense of approximately \$25 million, as detailed in the
186 testimony of Martin Fruehe (ComEd Ex. 3.0). ComEd Ex. 3.1, App 7 – Sum of lines 13
187 and 26).

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

190 A. Yes. ComEd has designed its customer account systems (e.g., metering and billing
191 systems) to operate efficiently and to meet the requirements of its customer base, service
192 territory, and service offerings. These systems also are designed to comply with the
193 Commission's rules applicable to billing, remittance, and collections. Further, ComEd
194 actively manages its customer service activities. Customer Operations, in conjunction

195 with the finance function and, where appropriate, other operating departments, evaluates
196 customer service activities to determine that they are appropriate and that their costs are
197 well-controlled, financially and operationally, and objectively reasonable. ComEd also
198 considers the costs of new enhancements in these areas as an integral part of the planning
199 and decision-making process for new customer service initiatives. In many cases,
200 ComEd performs these functions internally. When ComEd uses contractors, the
201 contractor procurement and management processes also emphasize cost control along
202 with consistent quality. The costs associated with the Customer Accounts activities,
203 including those recorded in these accounts and the related A&G expenses and plant costs,
204 are subject to the careful planning, budget, variance, and other cost control processes.

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

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

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

216 A. The minimization and collection of uncollectibles are two of the objectives of ComEd's
217 customer service operations and we work diligently within the established regulatory
218 framework to achieve those objectives. Section 16-111.8(c) of the Public Utilities Act
219 ("Act") (220 ILCS §16-111.8(c)) identifies six categories of activities regarding
220 minimization and collection of uncollectibles: (1) identify customers with late payments;
221 (2) contact the customers in an effort to obtain payment; (3) provide delinquent
222 customers with information about possible options, including payment plans and
223 assistance programs; (4) serve disconnection notices; (5) implement disconnections based
224 on the level of uncollectibles; and (6) pursue collection activities based on the level of
225 uncollectibles.

226 The first four of those six categories of activities involve long-established,
227 regulated processes that ComEd uses in implementing disconnections and pursuing
228 collection activities, as well as information that ComEd makes available to customers in a
229 variety of ways. When a customer defaults on payment, we first assess late payment
230 charges and perform a deposit review to assess if a deposit should be required. We then
231 place calls to the customer in an attempt to collect payment and educate the customer
232 about possible payment options. Depending on the customer's risk score, the call may or
233 may not precede the issuance of the customer's next bill. If we are still unsuccessful in
234 collecting payment, we issue a disconnection notice to the customer that explains they
235 may be disconnected in 10 business days. We also provide a "last chance" in the form of
236 a call three business days before the customer enters the "cut" window. Failure to make
237 payment makes the customer eligible for disconnection. We meet the fifth and sixth
238 items on the list by pursuing the above processes, as well as utilizing high dollar and

239 “behavioral cuts,” and enhancing our collection activities, all of which are described
240 below. We also comply with the special legal requirements relating to winter
241 disconnections.

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

243 **A.** Yes. We use a robust algorithm to risk score every customer based on payment behavior.
244 This risk score is automatically updated in our system two days after every bill is due.
245 Customers with poor payment history receive high risk scores, and the higher the risk
246 score, the earlier we disconnect, subject to legal requirements. This practice is known as
247 “behavioral cuts.” In addition to the risk score, ComEd selects disconnects to execute
248 based on several factors including dollar value of the accounts. This selection is
249 employed because higher account values are more likely to result in non-payment from
250 this segment of customers. By disconnecting when the customer owes a lower amount,
251 we have the best chance of collecting from customers who can pay.

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

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

260 A. ComEd implements improvements every year seeking to recover amounts owed from
261 those able to pay. ComEd implemented a model to assist with cash recoveries on monies
262 owed to ComEd. The model places ComEd's collection agencies in direct competition
263 with each other by rewarding those achieving higher recoveries with additional accounts
264 upon which to collect. As a result, collections net of commissions increased by \$338
265 thousand in 2011 over 2010. In addition, ComEd terminates service for approximately
266 110,000 to 140,000 delinquent accounts each year.

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

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

273 A. Yes. ComEd has made process and system changes that will greatly reduce the number
274 of non-sufficient funds ("NSF") checks we receive after we restore service, reducing
275 uncollectibles. For example, ComEd found that some restored customers were making
276 payments for amounts much greater than the amount owed and then closing their account.
277 Refunds were being issued on these payments that days later were returned for NSF. As
278 a result, system changes were made to provide for a 15-day clearing period before
279 releasing checks greater than \$200 on accounts that have been closed. In addition, a
280 holding period of 5 days prior to restoration of a disconnected service has been instituted
281 when a customer pays with a paper check to allow us to verify sufficient funds. Not only

282 does this practice ensure that we have collected the funds, it eliminates two technician
283 field trips -- one to restore service based on funds that were actually insufficient, and
284 another to disconnect the service a second time. If the customer makes a payment via
285 credit card, debit card, cash, or certified funds, we follow the regular restore process. We
286 have also instituted "cash-only" requirements for customers that have two returned items
287 in less than 12 months. "Cash-only" customers also have the option to pay via cash
288 equivalents, such as credit or debit card.

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

290 **A.** ComEd fully staffs its Revenue Protection Department ("RevPro"). RevPro is tasked
291 with improving the billing of unmetered / unbilled revenues and the utility's credit and
292 collection activities. Included in RevPro's function is to find and bill customers who
293 attempt to defraud the utility of revenue by committing acts with the intent of not
294 measuring or paying for delivered electricity. Examples include, but are not limited to,
295 tampering with electric meters, diverting service to avoid metering, and illegal restoration
296 of service. RevPro began a process of applying charges for costs incurred in cutting
297 service due to tampering. Additionally, ComEd achieved 26 arrests prosecuted under the
298 Interference with Utility Services Act, for tampering with and/or theft of electricity.
299 These measures help reduce costs to other customers caused by theft and tampering and
300 potentially have a deterrent effect. Finally, in 2011, RevPro completed 79,549 field
301 visits, billing an additional \$22.6 million worth of services as a result.

302 **B. Plant Additions**

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

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

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

309 A. In addition to the assets placed in service through the blanket programs discussed below,
310 there were nine additional customer service related plant additions completed in 2011 at a
311 combined cost of approximately \$2.5 million. The three largest projects, each with a cost
312 greater than \$300,000, incorporate improvements geared toward enhancing a customer's
313 experience with the utility. The largest project deployed technology which allows the
314 Call Center's VRU to process billing and payment transactions via speech recognition.
315 The technology allows customers to utilize spoken word to make their selections in the
316 automated menu instead of having to manually press a number on their telephone keypad.
317 The second largest project involves upgrades to CIMS pertaining to accounting issues on
318 closed customer accounts. After a customer closes his/her account, ComEd issues a final
319 bill. On occasion, a customer may either overpay or underpay the final bill resulting in a
320 credit or debit on the account. The capital project enables CIMS to move the credit or
321 debit to a customer's new account once it is established. The third project involves a
322 technology which enables ComEd to quickly extract meaningful intelligence from our

323 calls to provide a range of business benefits designed to increase the customer's
324 satisfaction while reducing operating costs.

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

327 **A.** The total amount of projected capital additions for 2012 related to customer service
328 operations is approximately \$72.8 million. ComEd's projected plant additions for 2012
329 are identified in ComEd Ex. 6.2 attached to the testimony of Michelle Blaise (ComEd Ex.
330 6.0).

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

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

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

348 A. Yes. Customer Operations requires a business case review of the benefits compared to
349 the overall cost to implement. In addition, Customer Operations prioritizes and selects
350 the top projects which will increase productivity, efficiency, and the customer's overall
351 experience with the utility. The costs are also subject to the careful planning, budget,
352 variance, and other cost control processes, such as review by the project review
353 committee ("PRC") that also are discussed in general by Michelle Blaise (ComEd Ex.
354 6.0). Moreover, these projects are being or will be used to serve customers and are an
355 appropriate means of doing so, and are thus used and useful.

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

357 A. Yes. Capital blanket programs are generally described in the testimony of Michelle
358 Blaise (ComEd Ex. 6.0). Customer Operations also has a category of work called
359 Customer Field Operations, which is composed of blanket programs, and is included in
360 ComEd Exhibit 6.2 attached to Michelle Blaise's testimony. The controls for blanket
361 programs are discussed in Michelle Blaise's testimony (ComEd Ex. 6.0), as well.
362 Blanket programs are used to track work activities that are small in cost, high in volume,
363 and repetitive. Utilizing blanket programs allows work to proceed without requiring

364 authorization approval on a case-by-case basis, but rather for the pre-defined activity as a
365 whole.

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

367 A. The Customer Field Operations category is composed of fifteen blanket programs,
368 including the five new AMI blanket programs for 2012. Nine of the programs are related
369 to the Field and Meter services area, and the five new blanket programs are related to
370 ComEd's advanced metering infrastructure ("AMI") Plan, and one is related to the
371 Customer Experience project as mentioned above. Out of the nine programs related to
372 Field and Meter services, seven of these are used to track the capitalized labor costs
373 associated with the installation, removal, testing, and exchange of meters. This includes
374 meter exchanges for commercial customers that have been declared competitive based
375 upon their prior year's usage; meter exchanges for residential customers requesting
376 service under Rate BESH – Basic Electric Service Hourly Pricing ("Rate BESH") and
377 Rider RRTP – Residential Real Time Pricing Program ("Rider RRTP"); periodic meter
378 exchanges to meet regulatory requirements; meter installation, removals, and exchanges
379 associated with new business; meter exchanges associated with damaged or non-
380 functioning meters; removal of meters that are no longer required; and testing of new
381 meters. One of the nine blanket programs for Field and Meter services is used to track
382 the back office labor required to support the field crews.

383 The last of the nine blanket programs is used to track the material cost of
384 purchasing new meters. New meters are routinely purchased to satisfy the needs
385 identified above: new services, regulatory requirements, meter replacements, and

386 exchanges. Due to the large volume of meters purchased every year at a relatively minor
387 cost per unit, it is cost-prohibitive to track these on a per-project basis. Therefore, we
388 track the purchase of these items in a blanket program. In addition, ComEd utilizes
389 Exelon Business Services Company's ("BSC") sourcing function to obtain meters.
390 Because BSC purchases meters for both ComEd and its sister utility PECO, BSC is able
391 to realize a savings in meter cost per unit, which is passed on to ComEd. In addition to
392 the nine blanket programs for Field and Meter Services, for 2012 five programs are
393 related to the purchase of AMI meters pursuant to ComEd's AMI Plan filed with the
394 Commission in Docket No. 12-0298.

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

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

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

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

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

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

418 C. **Planning and Cost Controls**

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

421 A. Yes. The Customer Business Transformation and Technology department provides
422 centralized services to all of Customer Operations, including business planning and
423 project management. The Customer Operations area is subject to the same careful
424 planning, budget, variance, and other cost control processes that are discussed in general
425 by Michelle Blaise (ComEd Ex. 6.0). More specifically, the Customer Operations
426 organization reviews proposals, budgets, and expenditures to ensure that costs are
427 prudently incurred and reasonable in amount. Customer Operations has instituted a
428 formal "gating" process where significant projects must pass through various approval

429 stages. We begin by debating and challenging the business benefits of a proposed
430 project. A charter is developed and socialized with the Customer Operations leadership
431 team. The project charter is a document created by the project team to define objectives,
432 scope, schedule, business case, project team participants, and a preliminary budget, and
433 provides the project manager with the authority to apply organizational resources to
434 commence with project activities. If it is deemed that the project provides sufficient
435 benefits for its cost, it is recommended for approval by one of the Customer Operations
436 vice presidents with final approval of the initial estimate by the Senior Vice President of
437 Customer Operations. Before the project can enter the design and build stages, we obtain
438 detailed estimates. We examine and challenge the estimates and once again debate the
439 benefits versus the expenditures. Final approval in each step of the process comes from
440 the Senior Vice President of Customer Operations. At these meetings, we also review the
441 actual and forecasted cost of each project in the pipeline. We monitor variances, and the
442 project owners are expected to be prepared to discuss any variances and necessary
443 mitigation plans if a project is over budget.

444 **IV. Conclusion**

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

446 **A. Yes.**