

**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

**I/M/O The Merger of Exelon Corporation)
And PEPCO Holdings, Inc.) BPU Docket No. EM14060581**

**DIRECT TESTIMONY OF

DANTE MUGRACE

ON BEHALF OF THE
DIVISION OF RATE COUNSEL**

**STEFANIE A. BRAND, ESQ.
DIRECTOR, DIVISION OF RATE COUNSEL
140 East Front Street, 4th Floor
P.O. Box 003
Trenton, New Jersey 08625
Phone: 609-984-1460
Email: njratepayer@rpa.state.nj.us**

Dated: November 14, 2014

Table of Contents

	<u>Page No.</u>
I. INTRODUCTION.....	1
II. SUMMARY OF TESTIMONY	5
III. AREAS OF PROGRESS.....	8
IV. AREAS FOR DEVELOPMENT	10
A. Customer Complaints.....	11
B. Deferred Payment Arrangements (DPA).....	19
V. CONCLUSIONS AND RECOMMENDATIONS	22

1 **I. INTRODUCTION**

2 **Q. *PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION.***

3 **A.** My name is Dante Mugrace. I am a Senior Consultant with the Economic and
4 Management Consulting Firm of Snavely-King Majoros and Associates, Inc.
5 (Snavely-King or SKM). My business address is 4351 Garden City Drive, Suite
6 350C, Landover, MD 20785. In my capacity as a Senior Consultant, I am
7 responsible for evaluating and analyzing rate case filings and regulatory
8 proceedings before various governmental entities, preparing expert testimony
9 and evaluating revenue requirement proposals, as well as, reviewing and offering
10 opinions on economic and policy issues and methodologies used to set a value
11 of a utility's rate base and a utility's rates for service.

12

13 **Q. *PLEASE DESCRIBE THE NATURE OF WORK CONDUCTED BY THE***
14 ***CONSULTING FIRM SNAVELY-KING.***

15

16 **A.** Snavely-King was founded in 1970 to conduct research and provide consulting
17 services on the rates, revenues, costs, and economic performance of regulated
18 firms and industries. Most of its work involves the development, the preparation,
19 and the presentation of expert witness testimony before federal and state
20 regulatory agencies. Over the course of its 40+ year history, members of the firm
21 have participated in hundreds of proceedings before almost all of U.S. state
22 commissions and all federal commissions that regulate utilities or transportation
23 industries.

1 **Q. PLEASE SUMMARIZE YOUR PROFESSIONAL EXPERIENCE IN THE**
2 **UTILITY INDUSTRY.**

3
4 **A.** Prior to my association with SKM, I was employed by the New Jersey Board of
5 Public Utilities Commission (NJBPU, BPU or Board) from October 1983 to my
6 retirement in June 2011. During my tenure at the NJBPU, I held various
7 Accounting, Rate Analyst and supervisory positions. My last position was Bureau
8 Chief of Rates in the Agency's Water Division (Bureau Chief of Rates). I held
9 this position for nearly 10 years. In my capacity as Bureau Chief of Rates, I was
10 responsible for overseeing and managing the day-to-day activities of the Rates
11 Bureau, including the evaluation, review and processing of all water and
12 wastewater utility rate filings and rate-related applications that were filed with the
13 NJBPU. I oversaw a staff of 12 professionals on a daily basis. I oversaw the
14 process of rate applications with regard to administrative, financial, and the
15 managerial functions that were the responsibility of the Rates Bureau. My
16 primary duties were to ensure that utilities had sufficient revenues to cover their
17 operating expenses, the ability to earn a reasonable return on their investments
18 in plant assets, and to ensure that the provision of safe, adequate, and proper
19 service at reasonable utility rates were met.

20
21 **Q. WHAT EXPERIENCE DO YOU HAVE REGARDING CUSTOMER SERVICE**
22 **ISSUES?**

23
24 **A.** During my tenure at the Board, in addition to overseeing the rate case process, I
25 was also responsible, on a frequent basis, to answer and resolve issues
26 regarding customer service, specifically, high customer bills, notices of

1 discontinuance, service appointments, meter reading issues, increases in rates
2 and billing arrangements. At times, I prepared responses to inquiries regarding
3 customer service issues for the Board President's and/or Commissioner's
4 signature. My responsibilities included whether the utility satisfactorily managed
5 its customer service department and resolved its customer service issues in a
6 reasonable manner.

7
8 **Q. HAVE YOU PREPARED A SUMMARY OF YOUR QUALIFICATIONS AND**
9 **EXPERIENCE?**

10
11 **A.** Yes, please see Attachment DM-A for a summary of my qualifications and
12 experience.

13
14 **Q. FOR WHOM ARE YOU APPEARING IN THIS PROCEEDING?**

15 **A.** I am appearing on behalf of the New Jersey Division of Rate Counsel (Rate
16 Counsel).

17
18 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY PROCEEDINGS?**

19 **A.** Yes. I have testified on behalf of the Advocacy Staff, in Docket No. PU-12-813,
20 before the North Dakota Public Service Commission regarding the electric rate
21 application of Northern States Power Company (a division of Xcel Energy). I
22 have also testified on behalf of the Intervener, the County of Westchester, in
23 Case No. 13-E-0030 (Electric Rate Case) and Case No. 13-G-0031 (Gas Rate
24 Case) before the New York Public Service Commission in the Consolidated
25 Edison Company of New York Electric and Gas rate proceedings. I provided

1 testimony on behalf of the Ohio Office of Consumer Counsel with respect to
2 Aqua, Ohio, Inc.'s base rate case proceeding in the Public Utilities Commission
3 of Ohio (PUCO) Case No. 13-2124-WW-AIR. I provided testimony on behalf of
4 the Commonwealth of Massachusetts, Department of Public Utilities, Attorney
5 General's Office, Office of Ratepayer Advocacy in the application of Columbia
6 Gas of Massachusetts CY2013 Targeted Infrastructure Reinvestment Factor
7 (TIRF) in Case No. D.P.U. 14-83. I am currently engaged as a consultant for the
8 Commission Staff in Louisiana in the application of the Potential Business
9 Combination of Entergy Louisiana, LLC. and Entergy Gulf States Louisiana, LLC.
10 in Docket No. U-33244.

11
12 **Q. *WHAT IS YOUR EDUCATIONAL BACKGROUND?***

13 **A.** I hold a Master of Business Administration (MBA) degree with a concentration in
14 Strategic Management from Pace University-Lubin School of Business in New
15 York City, New York. I hold a Master of Public Administration (MPA) degree from
16 Kean University, in Union, New Jersey. I hold a Bachelor of Science (BS) degree
17 in Accounting from Saint Peter's University in Jersey City, New Jersey.

1 **II. SUMMARY OF TESTIMONY**
2

3 **Q. *WHAT ISSUES ARE YOU TESTIFYING TO IN THIS PROCEEDING?***
4

5 **A.** I am providing testimony regarding the proposed merger of Exelon Corporation
6 (Exelon) and Pepco Holdings, Inc. (PHI), (Joint Petitioners) specifically the
7 subsidiary of PHI, the Atlantic City Electric Company (ACE or Company)
8 regarding the issues related to the Company's proposal on Customer Impacts,
9 and the need to allocate adequate resources to provide reasonable and proper
10 service in dealing with and addressing the various customer service issues that
11 arise during the day to day operations of a public utility company.
12

13 **Q. *WHAT DOCUMENTS HAVE YOU REVIEWED IN THE PREPARATION OF***
14 ***YOUR TESTIMONY?***
15

16 **A.** I have reviewed the June 18, 2014, Joint Merger Application of Exelon and PHI,
17 the related attachments, the pre-filed testimonies of the Exelon and PHI
18 witnesses, and the responses to data requests (formal and informal) regarding
19 Customer Impacts. I have reviewed the Customer Service Improvements Plan
20 update reports filed by ACE with the Board in March 2011, August 30, 2012,
21 August 26, 2013, March 24, 2014 and July 31, 2014. I reviewed the Board's
22 Order approving the Company's merger with Pepco Holdings, Inc. in Docket No.
23 EM01050308 dated July 3, 2002, (2002 Merger Order) the Stipulation of
24 Settlement resolving Phase 2 of ACE's 2009 base rate case in Docket No.
25 ER09080664 dated April 19, 2011 and adopted by Board Order on May 16, 2011
26 (Phase 2 Filing), which included the Customer Service Improvement Plan; and

1 the Stipulation of Settlement resolving ACE's 2011 base rate case in Docket No.
2 ER11080469 et al, adopted by a Board Order dated October 23, 2012.

3
4 **Q. CAN YOU PLEASE PROVIDE AN OVERVIEW OF WHAT THE JOINT**
5 **PETITIONERS ARE PROPOSING?**

6
7 **A.** Yes. The Joint Petitioners have indicated the proposed Merger will allow ACE to
8 build upon the experience and expertise of the Exelon utilities (i.e. Baltimore Gas
9 and Electric Company, Commonwealth Edison Company and PECO Energy
10 Company) in maintaining and enhancing reliability, and will offer ACE additional
11 access to utility operating experience, sharing of best practices and will realize
12 substantial tangible benefits from an Exelon – funded Customer Investment
13 Program in the amount of \$29 million – equivalent to a value of more than \$50 for
14 every ACE electric distribution customer. The Joint Petitioners indicated that this
15 fund can be used for direct credits toward assistance for low income customers,
16 energy efficiency initiatives and other programs designed to benefit ACE
17 customers in a manner determined by the Board.¹

18
19 **Q. WHAT ELSE HAVE THE JOINT PETITIONERS PROPOSED WITH RESPECT**
20 **TO THEIR CUSTOMER SERVICE IMPACT ENHANCEMENTS?**

21
22 **A.** According to the testimony of Joseph Rigby, President and Chief Executive
23 Officer of PHI and the parent company of ACE, the proposed Merger will improve
24 the customer experience through a comprehensive process management and
25 technology approach. Mr. Rigby has testified that through the proposed Merger,

¹ I/M/O Merger of Exelon Corporation and Pepco Holdings, Inc. Verified Joint Petition page 2, paragraph 2.

1 additional resources will be available to enhance the Joint Petitioners' ability to
2 achieve such priorities as customer service and customer satisfaction.² Further,
3 Calvin Butler, Chief Executive Officer of Baltimore Gas and Electric Company
4 testified that Exelon's Corporate Citizenship Program strives to improve the
5 quality of life for the people who live and work in Exelon's utility service
6 territories.³

7
8 **Q. CAN YOU SUMMARIZE THE ATLANTIC CITY ELECTRIC COMPANY'S**
9 **SERVICE TERRITORY?**

10
11 **A.** Yes. ACE provides electric utility service to about 545,000 customers in a 2,700
12 square mile area in the southern portion of New Jersey comprising of all or a
13 portion of 8 counties: Ocean, Burlington, Atlantic, Cape May, Salem,
14 Cumberland, Camden and Gloucester.

15
16 **Q. CAN YOU SUMMARIZE YOUR TESTIMONY REGARDING THE IMPACT ON**
17 **CUSTOMER SERVICE ISSUES FROM THE PROPOSED MERGER BETWEEN**
18 **EXELON AND PHI?**

19
20 **A.** The Company has made progress in certain of its Customer Service Issues since
21 the Company's last Merger Petition with PHI. in Docket No. EM01050308, dated
22 July 3, 2002, (2002 Merger Order), and more recently in its Base Rate
23 Proceeding in Docket No. ER09080664 dated May 16, 2011 (Phase 2) (Phase 2
24 Rate Order). I believe it is important that the Company continue to maintain its
25 level of staffing related to Customer Service, continue the level of progress it has
26 made since its 2002 Merger Order and its Phase 2 Rate Order, and allocate

² Direct testimony of Joseph Rigby, page 6, lines 5-7 and lines 12-13.

³ Direct testimony of Calvin Butler, page 14, lines 1-3.

1 sufficient resources to prevent any backsliding or degradation of services. In the
2 areas in which the Company is still struggling to make progress or has not made
3 any progress at all, the Company should dedicate and allocate sufficient
4 resources to provide for a more focused action to meet the standards directed by
5 the Board in the 2002 Merger Order and in the Phase 2 Rate Order. Any
6 reduction in staffing may result in a deterioration of customer service and wipe
7 out progress that the Company has made in certain areas over the 12 years
8 since the 2002 Merger Order.

9
10 **III. AREAS OF PROGRESS**

11 **Q. *HAS ACE MADE IMPROVEMENTS TO ITS CUSTOMER SERVICE SINCE ITS***
12 ***MERGER WITH PHI IN 2002 AND THE ORDER IN PHASE 2 OF ITS 2009***
13 ***BASE RATE CASE?***

14
15 **A.** ACE has made improvements in certain areas of its Customer Service since the
16 2002 Merger Order and the Phase 2 Rate Order. However, there are certain
17 areas where ACE continues to fall short of its commitments to service as
18 required by the Board.

19
20 **Q. *WHAT AREAS HAVE YOU IDENTIFIED WHERE THE COMPANY HAS***
21 ***SHOWN IMPROVEMENT IN ITS CUSTOMER SERVICE?***

22
23 **A.** The Company has shown improvements since the 2002 merger in the following
24 areas and should continue to maintain such improvements:

- 25 • Implementing and establishing a crisis call center (Xerox) to provide
26 support during emergency events (outages/emergency calls).

- 1 • Reducing the time taken to address slow and non-registering meters and
2 detecting and correcting billing errors associated with them, from a 6
3 month high in 2010 to an average low of 2 months as of July 2014.
- 4 • Revising training procedures for all of ACE’s Customer Service
5 Representatives. The Company should continue to provide refresher
6 training on newly implemented and revised programs, processes and
7 systems, based on error trends or performance feedback from the call
8 center (RCR-CI-29).
- 9 • Identifying Senior Citizens in ACE’s service territory and notifying them of
10 potential discontinuances of services, making a good faith effort to contact
11 these customers prior to disconnection.
- 12 • Maintaining its Service Appointment Guarantee to keep 80% of service
13 appointments. The Company should further improve and increase its
14 percentage of Service Level Guarantee appointments beyond its current
15 80% target level.
- 16 • Training and educating ACE’s Customer Service Representatives on the
17 Winter Termination Program and providing a guideline for placing eligible
18 customers on a winter plan budget.

19
20 **Q. *WHAT DOES THIS IMPROVEMENT SHOW?***

21 **A.** This improvement shows that ACE has dedicated resources to improve the
22 problems in its customer service operations from the time of its 2002 Merger
23 Order and continuing with the Phase 2 Rate Order. Over a period of 12 years,
24 the Company has shown improvements on these issues.

1 **IV. AREAS FOR DEVELOPMENT**
2

3 **Q. *WHAT IS YOUR RECOMMENDATION WITH RESPECT TO THE ABOVE***
4 ***COMPANY IMPROVEMENTS?***

5
6 **A.** I recommend that the Company continue to dedicate the resources, the dollars
7 and the methods and processes in order to maintain and further enhance the
8 current level of performance and prevent any backsliding or degradation of
9 customer service.

10

11 **Q. *WHAT ARE THE AREAS OF CUSTOMER SERVICE WHERE THE COMPANY***
12 ***HAS NOT SHOWN IMPROVEMENT SINCE THE 2002 MERGER ORDER AND***
13 ***ITS PHASE 2 RATE ORDER?***

14
15 **A. CUSTOMER COMPLAINTS** Under the 2002 Merger Order and again in the Phase 2
16 Rate Order in 2011, the Board directed ACE to have no more than 1,500 customer complaints
17 per year reported to the BPU. (RCR-CI-19, Attach02, page 4). However, the number of
18 customer complaints for the years 2011, 2012, 2013, and the first half of 2014 were 2,894,
19 2,546, 2,779 and 1,026, respectively. (RCR-CI-9 Attach01). Similarly, in its 2012 Customer
20 Service Plan (CSIP), ACE committed to conduct 6,500 residential customer Moment of Truth
21 Surveys (MOTS) each year. (RCR-CI-19 Attach02, page 6). The Company has not, in any
22 year, conducted 6,500 MOTS. As a condition of approval of the merger, the Company should
23 be required to conduct its 6, 500 annual MOTS and dedicate more resources and apply more
24 effective management methods to reduce the chronically high number of customer complaints.

25

26 **DEFERRED PAYMENT ARRANGEMENTS** –The number of successful DPA’s
27 (i.e. paid in full) amounted to only 4.28% on average of total DPAs. As indicated
28 in RCR-CI-8, the Joint Petitioners “have not performed an analysis of these
29 practices and have not made proposals to change any of these practices.” As a

1 condition of approval of the merger, ACE should be required to review and
2 revamp its current DPA policies, practices and procedures in order to reduce the
3 number of defaulted customers and increase the number of customers who
4 successfully pay off their DPA.

5
6 **A. Customer Complaints**

7 **Q. *WHAT ARE YOUR FINDINGS WITH RESPECT TO ACE'S CUSTOMER***
8 ***COMPLAINT LEVEL?***

9
10 **A.** As part of the Board's 2002 Merger Order, and again in the Phase 2 Rate Order
11 in 2011, the Board required ACE to have "no more than 1,500 customer
12 complaints per year reported to the Board by its customers." (RCR-CI-19,
13 Attach02 page 4). In the Phase 2 Rate Order, the Board adopted the corrective
14 steps agreed to by the parties and directed ACE to reduce the level of customer
15 complaints. Although the 1,500 complaint limit remains in effect, (RCR-CI-19
16 Attach01, page 10), ACE has never met this requirement. Table I shows the
17 number of ACE customer complaints to the Board since the Phase 2 Rate Order.
18 (RCR-CI-34, Attach01).

1

TABLE I.

Year	# of Complaints
2011	2,894
2012	2,546
2013	2,779
2014	1,026 ⁴

2

3 **Q. WHAT DO YOU GLEAN WITH RESPECT TO THE LEVEL OF CUSTOMER**
4 **COMPLAINTS?**

5

6 **A.** I believe ACE’s approach and methods in reducing the number of BPU customer
7 complaints to a level of “no more than 1,500 per year” is not effective. The
8 Company has continually failed to meet the Board’s limit of “no more than 1,500”
9 complaints per year. Although the Company stated that to comply with this
10 metric it implemented certain changes, (RCR-CI-19 Attach01, Exhibit B, page 5
11 of 15, RCR-CI-19 Attach02, page 4), it appears that these actions have not been
12 effective in reducing ACE’s customer complaints to less than 1,500 per year.

13

14 **Q. WHAT ACTIONS OR APPROACHES HAS THE COMPANY IMPLEMENTED IN**
15 **ORDER TO REDUCE CUSTOMER COMPLAINTS?**

16

17 **A.** The Company reported on RCR-CI-19 Attach01Exhibit B that based upon Rate
18 Counsel and Board Staff’s suggestions on ways to reduce its customer
19 complaints it:

- Implemented Moment of Truth Surveys

20

⁴ As of June 2014 YTD.

- 1 • Conducted a Root Cause Analysis
- 2 • Explained the process that is used to engage a supervisor when a
- 3 customer is not satisfied with the outcome of a customer service call or
- 4 requests a DPA longer than 12 months.
- 5 • Staffed the Customer Service Centers with a Customer Service
- 6 Representative to respond to customer inquiries
- 7 • Investigated why slow and non-registering meter are not being detected in
- 8 a timely manner.
- 9 • The Company further agreed in 2012 to expand on the surveys that it
- 10 conducts, increase the frequency of meetings with Board Staff and Rate
- 11 Counsel, and monitor the Company's enhanced information technology.
- 12 (RCR-CI-19 Attach02 pages 4-5-3).

13

14 **Q. HAVE ANY OF THESE ACTIONS BEEN EFFECTIVE?**

15 **A** While the Company implemented actions to reduce the wait time to address and
16 detect slow and non-registering meters, it did not realize any progress in
17 reducing the level of Customer Complaints to no more than 1,500 per year. As
18 shown in Table I above, in all of the years shown, the Company has not met the
19 requirement of "no more than 1,500 customer complaints per year."

20

21 **Q. WHAT DO YOU BELIEVE WAS THE CAUSE?**

22 **A.** The Company did not provide adequate resources, did not have the proper
23 processes and methods in place, and did not involve its higher level supervisors

1 in resolving the problems that have generated so many customer complaints.
2 Apparently, ACE's ongoing process improvements and changes that it stated it
3 would implement were not effective enough in reducing customer complaints to
4 "no more than 1,500 per year."

5
6 **Q. WERE THERE ANY DISCREPANCIES IN THE LEVEL OF CUSTOMER**
7 **COMPLAINTS FROM ONE DOCUMENT TO ANOTHER DOCUMENT?**

8
9 **A.** Yes. RCR-CI-34 Attach01 shows customer complaints for the following time
10 periods:

11 TABLE II.

2011	2,894
2012	2,546
2013	2,779
2014 to June	1,026

12
13 The March 24, 2014 CSIP⁵ shows customer complaints for the following time
14 periods:

15 TABLE III.

16

2011	2,248
2012	1,908
2013	2,051

17
18 The Company stated that the differences were the result in the way it reported
19 the data and differences in interpreting the initial data request. Regardless of
20 how ACE reports or interprets the information, using any of the numbers provided

⁵ RCR-CI-19 Attach23

1 by the Company, its customer complaints far surpass its limit of no more than
2 1,500 per year.

3
4 **Q. PLEASE DESCRIBE ACE'S MOMENT OF TRUTH SURVEYS AND WHAT**
5 **THEY ARE USED FOR.**

6
7 **A.** According to RCR-CI-19 Attach05, ACE conducted customer surveys in order to
8 obtain customer feedback across a range of customer related transaction types
9 such as service calls, outage information, service problems, calls that are
10 handled by the call center or the Company's Interactive Voice Response IVR,
11 Systems, courtesy call contacts and service appointments. The Company stated
12 that these surveys were conducted via telephone on a weekly basis within 10
13 days of the customer's service interaction with the Company. The surveys were
14 conducted with a random sample of customers and were based upon all
15 customer contacts during the relevant time period. The results of the surveys
16 were analyzed on a monthly basis.

17
18 **Q. HOW MANY SURVEYS DID ACE ANTICIPATE PERFORMING ON AN**
19 **ANNUAL BASIS?**

20
21 **A.** In ACE's August 30, 2012, Customer Service Improvement Plan report in BPU
22 Docket No. ER09080664 (RCR-CI-19 Attach02, page 6), ACE anticipated
23 conducting 6,500 surveys on an annual basis across ACE's residential customer
24 base.

1 **Q. HOW MANY SURVEYS DID ACE ACTUALLY CONDUCT?**

2 **A.** There are discrepancies as to the number of surveys the Company conducted
3 over the years. In RCR-CI-39, the Company reported conducting the following
4 number of surveys:

7 TABLE IV.

Area	2012	2013	2014 to June
Outages	812	900	598
Call Centers	2,501	2,492	1,036
Customer Courtesy	2,204	2,115	1,120
Total	5,517	5,507	2,754

8

9 In RCR-CI-19 Attach02, Attach24, and Attach05 the Company identified the
10 following surveys conducted in 2012, 2013 and 2014 to June, respectively:

11 TABLE V.

<u>Area</u>	<u>2012</u>	<u>2013</u>	<u>2014 to June</u>
Outages	450	900	455
Call Centers	1,240	1,826	886
Customer Courtesy	1,203	2,115	608
Total	2,893	4,841	1,949

12

13 The differences between Tables IV. V. are as follows:

14

TABLE VI.

Totals	Table IV.	Table V.	Difference
2012	5,517	2,893	2,624
2013	5,507	4,841	666
2014	2,754	1,949	805

1 **Q. DID THE COMPANY PROVIDE ANY INFORMATION TO EXPLAIN THESE**
2 **DISCREPANCIES?**

3
4 **A.** In part. In RCR-Informal-2, ACE stated that differences in the totals for surveys
5 conducted were attributed to (i) an inadvertent error in the mid-2014 CSIP report
6 for surveys conducted through 2014, (ii) the fact that it was using different time
7 periods, and (iii) different interpretations of the information requested in Rate
8 Counsel's data request.

9

10 **Q. WHAT IS YOUR OPINION REGARDING THE COMPANY'S SURVEY**
11 **LEVELS?**

12
13 **A.** The Company agreed to conduct approximately 6,500 surveys on an annual
14 basis. The Company in any given year (2012, 2013 and mid-2014) did not meet
15 this level. As a condition for approval of the merger, the Company should be
16 required to conduct its agreed to level of 6,500 annual surveys.

17

18 **Q. WHAT IS ROOT CAUSE ANALYSIS?**

19 **A.** Root Cause Analysis (RCA) is a methodology that is used to determine the
20 reason for the occurrence of customer complaints. An RCA is triggered when a
21 trend in a particular complaint type is identified by the Company. Trends include
22 complaint frequency and/or anecdotal reporting of possible process gaps.⁶

23

24

⁶ RCR-CI-19 Attach02, page 7, Section 2.2.

1 **Q. WERE THERE ANY AREAS IN ACE'S CUSTOMER SERVICE OPERATIONS**
2 **THAT TRIGGERED A TREND IN A PARTICULAR TYPE OF COMPLAINT?**

3
4 **A.** Yes. The majority of customer complaints are related to credit issues (RCR-CI-
5 34 Attach01). Below is an analysis of the Company's Credit complaints since
6 2011:⁷

7 TABLE VII.

Time Frame	Credit Complaints	Total Complaints	% of Total
2011	2,227	2,984	
2012	1,889	2,546	
2013	2,096	2,779	
June 2014	642	1,026	
Total	6,854	9,245	74.14%

8
9 **Q. WHAT DO YOU BELIEVE CAUSED THE UNUSUALLY HIGH NUMBER OF**
10 **CREDIT COMPLAINTS?**

11
12 **A.** In RCR-CI-19 Attach02, page 7, the Company stated that "an RCA is triggered
13 when a trend in a particular complaint type is identified by the Company. Trends
14 include complaint frequency and/or anecdotal reporting of possible process gaps.
15 When a trend is identified, internal stakeholders are assembled for a review of
16 the RCA and to determine the corrective action to prevent future issues, an
17 ongoing review is conducted to evaluate the results of the changes." It appears
18 that ACE is not carrying out this procedure and does not have sufficient
19 supervisory oversight, or other internal review in place to track and resolve these
20 credit complaints. The Company's current internal process has not reduced
21 customer complaints, and the Company has not yet reported its evaluation of the
22 changes in its practices that it reported having made early in 2014. As a

⁷ RCR-CI-34 Attach01

1 condition for approval of the merger, the Company should be required to
2 restructure its process in order to address and reduce the high credit complaint
3 level.

4
5 **B. Deferred Payment Arrangements (DPA)**

6
7 **Q. *WHAT IS A DEFERRED PAYMENT ARRANGEMENT?***

8 **A.** A Deferred Payment Arrangement or DPA is a plan offered by ACE to assist
9 customers in paying their overdue utility bill balance.

10
11 **Q. *HOW EFFECTIVE HAVE ACE'S DPAs BEEN IN ENSURING FULL***
12 ***PAYMENT?***

13
14 **A.** The data reveals that less than 6% of ACE's customers with a DPA, on average,
15 pay their DPA in full. RCR-CI-8 and RCR-CI-19 Attach 08 show the following:

16 TABLE VIII.

Year	DPA's Established	DPA's Completed	% of Total
2011	52,481	3,396	6.47%
2012	51,900	2,449	4.72%
2013	57,006	3,359	5.89%
2014 ⁸	19,246	816	4.24%
Average			5.55%

17
18 **Q. *HOW MANY DPAs DEFAULTED DURING THE SAME 3 1/2 YEAR PERIOD?***

19
20 **A.** Over a 3.5 years period, approximately 65% of ACE's DPAs are in default.

21 The following table, derived from the Company's response to *RCR-CI-19* shows
22 the established DPAs for the same years and the DPAs that have defaulted:

23

⁸ Up to June 2014.

1

TABLE IX.

Year	Established DPA's	DPA's Defaulted	% of Total
2011	52,481	37,949	72.31%
2012	51,900	32,856	63.30%
2013	57,006	38,933	68.39%
2014 to June	19,246	6,945	36.09%
Total	180,633	116,683	64.60%

2

3 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THE COMPANY'S DPA**
4 **ARRANGEMENTS?**

5
6 **A.** I am concerned that the Company has been unable to track the status of
7 approximately 30% of its DPA customers, which it reports as "Unknown."

8 Also, the Company has not made any progress in increasing its level of
9 successful collection of its DPA's and has not offered sufficiently flexible DPA
10 policies to its customers who need help paying their bills. Further, by not
11 accounting for and tracking the customers whose DPA status is "Unknown," the
12 Company may be losing out on revenue collection. If those DPAs remain unpaid,
13 uncollectible accounts increase and place a further burden on its remaining
14 customers. As a condition of approval of the merger, the Board should require
15 the company to address these issues and improve their DPA policies.

16

17 **Q. DO YOU HAVE OTHER CUSTOMER SERVICE RELATED CONCERNS**
18 **REGARDING THIS MERGER?**

19
20 **A.** Yes. I am concerned about post-merger employment levels affecting customer
21 service. Although Exelon has indicated that it has no plans to reduce the number
22 of cashiers at each of ACE's Customer Service Centers, it has not done an
23 analysis with respect to Post-Merger staffing plans. In order to continue the

1 progress it has achieved in certain of its Customer Service issues, ACE should
2 maintain the current level, and in certain areas, increase its staffing. To do
3 otherwise may result in a deterioration of services that took many years to
4 achieve.

5
6 **Q. *WHAT IS YOUR RECOMMENDATION WITH RESPECT TO THE JOINT***
7 ***PETITIONERS' POST-MERGER EMPLOYMENT LEVELS?***

8
9 **A.** I am recommending that as a condition of approval of the merger, the Board
10 require that Exelon maintain, and in some areas expand, the number of
11 Customer Service Representatives at ACE's Customer Service Centers and Call
12 Centers. ACE has made progress in certain of its Customer Service Issues since
13 its 2002 Merger Order and the Board's Phase 2 Rate Order. Any reduction in
14 staffing levels in its customer service area at this time may have the effect of
15 deteriorating progress that has taken years to achieve. Furthermore, in order for
16 ACE to address the issues in which it has not made progress, I believe additional
17 staffing and resources are needed.

18

1 **V. CONCLUSIONS AND RECOMMENDATIONS**

2 **Q. *WHAT ARE YOUR CONCLUSIONS AND RECOMMENDATIONS REGARDING***
3 ***ACE'S APPROACH TO CUSTOMER SERVICE IMPACT IN THIS***
4 ***PROCEEDING?***

5
6 **A.** I recommend that as a condition of approval of the merger, the Board require as
7 follows:

- 8 1. ACE should maintain the current level of staffing at its Customer Service Centers
9 and Call Centers, including its outsourcer, Convergent, and maintain the Xerox
10 center to respond to emergency/outage events.
- 11 2. ACE should continue with its current methods and processes in addressing slow
12 and non-registering meters and detecting and correcting billing errors associated
13 with them to maintain or further reduce the two month period it now takes the
14 Company to resolve these problems.
- 15 3. ACE should maintain the current training procedures for all of its customer
16 service representatives, including refresher courses, so that the customer service
17 representatives can identify root causes and possible process gaps in the
18 Company's internal stakeholder review.
- 19 4. ACE should maintain the processes and methods of identifying and notifying
20 senior citizens as to the pending discontinuance of services, and continue to
21 make a good faith effort to contact these customers prior to disconnection.
- 22 5. ACE should maintain or improve the present 80% Service Level Guarantee Level
23 of service appointments kept.
- 24 6. ACE should revise its methods and procedures for reducing the number of NJ
25 Customer Complaints below the Board requirement no more than 1,500 per year.

1 The Company should pay particular attention to complaints about credit issues,
2 which account for more than half of its overall NJ Customer Complaints.

3 7. ACE should conduct the full 6,500 Moment of Truth Surveys on an annual basis.

4 8. ACE should institute more flexible policies and processes in establishing DPAs.

5 The Company should consider management methods that allow it to negotiate
6 DPA terms based on a case-by-case review of the circumstances of the
7 customer, including extending the time for customers to pay back their DPA's
8 beyond the 12-month period, and reducing the initial down-payment to less than
9 the current 25%.

10

11 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

12 **A.** Yes, it does; however, I reserve the right to supplement my testimony subject to
13 further updates to discovery and information provided by the Joint Petitioners.

APPENDIX A

**QUALIFICATIONS OF
DANTE MUGRACE**

Experience

Snavely-King Majoros & Associates, Inc.

Senior Consultant (January 2013 – Present)

Water/Wastewater costs and revenue-all aspects;
Regulatory Accounting and Policy.

Electric and Gas costs and revenue-all aspects:
Regulatory Accounting and Policy.

Experienced in processing, analyzing and evaluating utility rate case petitions before State Public Service Commissions. Examines and evaluates rate filings, contracts, agreements and utility rate matters regarding operations and revenue requirement, and provides recommendations as to be course of action.

Analyzes and reviews utility revenue requirements needed to cover operating expenses and provide for a reasonable rate of return on utility investment.

Prepares expert testimony and supporting studies, testifies at utility rate proceedings, assists Counsel in preparing data requests, cross examination questions and post hearing briefs. Provides negotiation services during stipulation and settlement conferences to reach amicable resolutions.

Independent Utility Rate Consultant

(2012-Present)

Experienced in processing, analyzing and evaluating utility rate case petitions before Public Service Commissions.

Examines and evaluates rate filings, contracts, agreements and rate matters regarding utility operations and provides recommendations as to best course of action.

Analyzes and reviews utility regulatory matters and sets forth recommendations in resolving the issues. Calculates total revenue requirement needed to cover operating expenses and rate of return.

Researches and evaluates regulatory utility matters to assess impact on various classes of customers, regarding rates, service, compliance and cost of service provisions.

New Jersey Board of Public Utilities,

Bureau Chief-Utility Rate Manager (2002-2011)

Managed and assigned tasks to a staff of 12 professionals and supervisory personal in the daily administrative, financial and managerial functions of the Division.

Primary duties were to ensure that the utility has sufficient revenues to cover its operating expenses, earn a return on its plant investment and to ensure that it provides safe, reliable and continuing utility service to its customers.

Set rates and charges for utility companies with revenues of up to and exceeding \$500 million. Ensured that the revenue requirement provided for recovery of all Operating Expenses, return on investment and depreciation.

Responsible for reviewing and verifying that the companies' property, plant and equipment (of up to and exceeding \$2.5 billion) was used and useful in providing service to its customers.

Coordinated and met with the New Jersey State Department of Environmental Protection to determine whether water and wastewater utilities were complying with State regulations and adhering to any directives or Orders emanating out of the regulatory agencies.

Focused on and developed ways to minimize the rising costs of water utility services by investigating alternative rate structures, analyzing engineering mechanisms and techniques, looking into the feasibility of mergers and acquisitions within the water industry and reviewing financing and rate alternatives to minimize the impact on ratepayers.

Responsible for the adhering to the statutory timeframe in preparing, reviewing and recommending findings to the Board Commissioners on financial operations, costs, revenues and operating expenses, prior to the litigation proceedings.

Examining alternative rate recovery mechanisms and clauses, phase in of revenue requirements, deferral mechanisms and pass through of rate charges.

Assumed the role of Director during transition periods and Administrative changes. Recruited and conducted the hiring of employees for placement within the Division and the Board.

New Jersey Board of Public Utilities,***Administrative Analyst (2001-2002)***

Management and Direction of investor owned public utilities operating in New Jersey. Responsible for the evaluation and review of rate case filings regarding , economic and financial analyses of revenue requirement, operations, public private contracts, consolidation and mergers and overall strategy for use by management and counsel in formulating and implementing stipulation and litigation action.

New Jersey Board of Public Utilities,***Supervising Rate Analyst (1997-2001)***

Prepared detailed financial statements to evaluate and justify the utility's plant in service balance, rate of return allowance, pro forma revenues and forward looking operating expenses in order to set rates for utility service prospectively . Litigated rate cases to set policy issues, enforcement and compliance initiatives and to determine the true cost of assets acquired.

New Jersey Board of Public Utilities,***Accountant III, II, I (1983-1997)***

Prepared comprehensive financial spreadsheets to evaluate verify and recommend proposed utility rate case increases. Participated and provided support and reasoning as to the allocation of the revenue requirement to the various classes of customers. Through litigation, set guidelines and policy positions regarding acquisition adjustments, general cost increases, rate case sharing and post-test year plant additions. Oversaw the scope and process of Electric and Gas Levelized Adjustment Clauses, Financial Audits and Pass-through of Surcharges. Recommended a proper level of clause adjustments to be included in rates to customers.

Education

Master Business Administration, **MBA** Strategic Management, Pace University, Lubin School of Business, New York, NY, 2010

Master Public Administration, MPA , Kean University, Union, NJ, 2001

Bachelor of Science, B.S., Accounting, St. Peter's University, Jersey City, NJ, 1983.

Professional Affiliations and Symposiums

Financial Executive Networking Group (FENG)
Bergen County Chapter

Institute of Public Utilities (IPU) Michigan State
University (MSU), National Association of
Regulatory Utility Commissioners (NARUC), 1988
and 2002

NARUC Winter and Summer Meetings, 2006 and 2007

New Jersey Utilities Association (NJUA), Annual
Conference, Galloway Township, NJ, 2004

National Association of Water Companies (NAWC)
New Jersey Chapter, Annual Conference,
Jamesburg, NJ 1992 through 2009

[PDF to Word](#)

Appendix B- Filed Testimony

Filed Testimony

State of New York Public Service Commission

In the Matter of the Application of the Consolidated Edison Company New York, Inc. Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations for Electric Service, Case No. 13-E-0030, dated January 25, 2013.

In the Matter of the Application of the Consolidated Edison Company of New York, Inc. Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations for Gas Service, Case No. 13-G-0031, dated January 25, 2013.

State of North Dakota Public Service Commission

In the Matter of the Application of Northern States Power Company for Authority to Increase Rates for Electric Service in North Dakota, Notice of Change in Rates for Electric Service. Case No. PU-12-813.

State of Ohio Office of the Ohio Consumers' Counsel

In the Matter of the Application of Aqua Ohio, Inc. to Increase Its Rates and Charges for Its Waterworks Service. Case No. 13-2124-WW-AIR

Commonwealth of Massachusetts, Department of Public Utilities Attorney General Office of Ratepayer Advocacy

Columbia Gas Of Massachusetts - Targeted Infrastructure Reinvestment Factor 2014 Compliance Filing. Docket No. 14-83.

Profile

- 25 years of utility regulation experience with specific focus on water and wastewater utilities.
- Experience in resolving regulatory, accounting and compliance issues before the State Public Utilities Commissions.
- Evaluates, analyzes and provides recommendations via direct testimony on the reasonableness of utility rate case proceedings filed with the State Public Service Commissions.
- Develops methodologies and underlying economic theories used in the setting of utility rates with respect to costs, rates of return, revenue requirement and tariff design and allocation.