BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF	)	
DELMARVA POWER & LIGHT COMPANY FOR	)	PSC DOCKET NO. 11-528
AN INCREASE IN ELECTRIC BASE RATES	)	
AND MISCELLANEOUS TARIFF CHANGES	)	
(FILED DECEMBER 2, 2011)	)	

DIRECT TESTIMONY OF

MATTHEW HARTIGAN

ON BEHALF OF

COMMISSION STAFF

May 15, 2012

Qualifications

Q. **Please state your name, position and business address.**

A. My name is Matthew Hartigan. I am Ombudsman at the Delaware Public Service Commission. My business address is 861 Silver Lake Boulevard, Cannon Building, Suite 100, Dover, Delaware 19904.

Q. **Please summarize your qualifications and experience.**

A. I have over 20 years' experience in the customer service field, including managing a large inbound customer service department, customer service regulatory affairs and customer service project management experience which includes replacing a legacy customer service system. Prior to my current position, I was a consultant to the Delaware Public Service Commission and assisted staff in reviewing Delmarva Power customer service practices. I hold a Bachelor of Science degree in Business Administration from LeMoyne College in Syracuse, New York. My resume is attached (MH-1)

Q. **Have you previously participated or submitted testimony in regulatory proceedings?**

A. No.

Direct Testimony

Q. **What is the purpose of your testimony?**

A. My testimony focus is on various aspects of the initiatives that Delmarva has undertaken to enhance customer service, as addressed by Delmarva witness Dickerson. Based on my

review of the Company's application, supporting testimony and the Company's responses to data requests, I have reached the following conclusions:

- The additional trunk lines and the new customer service system to be implemented across all PHI companies (Pepco, ACE and Delmarva) may allow customer service calls to be handled in any PHI call center. Although the company has said it does not intend to create one call center, it appears to be technically possible. If such a strategy were implemented, a plan should be put in place to measure service level metrics for Delaware customers and to ensure that Staff continues to receive monthly metrics performance reports.
- The "Trusted Energy Advisor" strategy may lead to longer call handling times as Delmarva CSRs attempt to engage customers in conversations regarding energy use and energy efficiency. This additional call handling time may require more CSRs to handle the same number of calls as previously handled when this strategy was not in place.
- Given the additional expenses associated with improving the Company's customer service performance, a monitoring plan should be put in place to validate that the additional expense incurred by the Company produced an improved customer experience. These metrics should include common measurements of customer service call centers (above and beyond the current TSF and ATB metrics currently being measured) to include Average Speed of Answer, Average Handling Time, First Call Resolution, and the effectiveness of the "Trusted Energy Advisor" strategy.

Q. What are the major benefits and associated cost savings as indicated by the Company's Customer Care initiatives and new customer information system (CIS) anticipated to be realized by Delmarva Power's Delaware customers?

A. The associated costs for the Customer Care initiatives and new customer information system (CIS) is:

Item	Expense
Personnel	$2,860,141
Infrastructure (hardware and software)	$116,184
Crisis Call Center	$165,333
Customer Education and Research:	$100,000
Customer Information System	$381,942

The benefits claimed by the company are:

Personnel: "To support the increasing resource requirements to maintain necessary service levels in the face of increasing call volume and increasing Average Handling Time (AHT)." (Dickerson testimony)

Infrastructure: New trunk lines to minimize the "all trunks busy" condition which often occurs in high volume call situations (i.e. storm outages or traditionally high volume call days).

Crisis Call Center: To provide additional support in high volume call situations, such as storm outages.

Customer Education and Research: Storm preparedness education for customers on a more frequent basis than previously disseminated; increased use of customer service surveys; more sophisticated customer segmentation modeling tools.

Customer Information System: Company states the system is necessary due to "changing market and regulatory requirements, customer adaptation of technology, and customer desire for new rates and offerings." (Ziminsky testimony)

Q. What is the status of these Customer Care initiatives and the Customer Information System?

A. Personnel: Approximately half of the personnel have been hired; the remainder is anticipated to be hired in May 2012. (Dickerson testimony)

Infrastructure: The new trunk lines are anticipated being completed in March, 2012. (Dickerson testimony)

Crisis Call Center is anticipated to be implemented in March, 2012. (Dickerson testimony)

Customer education and research is on-going. (Dickerson testimony)

Customer Information System has not yet been implemented, so no benefits or associated savings have been realized at this point in time. Company currently anticipates the new CIS will be used to bill all Delaware customers by the end of 2014 (PSC-GEN-12; Dickerson response)

Q. Do you believe any level of cost recover associated with the new Customer Care initiatives should be allowed in this case?

A. Personnel: Delmarva FTE staffing levels will increase approximately 16% in 2012 compared to 2011 (Dickerson response to PSC-GEN -30), even though call volume year-over-year has remained relatively flat. One reason for the increased FTE requirement may be higher Average Handling Time due to the relationship-based Trusted Energy Advisor strategy which will allow Delmarva Customer Service Representatives to engage their customers in energy related conversations.

Although the filing does not include customer service metrics such as call volume, Average Handing Time, and customer satisfaction statistics, regular reports provided by the Company to the Commission demonstrates that the Company's performance has been satisfactory in this area.

Infrastructure: The increase of trunk capacity by almost 300% is excessive given the number of "all trunks busy" conditions that the Company encountered in 2011. Also, increasing the trunk capacity does not mean that a customer is more likely to speak to a Customer Service Representative (CSR). Increasing trunk capacity will allow more customer calls to enter the call center during a busy period, but if there is not a sufficient number of CSRs available to handle a call, a customer may be placed on hold for a long period of time. In that situation, the net effect to a customer is the same - - they are not receiving the service they expect from Delmarva. Staff will continue to monitor the "all trunks busy" condition in 2012 to insure this cost recovery is justified.

Crisis Call Center: The Crisis Call Center will allow customers to speak to a live CSR during storm outage situations. Assuming the Crisis Call Center personnel have the same level of customer service training and storm-related information available to them as a Delmarva CSR, this should lead to a positive customer experience. This expense should be allowed recovery, however a plan should be put in place to measure performance of the Crisis Call Center that is similar to the metrics measured for the Delmarva customer service call centers.

Customer Education and Research: The Company claims this expense will cover storm preparedness education and increased frequency of customer surveys. Although the cost is relatively small, the Company does not adequately explain in sufficient detail how the storm preparedness information will be disseminated to customers, and how a customer will differentiate this material from other marketing efforts the Company does. The same is true of the customer surveys. The Company does not indicate whether it is trying a new survey approach, or simply measuring the same metrics more frequently. The Company also does not adequately explain how the new customer segmentation modeling tools improve customer service or decrease costs. Until the company provides additional details around these initiatives, this cost should not be recovered.

Q. Do you believe any level of cost recovery associated with new customer information system (CIS) should be allowed in this case?

A. No. Based on discovery and discussions with the Company, the new customer information system is in the early development stage and is not in a "used and useful" plant in service status. The new CIS is not projected to be placed into service for

Delmarva Delaware customers until 2014, and as such, no costs associated with the system should be recovered at this time.

Q: Has the Public Service Commission received public comments regarding the proposed rate increase?

A. Yes, the Commission staff has received more than 1,500 written public comments unanimously opposed to the proposed increase. The majority of these were encouraged by an AARP email campaign. Analysis of the comments received appears to show a high level of distrust and animosity towards the Company, and a perception that Delmarva has little or no understanding of customer and community sentiment towards the Company. A summary of the reasons that Delmarva customers oppose the proposed increase are:

- Customers on low/fixed income cannot afford the proposed increase. Several individuals stated the increase would force them to choose between making utility payments and purchasing required medication each month.
- The Reliability Investment Recovery Mechanism (RIM) is viewed a "blank check" that Delmarva will use to increase rates automatically on an annual basis
- The requested increase in Return on Equity from 10.00% to 10.75% is perceived as "greedy" given the current economic difficulties faced by many Delmarva customers and the fact that the RIM would reduce the company's risk from an investment perspective
- Several comments indicated that Delmarva has not demonstrated any fiscal restraint or cost cutting initiatives given the current economic conditions
- Other unfavorable sentiment towards Delmarva included:

- Rate increases are too frequent
- Customers blame Delmarva for the Bloom charges on their bill
- Delmarva is out of touch with the hardships their customers are facing
- Increased rates only support increased CEO/Executive Management pay

In summary, the timing of the proposed rate increase is difficult because of the hardships endured by Delmarva customers due to the economic recession. Although the company's filing seeks recovery for what it characterizes as increased expenses related to reliability and improved customer service, the public comment received in this case demonstrates that customers do not yet see any value from those investments. In addition, Delmarva's request to increase its rates by almost 19 percent comes on the heels of a $16 million dollar increase in customer rates less than a year ago.

Q. Does this conclude your testimony?

A. Yes it does.