

REBUTTAL TESTIMONY

of

**Mary E. Selvaggio
Manager of Accounting**

**Accounting Department
Financial Analysis Division
Illinois Commerce Commission**

Commonwealth Edison Company

**Proposal to implement a competitive procurement process by establishing Rider
CPP, Rider PPO-MVM, Rider TS-CPP and revising Rider PPO-MI**

Docket No. 05-0159

August 3, 2005

1 **Witness Identification**

2 Q. Please state your name and business address.

3 A. My name is Mary E. Selvaggio. My business address is 527 East Capitol
4 Avenue, Springfield, Illinois 62701.

5 Q. Are you the same Mary E. Selvaggio who previously testified in this proceeding?

6 A. Yes.

7 **Purpose of Testimony**

8 Q. What is the purpose of your rebuttal testimony in this proceeding?

9 A. The purpose of my rebuttal testimony is to address the portion of the panel
10 testimony of Lawrence S. Alongi and Paul R. Crumrine identified as ComEd Ex.
11 13.0 that concerns the recommendations I proposed in my Direct Testimony (ICC
12 Staff Exhibit 8.0) regarding

13 1) The tariff language for the Accuracy Assurance Mechanism (AAM) proposed
14 by Commonwealth Edison Company ("ComEd" or the "Company")
15 (Proposed ILL. C. C. No. 4, Original Sheet No. 291);

16 2) The formula to calculate the Customer Demand and Usage Factor (CDU
17 Factor) for the CPP Auction-Blended Segment and the CPP Auction-Annual
18 Segment (Proposed ILL. C. C. No. 4, Original Sheet Nos. 291 and 292);

19 3) The calculation of the CDU Factor for the CPP-H Auction (Proposed ILL. C.
20 C. No. 4, Original Sheet Nos. 292); and

21 4) The formula to calculate the Contingency Factor (CF) (Proposed ILL. C. C.
22 No. 4, Original Sheet No. 293).

23 Q. Please summarize the status of the recommendations you proposed in Direct
24 Testimony.

25 A. The Company incorporated into its revised proposed tariffs the following
26 recommendations that I proposed in my direct testimony:

27 • Tariff language introducing the AAM and the CDU Factor was modified as
28 follows:

- 29 1. The phrase in the Company's proposed tariff used to represent costs,
30 "payments that the Company makes," was changed to "expenses
31 incurred by the Company";
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33 2. The term in the Company's proposed tariff used to represent the
34 process that compares costs incurred with amounts billed, "balanced,"
35 was changed to "equal";
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37 3. Language was added to the Company proposed tariff that clarifies the
38 purpose of the AAM; and
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40 4. Language was added to the Company proposed tariff that defines the
41 determination month and the effective month.
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44 • The Company's proposed formula to calculate the CDU Factor for the CPP
45 Auction Blended Segment and the CPP Auction-Annual Segment was
46 modified as follows:
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- 48 1. The term $MWAP_{m-2} \times WE_{m-2}$ in the Company's proposed formula to
49 derive the CDU Factor was changed to represent the accrued
50 expenses;
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52 2. The term, $Billings_{m-2}$, in the Company's proposed formula to derive the
53 CDU Factor was changed to include amounts billed in association with
54 previously applied CDU Factors;
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3. The Automatic Balancing Factor (“AB Factor”) in the Company’s proposed formula was modified to represent the actual amount of over/under recovery and not a cents/kWh;
 4. The AB Factor in the Company’s proposed formula is now included in the numerator that compares the cost of procurement supply with the customer billings;
 5. The calculation of the AB Factor includes a provision for interest; and
 6. Language was added to the Company proposed tariff that provides for an Adjustment factor to refund or recover amounts ordered by the Commission.
- The calculation of the CDU Factor for the CPP-H Auction was modified as follows:
 1. The mechanism is now depicted by formula;
 2. The Company proposed tariff language modifying the cost of procurement supply, specifically, the phrase “including without limitation, costs due to differences in the actual and forecast aggregate line losses and in other charges imposed by PJM pursuant to tariffs on file with the FERC, during the previous calendar year,” has been deleted;
 3. The Company proposed tariff language setting forth the formula to calculate the CDU Factor for the CPP-H Auction was modified in accordance with the changes that were made for the CDU Factor for the CPP Auction – Blended Segment and the CPP Auction – Annual Segment as the Company combined the three rates into one formula mechanism; and
 4. The Company proposed formula was modified so that my recommendation that the Company clarify how the January actual balances will be trued up since the January actual balances will not yet be known when the annual filing is submitted is no longer necessary.
 - The calculation for the CF was modified as follows:
 1. The term $MWAP_{m-2} \times WE_{m-2}$ in the numerator of the Company’s proposed formula was changed to represent the cost for procurement supply expensed on ComEd’s books during the determination month;

- 101 2. The Contingency Factor Adjustment (CFA) in the Company's proposed
102 formula was modified to represent the actual amount of over/under
103 recovery and not a cents/kWh;
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105 3. The CFA term in the Company's proposed formula is included in the
106 numerator that calculates the CF; and
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108 4. The CFA term includes a provision for interest.

109 The following recommendations were not adopted and remain at issue:

- 110 • Language introducing the AAM and the CDU Factor
- 111 Language concerning the Commission's authority to determine the revenue
112 and cost accounts that are to be included as components of the CPP Rate;
- 113 • CDU Factor and CF Formula
- 114 The denominator in the Company's proposed formula should represent
115 "Forecasted Customer Usage in kWh to be Billed for the Effective Month";
- 116 • Language representing the purpose of the CDU Factor
- 117 Language representing the purpose of the CDU Factor was modified in the
118 Company's revised proposed tariffs but did not satisfy the recommendation
119 raised in my direct testimony.

120 In addition, I am proposing recommendations regarding the following revised tariff
121 language proposed by the Company in its rebuttal testimony:

- 122 • Rename the Company's proposed Factor A and modify the definition of Factor
123 A; and
- 124 • Modify the definition of Factor AR to remove the phrase, "net of uncollectibles";
125 and
- 126 • Transmission costs recorded in Account 566 should be recovered through
127 Rider TS- CPP (Transmission Services) rather than the AAF.

128 **Accounts to be Included as Components of the CPP Rate**

129 Q. The Company disagreed with your recommendation that language should be
130 added that gives the Manager of the Accounting Department of the Illinois
131 Commerce Commission the authority to determine the revenue and cost
132 accounts that are to be included as components of the CPP Rate. Company
133 witnesses Alongi and Crumrine have identified the FERC Accounts that will be
134 the umbrella accounts that are expected to house the information that will be
135 used to calculate the AAF in ComEd Ex. 13.2. What is your response?

136 A. I maintain my position that the tariff language should be modified to give the
137 Commission authority to determine the revenue and cost components that is to
138 be used to calculate the AAF.

139 Lines 783 – 787 on page 37 of ComEd Ex. 13.0 state that ComEd intends to track
140 the cost components of the AAF Algorithms by supplier, and perhaps by tranche,
141 in sufficient detail as to be readily auditable by Staff. ComEd implies that the
142 identification of costs to be recoverable through the AAF will be readily apparent
143 and without issue.

144 However, there are accounts listed on ComEd Ex. 13.2 that will report more than
145 just the cost of power supply. For example, included on ComEd Ex. 13.2 is
146 Account 566, Miscellaneous Transmission Expense, which would allow ComEd to
147 recover required ancillary service expense incurred by ComEd through the AAF
148 rate. The recovery of costs recorded in Account 566 was not readily apparent
149 without ComEd's identification of the expense on ComEd Ex. 13.2. Later in my

150 testimony, I recommend that miscellaneous transmission expenses recorded in
151 Account 566 should not be recovered through the AAF, but through Rider TS –
152 CPP (Transmission Services – Competitive Procurement Process).

153 Since it is the Company's position that the Commission should only have
154 authority to investigate "possible arithmetical inaccuracies" (Original Sheet No.
155 269 and 292), the Commission would arguably have no authority to investigate
156 whether a non-recoverable cost had flowed through the AAF. As long as ComEd
157 had recorded the cost in one of the umbrella accounts recorded on ComEd Ex.
158 13.2, the Commission would arguably be without authority to question the
159 recoverability of the cost, as the issue would not represent an "arithmetical
160 inaccuracy".

161 In addition, Company witnesses Alongi and Crumrine state that sub-accounts
162 cannot be specifically assigned until after the first auction is complete, when the
163 number of suppliers is determined and other information that may be relevant is
164 known. (ComEd Ex. 13.0, p. 37, lines 788-792) Thus, there is insufficient
165 information currently available to know with certainty the precise accounts that
166 would include recoverable costs. ComEd Exhibit 13.2 provides a list of "umbrella
167 accounts"; however, there will be many costs included within these umbrella
168 accounts that will not be recoverable through the AAF.

169 ComEd has offered to meet with Staff when the necessary information is
170 available (sometime after the first auction is completed) and ComEd has
171 determined the appropriate sub-accounts in order to facilitate Staff's

172 understanding and review of the decisions that ComEd made in setting up such
173 accounts. (ComEd Ex. 13.0, pp. 37-38, lines 801-804) However, ComEd's
174 proposal does not provide Staff or the Commission any process by which to
175 contest the future decisions that ComEd makes in determining the appropriate
176 sub-accounts to flow through the AAF mechanism.

177 Thus, I am proposing language that provides the Commission a mechanism to
178 review the sub-accounts which the Company intends to flow through the CPP
179 Rates and the AAF mechanism. In addition, I am proposing to modify the
180 language proposed in my direct testimony for the following:

- 181 1) All parties to this proceeding should have the opportunity to evaluate the
182 costs and revenues that are appropriate to be flowed through the CPP Rates
183 and the AAF mechanism;
- 184 2) The Commission should have the authority to establish the cost and revenue
185 accounts to be flowed through the CPP Rates and the AAF mechanism; and
- 186 3) To provide for a later filing date of the Company proposed accounts and sub-
187 accounts to be flowed through the CPP Rates and the AAF mechanism as
188 Company witnesses Alongi and Crumrine have stated that the appropriate
189 sub-accounts will not be known until after the auction process is
190 complete(ComEd Ex. 13.0, page 37-38, lines 788-804).

191 My modified language proposal is as follows:

192 ~~The Manager of Accounting of the Illinois Commerce Commission will have the~~
193 ~~authority to approve the costs and revenue accounts and sub-accounts that the~~
194 ~~Company proposes to be included as components of the CPP Rider. The~~
195 ~~Company will make a compliance filing in ICC Docket No. 05-0159, with notice of~~
196 ~~such filing to all parties on the service list, within 30 days after the first auction is~~
197 ~~completed that is provide to the Manager of Accounting of the Commission a list~~
198 ~~of the sub-accounts and sub-account descriptions to be used to record such~~
199 ~~billings and costs in writing within 30 days of the close of Docket No. 05-0159.~~
200 ~~The Manager of Accounting will respond to the Company's request for approval~~
201 ~~within 30 days of receipt of the Company's request in writing as to whether the list~~
202 ~~of accounts and account descriptions are approved. If any party or Staff finds the~~

203 list of sub-accounts and sub-account descriptions to not be acceptable, they may
204 file within 21 days of the Company's compliance filing a Notice of Objection to
205 Compliance Filing in Docket No. 05-0159. ~~list is not approved by the Manager of~~
206 Accounting, the Manager of Accounting will In the event that a Notice of
207 Objection to Compliance Filing is made by Staff or any party, the Company shall
208 file a petition to resolve disputed compliance filing, with notice of same to the
209 service list in Docket No. 05-0159, to establish the costs and revenue sub-
210 accounts that should be considered in the development of the CPP Rate and
211 AAF mechanism. Once the list of sub-accounts has been approved by the
212 Commission, any changes to the sub-accounts and sub-account descriptions
213 would need to be reapproved by the Commission Manager of Accounting.

214 **The Denominator of the CDU and CF Formula**

215 Q. Company witnesses Alongi and Crumrine did not agree with your
216 recommendation that the denominator of the CDU Factor and CF should
217 represent the Company's best estimate of customer usage because five years of
218 actual historical data would simplify Staff's review of ComEd's monthly filing and
219 using the Company's internal forecast of customer usage in the formula would be
220 more difficult for Staff to subsequently audit. (ComEd Ex. 13.0, p. 41, lines 887-
221 892) What is your response?

222 A. The Company's arguments against my proposal are without merit. It is easier to
223 compare the monthly denominator to a single number representing the
224 Company's internal forecast of customer usage in a monthly management report
225 than review the inputs and the calculations of an algorithm using the five-year
226 average of the relationship between usage in the effective month and usage from
227 two months prior that is proposed by the Company and represented as:

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$$E_{m-2} \times \left[\frac{\text{AVG } [E_{m-12}, E_{m-24}, E_{m-36}, E_{m-48}, E_{m-60}]}{\text{AVG } [E_{m-14}, E_{m-26}, E_{m-38}, E_{m-50}, E_{m-62}]} \right]$$

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232 The Company's proposal is reminiscent of the Purchased Gas Adjustment
233 Clause (PGA) that was in effect in Illinois from 1984 through 1995. The
234 components in the formula to derive each month's PGA rate were based on
235 rolling 12 month historical units multiplied by the most current price. It was very
236 difficult, if not impossible, for Staff to review the calculation of the monthly PGA
237 rate. When the PGA was revised in 1996, the components of the formula were
238 changed to represent the estimated recoverable costs associated with the base
239 period. In the proceeding held to revise the PGA rules, no gas utility advanced
240 the position that costs should continue to be based on rolling 12 month historical
241 units.

242 Q. Company witnesses Alongi and Crumrine further rationalize that any inaccuracy
243 resulting from the use of historical data will be corrected in future monthly
244 calculations – with interest. (ComEd Ex. 13.0, p. 42, lines 895-897) What is your
245 response?

246 A. A primary goal of the AAF mechanism should be to minimize the cumulative
247 over/under recovery. Although the provision of interest on the cumulative
248 over/under recovery is a useful tool to help ensure fairness, this feature does not
249 justify use of an inappropriate component or make use of an inefficient
250 mechanism acceptable.

251 Q. Please explain why an inaccuracy would result from the use of historical data in
252 the denominator.

253 A. The numerator of the CDU Factor and CF formulas represent the cumulative
254 variance in the amount that was billed to retail customers and the costs that were
255 to be recovered from those customers. The denominator sets forth the number
256 of kWhs that are allocated the cumulative variance or the aggregated over/under
257 recovery set forth in the numerator. The rate resulting from the calculation is
258 then applied to kWhs provided to retail customers in the effective month. Since
259 the kWhs represented in the denominator are not the kWhs that management
260 expects to provide to retail customers in the effective month but rather what was
261 provided as an average of the last five years, there is a built in variance in the
262 formula. A built in variance also results because the Company's proposed
263 denominator does not consider known changes in load such as the gain or loss
264 of a significant customer.

265 In order to minimize the cumulative over/under recovery, the kWhs represented
266 in the denominator of the CDU Factor and CF formulas need to be the same
267 kWhs to which the AAF rate will be applied. If the AAF rate is to be applied to
268 kWhs provided to retail customers in the billing month, the denominator of the
269 CDU Factor and CF formulas must also represent the projected kWhs to be
270 provided to retail customers in the billing month. If the denominator in the CDU
271 Factor and CF formulas does not represent the kWhs to which the AAF rate will
272 be applied, the aggregated over/under recovery will not be minimized, but will
273 continue to grow.

274 The Commission's past experience with riders provides support for the position
275 that the denominator of the CDU Factor and CF formulas must match the units to
276 which the resulting AAF rate is to be applied. The Uniform Fuel Adjustment
277 Clause (FAC) codified as 83 Ill. Adm. Code 425 (Part 425) was amended in
278 Docket No. 94-0402 for the sole purpose of allowing the denominator in the
279 formula to derive the FAC rate to be reflective of the kWhs to which the resulting
280 FAC rate would be applied. The problem that was addressed in Docket No. 94-
281 0402 was that the FAC formula's denominator represented kWhs estimated to be
282 *delivered* and the resulting rate was charged to each kWh *billed*. Since the kWhs
283 delivered in the billing month are not the same kWhs that are billed in the billing
284 month, there was an inherent built in variance that resulted in an over/under
285 recovery that the Companies, Staff, and the Commission believed was significant
286 enough to warrant initiating a rulemaking to open Part 425 and correct.

287 Q. Please summarize your proposed language changes.

288 A. I recommend that the following changes should be made to the Company's
289 proposed tariff language:

290 a) The denominator of the formula should be stricken as follows

291
$$E_{m-2} \times \left[\frac{\text{AVG} [E_{m-12}, E_{m-24}, E_{m-36}, E_{m-48}, E_{m-60}]}{\text{AVG} [E_{m-14}, E_{m-26}, E_{m-38}, E_{m-50}, E_{m-62}]} \right]$$

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294

295 And replaced with U;

296 b) The definitions of the terms stricken in the denominator should also be
297 stricken and replaced with a definition of U as follows:

298 ~~E_{m-2} = Electricity, in MWh, provided to retail customers, as applicable, in~~
299 ~~the calendar month occurring two (2) months prior to the effective~~
300 ~~billing period.~~

301 ~~E_{m-n} = Electricity, in MWh, provided to retail customers, as applicable in~~
302 ~~the calendar month occurring n months prior to the effective period,~~
303 ~~with such n equal to 12, 14, 24, 26, 36, 38, 48, 50, 60, or 62, as~~
304 ~~applicable~~

305 $U = \frac{\text{Forecasted Customer Usage in kWh to be Billed during the}}{\text{Effective Month}}$
306

307 Q. The above language change proposes that U represent forecasted customer
308 usage in kWh to be billed during the effective month. Does the Company
309 propose to apply the AAF rate to kWh *billed* during the effective month?

310 A. No, the Company proposal does not. The Company's proposed tariffs indicate
311 that the AAF rate is to be applied to kWhs *provided* to retail customers during the
312 effective month. By this language, it appears that ComEd is proposing to prorate
313 the resulting AAF rate. The AAF rate should not be material enough to warrant
314 the complexity of proration. Thus, I propose additional language changes to
315 indicate that the AAF rate should be applied to the kWhs billed, not the kWhs
316 provided.

317 My proposed change to the definition of Effective Period on Original Sheet No.
318 246 follows:

319 **Effective Period**
320 Effective Period means the monthly billing period during which an AAF is
321 applied to kilowatt-hours (kWhs) ~~provided~~ billed to retail customers....

322 My proposed changes on Original Sheet No. 291 follow:

323 1) Such AAFs, the CPP-B AAF, the CPP-A AAF, and the CPP-H AAF, are
324 applied to kWhs ~~provided~~ billed in the applicable effective period to retail
325 customers for which the Company procures full requirements electric supply
326 as described in the CPP Auction – Blended Segment, the CPP Auction –
327 Annual Segment, and the CPP-H Auction subsections, respectively, of the
328 General Process section of the Competitive Procurement Process part of this
329 tariff.

330 and

331 2) CDU = Customer Demand and Usage Factor, in cents/kWh rounded to the
332 thousandths of a cent, applied as a credit or charge to kWhs
333 ~~provided~~ billed to retail customers, as applicable, during the effective
334 period.

335 My proposed change on Original Sheet No. 293 follows:

336 Contingency Factor, in cents/kWh rounded to the thousandths of a cent,
337 applied as a credit or charge to kWhs ~~provided~~ billed to retail customers, as
338 applicable, during the effective period.

339 Also, on Original Sheet No. 296, the language supporting Supply Charges should
340 be modified as follows:

341 Supply Charges apply to the kilowatt-hours (kWhs) ~~supplied hereunder~~ billed
342 by the Company in the monthly billing period ~~delivered under the provisions of~~
343 Rate RCDS pursuant to Rider PPO-MVM.

344 The proposed language revision to the Supply Charges being applied pursuant to
345 Rider PPO-MVM is consistent with the Company's response to Staff Data
346 Request MS 1.01.

347 Q. Could you give a brief explanation of proration?

348 A. Yes. Proration represents an average rate if there is more than one rate applied
349 to a customer's usage for a billing period. For example, if a customer is billed as

350 of June 15 for 30 days of service (covering the period May 17th through June
351 15th), the customer would be billed for 15 days of service provided for the period
352 May 17 through May 31st using the May rate and billed 15 days for service
353 provided for the period June 1 through June 15 using the June rate. The
354 calculation would assume the same level of service was provided each day
355 during the 30 day period.

356 Q. What is the alternative if the Company does not apply a prorated rate?

357 A. If the Company does not apply a prorated AAF rate, the Company would apply
358 the AAF rate that is in effect in the calendar month in which the kWhs were billed.
359 Thus, if a customer is billed on June 15th for 30 days of service, the customer
360 would be billed for service from May 17th through June 15th at the effective June
361 rate. There would be no proration or averaging of the rate that was in effect for
362 the two months when usage was provided.

363 Q. By your recommended language changes, which method are you proposing?

364 A. I recommend that the AAF rate that is in effect in the calendar month in which the
365 kWhs are billed be applied to the kWhs billed in the effective month to remove the
366 need for proration. I do not recommend proration of the AAF rate because the
367 over/under recovery should not be material enough to warrant the use of a more
368 complex method.

369 **Modification of Language Representing the Purpose of the CDU Factor**

370 Q. Company witnesses Alongi and Crumrine did not agree with your
371 recommendation to delete the phrase, "based on changes in such customers'

372 actual usage and demands on the Company's system." (ComEd Ex. 13.0, lines
373 pp. 43-44, 938 – 952) What is your response?

374 A. I maintain that the phrase, "based on changes in such customers' actual usage
375 and demands on the Company's system," obfuscates the meaning of the
376 sentence and is unnecessary. However, if the Commission agrees that some
377 language is necessary, I propose to delete the phrase and add the following
378 alternate sentence as an attempt to clarify the purpose of the CDU Factor:

379 The resulting over/under recovery that will be refunded/recovered through the
380 application of the CDU Factor is caused by changes in customers' actual
381 usage and demand patterns from the historic class usage and demand
382 patterns used in the translation algorithm.

383 Q. Did you have additional changes to the language representing the purpose of the
384 CDU Factor?

385 A. Yes, I offer the following additional changes to the Company's proposed
386 language:

- 387 1) Replace the term, "balance", with "reconcile"; and
388 2) Delete the modifier, "received", of the term "revenues".

389 Q. Provide an explanation as to why the term, "balance," should be replaced with
390 "reconcile."

391 A. The term, "reconcile," is a term that is used at the Commission to represent the
392 true-up of revenues and expenses in other riders, such as the PGA Clause, FAC,
393 and the Coal Tar Riders. The term, "balance," has not historically been used at
394 the Commission to represent the true-up process. Thus, the term, "balance,"

395 suggests something other than the customary reconciliation to which the
396 Commission is familiar.

397 Q. Provide an explanation as to why the modifier, “received”, of the term, “revenues”
398 should be deleted.

399 A. The phrase, “revenue received,” suggests that the revenues that should be
400 considered in the true-up mechanism would be based upon the cash basis of
401 accounting while the costs would be based upon an accrual basis. In order for
402 the true-up mechanism to function properly, the components that are being
403 reconciled should be on the same basis. Since the Company’s financial books
404 and records are based on the accrual basis, the accrual basis is the preferred
405 method on which the components of the true-up mechanism should be based.

406 Q. Please summarize your recommended language changes.

407 A. My recommended modifications to the tariff language presenting the purpose of
408 the CDU Factor on Original Sheet No. 291 follow:

409 The purpose of the Customer Demand and Usage Factor (CDU) is to periodically
410 ~~balance~~ reconcile the revenues ~~received~~ from retail customers for full
411 requirements electric supply ~~based on changes in such customers’ actual usage~~
412 ~~and demands on the Company’s system~~, with the expenses incurred by the
413 Company for procurement of such supply as a function of the contract terms and
414 prices determined in accordance with the CPP. The resulting over/under
415 recovery that will be refunded/recovered through the application of the CDU
416 Factor is caused by changes in customers’ actual usage and demand patterns
417 from the historic class usage and demand patterns used in the translation
418 algorithm.

419 **Modification of the Company's proposed Adjustment Factor (A)**

420 Q. What modifications are you recommending to the Company's proposed Factor A?

421 A. I recommend the following:

422 1) Factor A should be renamed Factor O;

423 2) Language allowing adjustments determined by the Company after
424 discussions with Staff should be deleted;

425 3) Language restricting the adjustments to arithmetical inaccuracies should be
426 deleted;

427 4) The time period for which interest may be applied to the adjustment amount
428 should be clarified; and

429 5) The language allowing the Company to amortize the adjustment over
430 multiple effective periods should be deleted.

431 Q. Provide an explanation why the Company's proposed Factor A should be
432 renamed Factor O.

433 A. I recommend that Factor A be renamed Factor O to avoid confusion as to the
434 representation of Factor A. Currently, there is a Factor A used in the PGA Clause
435 that is very different from the Factor A proposed by the Company for the AAF.
436 There would be less confusion if the two factors were represented differently.

437 Thus, I propose that the Company's proposed Factor A be referenced as Factor
438 O.

439 Q. Provide an explanation why language that allows adjustments determined by the
440 Company after discussions with Staff should be deleted.

441 A. The AAF true-up mechanism should only provide for adjustments to the costs and
442 revenues flowed through the AAF that have been ordered by the Commission. In
443 order to preserve the integrity of the AAF mechanism, it is imperative that only

444 adjustments ordered by the Commission are allowed to impact the rate. To allow
445 the Company to inject currently unknown variables into the AAF mechanism
446 provides for dubious results. Only a Commission order provides the
447 documentation that an adjustment was evaluated sufficiently to warrant
448 recognition in the mechanism.

449 Q. Please explain why you recommend that language restricting the adjustments to
450 arithmetical inaccuracies should be deleted.

451 A. Adjustments other than a correction for arithmetical inaccuracies associated with
452 the computation of a previously applied AAF may be necessary. An adjustment
453 to remove a non-recoverable cost that was previously flowed through the AAF
454 mechanism is an example of an appropriate adjustment that is not a correction of
455 an arithmetical inaccuracy. The term, arithmetical inaccuracies, is not broad
456 enough to represent all adjustments that may be necessary.

457 Q. Provide an explanation as to why the language should clarify the time period for
458 which interest may be applied to the adjustment amount.

459 A. The language proposed by the Company is confusing. The Commission order
460 authorizing the adjustment to the AAF should provide for interest through the date
461 of the order. The AAF should only address interest on the adjustment ordered by
462 the Commission between the date of the Commission order and the date that the
463 adjustment amount is flowed through the mechanism.

464 Q. Provide an explanation as to why the language allowing the Company to amortize
465 the adjustment over multiple effective periods should be deleted.

466 A. The provision to allow the adjustment to be amortized over multiple periods
467 should be deleted because the Commission should make that determination in its
468 order that authorizes the adjustment. The Commission should evaluate the
469 particular circumstances of the adjustment and make an informed decision as to
470 the need for amortization.

471 Q. Provide your proposed language changes.

472 A. My proposed language changes to the Company's proposed tariff follows:

473 Adjustment ordered by the ICC, in \$, equal to an amount ~~(a) ordered by the~~
474 ~~ICC or (b) determined by the Company, after discussions with the Staff,~~ that is
475 to be refunded or collected from retail customers ~~to correct for arithmetical~~
476 ~~inaccuracies associated with the computation of a previously applied AAF.~~
477 Such amount shall include interest charged at the rate established by the
478 ICC in accordance with 83 Illinois Administrative Code Section 280.70(e)(1).
479 Such interest is calculated for the period of time beginning on the first day
480 date of the ~~effective period during which such AAF was applied~~ Commission
481 order and extending through the day prior to the start of the effective period in
482 which the AO Factor is applied to customer bills. ~~Such amount may be~~
483 ~~amortized over multiple effective periods with interest.~~

484 **Removal of the phrase, "net of uncollectibles," from the Definition of AR**

485 Q. What modification are you recommending to the Company's proposed definition of
486 AR?

487 A. I am proposing that the definition for Factor AR (Accrued Revenues) should not
488 include the phrase, "net of uncollectibles." The AAF mechanism should not be
489 complicated by guaranteeing the recovery of uncollectible accounts. ICC Staff
490 witness Struck proposes the recovery of uncollectible expense through a Supply
491 Administration Charge. (ICC Staff Exhibit 17.0)

492 **Transmission costs recorded in Account 566 should be recovered through Rider**
493 **TS rather than the AAF**

494 Q. Explain your recommendation that transmission costs recorded in Account 566,
495 Miscellaneous Transmission Expenses, should not be recovered through the AAF,
496 but through Rider TS – CPP.

497 A. I recommend that transmission expenses that are recorded in Account 566 should
498 be recovered through Rider TS rather than through the AAF as indicated on
499 ComEd Exhibit 13.2 of the Rebuttal Panel Testimony of Lawrence S. Alongi and
500 Paul R. Crumrine. The only costs that should be going through the true-up
501 mechanism should be power supply costs that have been procured from the
502 auction and are trued up in the CDU Factor and the incremental cost of
503 contingency power supply costs that have been procured outside the auction and
504 are trued up in the CF. Miscellaneous transmission expenses recorded in Account
505 566 should be considered in the determination of the transmission services cost
506 (TS) component of the Transmission Services Charge (TSC) formula setting forth
507 the TSC rate.

508 **Recommendations**

~~509~~ Q. What recommendations are you proposing to the Commission?

510 A. I recommend that the Commission find that

- 511 • Language should be added that gives Commission authority to determine the
512 revenue and cost sub-accounts that are to be included as components of the
513 AAF Rate
- 514 • The denominator in the CDU Factor and CF formula should represent
515 “Forecasted Customer Usage in kWh to be Billed for the Effective Month”;
516
517

- 518 • Language representing the purpose of the CDU Factor should be modified as
519 follows:
- 520 1) Delete the phrase, “based on changes in such customers’ actual usage
521 and demands on the Company’s system,” and add an alternate sentence;
- 522 2) Replace the term, “balance”, with “reconcile; and
- 523 3) Delete the modifier, “received”, of the term “revenues”;
524
- 525 • Tariff language should be modified to indicate that the rate should be applied to
526 kWhs billed;
527
- 528 • The Company’s proposed Factor A should be modified as follows:
529
- 530 1) Factor A should be renamed Factor O;
- 531 2) Language allowing adjustments determined by the Company after
532 discussions with Staff should be deleted;
- 533 3) Language restricting the adjustments to arithmetical inaccuracies should
534 be deleted;
- 535 4) The time period for which interest may be applied to the adjustment
536 amount should be clarified; and
- 537 5) The language allowing the Company to amortize the adjustment over
538 multiple effective periods should be deleted;
- 539 • The definition for Factor AR (Accrued Receivables) should not include the
540 phrase, “net of uncollectibles;” and
- 541 • Transmission costs recorded in Account 566 should be recovered through
542 Rider TS rather than the AAF.

543 **Other Comments**

544 Q. Do you have any additional comments?

545 A. Yes, I do. Page 10 of the Rebuttal Testimony of Dr. Chantale LaCasse presented
546 as ComEd Exhibit 11.0 states that in her view I have implicitly supported the
547 Auction Process. So that the record is clear, in my direct testimony, ICC Staff

548 Exhibit 8.0, and this rebuttal testimony, I am offering no opinion one way or the
549 other on the Auction Process.

550 **Conclusion**

551 Q. Does this question end your prepared rebuttal testimony?

552 A. Yes.