

DIRECT TESTIMONY

* * * PUBLIC * * *

OF

MARK A. HANSON

TELECOMMUNICATIONS DIVISION

ILLINOIS COMMERCE COMMISSION

PROPOSED REVISION TO THE COLLOCATION TARIFFS TO ELIMINATE CHARGES
FOR DC POWER ON A PER KILOWATT-HOUR BASIS AND TO IMPLEMENT
CHARGING ON A PER ORDERED AMP BASIS

ILLINOIS BELL TELEPHONE COMPANY

DOCKET NO. 05-0675

February 2, 2006

1 **I. INTRODUCTION**

2

3 **Q. Please state your name and business address.**

4 A. My name is Mark A. Hanson and my business address is 527 East Capitol
5 Avenue, Springfield, Illinois 62701.

6

7 **Q. By whom are you employed and in what capacity?**

8 A. I am employed by the Illinois Commerce Commission (“Commission” or “ICC”) as
9 a Rate Analyst in the Rates Department of the Bureau of Public Utilities,
10 Telecommunications Division.

11

12 **Q. Please state your education background and previous job responsibilities.**

13 A. I earned my Bachelors of Science degree in economics from South Dakota State
14 University in 1978. I also earned from South Dakota State University a Master of
15 Science degree in economics in 1981.

16

17 From 1981 to 1987, I was employed by the South Dakota Department of
18 Transportation as a transportation planner. From 1987 to 1990, I was enrolled in
19 the doctoral program in economics at Iowa State University. From 1990 to 2000,
20 I was employed by Illinois Power Company. I held the positions of Forecast
21 Specialist, Regulatory Matters Specialist, Gas Supply Specialist, and Competitive
22 Pricing Specialist. Since July of 2000, I have been employed by the
23 Commission.

24

25 **II. PURPOSE OF THE TESTIMONY**

26

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

28

29 A. My testimony will address rate and cost issues associated with the IBT's
30 proposed conversion of DC power rates from a kWh used basis to a per ordered
31 amp basis.

32

33 **Q. What does IBT propose in this docket?**

34 A. Presently, IBT charges for DC power on a kWh used basis. IBT purports that its
35 current metering methodology does not accurately measure the CLEC's true
36 power consumption. As a result, IBT claims it is not being totally compensated
37 for the power it provides to its CLEC customers. Rather than continually
38 metering power consumption, IBT proposes abandoning the metering of power
39 and charging on a per ordered amp basis. According to IBT, this method would
40 more accurately reflect the costs that IBT incurs as a result of providing DC
41 power to its CLEC customers.

42

43 **Q. How does IBT propose to determine the new rate?**

44 A. * * * BEGIN CONFIDENTIAL XX
45 XX
46 XX
47 XX

48 XXX
49 XXX
50 XXX
51 XXX
52 XXX
53 XXXXXX * * * END CONFIDENTIAL * * *

54

55 **Q. Do you believe that IBT has properly calculated this converted rate?**

56 A. Yes. In data request KS 1.06, IBT provided Staff the mathematical support for
57 how the factor of 456.396 was determined. I have reviewed this calculation and
58 also consulted Staff in the Telecommunications Engineering section with respect
59 to the appropriateness of the calculation. I believe the conversion of the existing
60 per kWh charge to a monthly per amp charge is mathematically correct. I also
61 am aware of the appropriate shared and common factor ordered by the
62 Commission in Docket No. 02-0864. Mr. Smith used the appropriate markup for
63 those costs.

64

65 **Q. Has IBT developed a new cost study to support these rates?**

66 A. No. IBT has contended that cost matters lie outside the scope of this proceeding
67 and has chosen not to respond to data requests propounded by Staff and
68 interveners on cost related matters. If I may generally summarize IBT's
69 responses to those data requests, IBT appears to believe that the conversion of
70 charges from kWh usage based rate to per ordered amp rate is a mere

71 mathematical exercise which simply converts current Commission approved
72 rates into another format. Therefore performing another cost study is
73 unnecessary.

74

75 **Q. Do you agree with IBT's position?**

76 A. I believe it would be premature to conduct that analysis in this proceeding. I
77 believe it is necessary for the Commission to adopt Staff witness Kathy Stewart's
78 recommendation that any alternative measurement to charge for DC power be
79 usage based. This would mitigate the possibility of IBT collecting increased
80 revenues by the process of changing or abandoning metering arrangements.

81

82 **Q. Please explain further.**

83 Staff witness Stewart does believe that the present metering arrangements used
84 by IBT are defective and that they do not accurately measure the power
85 consumed by CLECs. Staff agrees with IBT that it should be able to bill CLECs
86 for all the power the CLECs consume.

87

88 Because the present rate is usage based, a converted rate should likewise be
89 usage based, albeit amperage or kWh based. For the conversion to be correct it
90 is assumed that (1) the CLECs order the correct amperage and (2) that this
91 ordered amperage is consistent with the average actually used by the CLEC.
92 Again, IBT should be able to remedy the situation where they are not being
93 compensated for all the power that CLECs consume. However, the remedy

94 should not be a situation where circumstances are reversed and IBT is being
95 compensated for more power than the CLECs use.

96

97 **Q. Should a new cost study be filed by IBT to support DC Power rates?**

98 A. IBT has contended in data request responses that cost issues lie outside the
99 scope of this proceeding. I am not a lawyer, so I will not address whether
100 particular items lie outside or inside the scope of this proceeding.

101

102 However, from a practical perspective, I think costs need to be addressed at
103 some point. However, I do not believe that this proceeding, which focuses on
104 IBT's metering methodology, is the place in which to do that. Cost issues may
105 more appropriately be addressed in a separate docket.

106

107 **Q. Should a new cost study be filed by IBT to support DC Power rates?**

108 A. A review of the cost summary provided as an attachment to Ms. Bressidan's
109 testimony indicates that AC power costs constituted * * * BEGIN PROPRIETARY
110 XX% END PROPRIETARY * * * of the total costs in developing present DC
111 power rates.¹ As Ms. Bressidan puts it, AC power is the raw material for DC
112 power². Since the cost study underlying the present rate was conducted, the
113 market for that raw material has changed considerably. It appears that the
114 existing cost study was done in August 1997 based on the information in
115 Appendix A. Since that time, the Illinois Electric Restructuring Act, which

¹ IBT Exhibit 2.0 Attachment 1 page 2.

² IBT Exhibit 2.0 page 4.

116 resulted in rate reductions to residential customers and also gave customers the
117 ability to procure electric supply from alternate supplier, has passed. Starting in
118 January of 2007, ComEd and the Ameren companies will purchase their power
119 requirements from third parties under a reverse auction process recently
120 approved by this Commission.³ Additionally, both ComEd and the Ameren
121 companies are currently in rate proceedings before this Commission seeking
122 changes in their delivery service tariffs.⁴ Final Orders in both of these
123 proceedings will be issued following the close of this proceeding. The reverse
124 auction procurement process will take place in September of this year with
125 changes in electricity rates resulting from the auction going into effect on January
126 2, 2007. I will not attempt to forecast the outcome of the auctions and the rate
127 cases, but I feel confident in stating that the AC power costs that constitute the
128 “raw material” of IBT’s DC power costs will change. Unfortunately, information
129 about those changes will not be available until after this proceeding concludes.

130

131 **Q. Why do you believe it is appropriate to revisit the rate and cost issues later**
132 **rather than now?**

133 A. Collocation services are a subset of the services IBT must offer its CLEC
134 customers pursuant to the Telecommunications Act of 1996. As such, they must
135 be priced according to TELRIC principles. These principles dictate that rates be
136 based on forward-looking costs. Granted, it is not possible to forecast these
137 costs with precision, and the costs will change, because the reverse auction will

³ Docket No. 05-0159 and Docket Nos. 05-0160,05-0161, and 05-0162(Cons.).

⁴ Docket No. 05-0597, and Docket Nos. 06-0070,06-0071, and 06-0072.

138 be an annual process. However, I believe that conducting a cost study some
139 time after the dust has settled in Illinois electric markets makes sense. I would
140 suggest a proceeding be initiated in roughly July of 2007. By that time, IBT
141 should have determined what type and price of electric service it will be taking
142 and reselling to CLECs as DC power. Also, should the Commission allow IBT to
143 discontinue its present power metering arrangements, more information will be
144 available on the relationship of CLECs' power consumption relative to amperage
145 requirements.

146

147 **Q. What rate do you suggest be charged in the interim?**

148 A. Should the Commission allow IBT to discontinue its present power metering
149 requirements, I believe the \$9.80 per ordered amp rate put forth by IBT can be
150 used as an interim rate, if used in conjunction with Ms. Stewart's
151 recommendation. Ms. Stewart recommends that some type of procedure be
152 used to ensure that CLEC's are charged the appropriate amount of amps
153 corresponding with their usage. Otherwise, IBT may be collecting more
154 revenues from certain customers than the customers' power requirements would
155 warrant.

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157

158 **Q. Does this conclude your testimony?**

159

160 A. Yes, it does.

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