

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY)	
)	
Proposed general increase in electric rates,)	No. 05-0597
general restructuring of rates, price unbundling)	
of bundled service rates, and revision of other)	
terms and conditions of service)	

Surrebuttal Testimony of

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Brown, Williams, Moorhead & Quinn, Inc.

On Behalf of
Commonwealth Edison Company

March 14, 2006

1 Q. Please state your name, title and business address.

2 A. My name is Alan C. Heintz. I am a Vice President of Brown, Williams, Moorhead &
3 Quinn, Inc. (“BWMQ”). My business address is 1155 15th Street, NW, Suite 400,
4 Washington, DC 20005.

5 Q. What is the purpose of your surrebuttal testimony?

6 A. I previously filed Direct and Rebuttal Testimony on behalf of Commonwealth Edison
7 Company (“ComEd”), identified as ComEd Exhibits 11.0 and 25.0, respectively. These
8 testimonies presented and explained ComEd’s embedded cost of service study
9 (“ECOSS”), ComEd Exhibit 11.1, and ComEd Exhibits 11.2 and 25.1. My surrebuttal
10 testimony responds to the rebuttal testimony of several witnesses for intervenors who
11 commented on ComEd’s ECOSS. These witnesses are: Citizens Utility Board and Cook
12 County State’s Attorney’s Office (“CUB-CCSAO”) witness Mr. Steven W. Ruback
13 (CUB-CCSAO Ex. 6.0) and Chicago transit Authority (“CTA”) CTA panel witnesses
14 Mr. Dennis Anosike and Mr. Glenn Zika (CTA Ex. 3.0).

15 Q. Please summarize the comments you made in your rebuttal testimony about
16 Mr. Ruback’s direct testimony. (CUB-CCSAO Ex. 3.0).

17 A. ComEd’s ECOSS is designed to allocate the revenue requirement among customer
18 classes based on cost causation, measured by class coincident (“CP”) and non-coincident
19 peak (“NCP”) demands and number of customers. Mr. Ruback’s direct testimony
20 proposes that the Illinois Commerce Commission (“Commission”) abandon many years
21 of consistent adherence to these principles by re-allocating costs from residential to non-
22 residential classes by including energy consumption (kilowatt-hours delivered) as an
23 allocator and, further, by adjusting (discounting) the target rate of return applicable to the

24 residential class. In my rebuttal testimony, I noted that, in the context of assessing the
25 matter of the concept of a minimum distribution system, the Commission had recently
26 correctly held that electric “distribution systems are designed primarily to serve
27 demand....” Docket No. 00-0802, Order, p. 42 (Dec. 11, 2001). Furthermore, I observed
28 that the weight Mr. Ruback proposes to assign to the energy component of his allocator is
29 arbitrary.

30 With respect to Mr. Ruback’s proposal to discount the rate of return on rate base
31 applicable to the residential class, I noted that there is no evidence that residential classes
32 are actually less risky in the way suggested by Mr. Ruback and, further, Mr. Ruback
33 offers no evidence to support the amount of the discount he has proposed.

34 Q. Does Mr. Ruback’s rebuttal testimony better support his proposals?

35 A. No. He simply reiterates the arguments of the direct testimony, without additional
36 support. Mr. Ruback continues to posit that his proposal to employ kilowatt-hours
37 (“kWh”) as a component of the allocators for distribution plant is somehow justified by
38 the fact that some portion of the revenues ComEd collects from distribution customers
39 are based on kWh charges (as opposed to demand or customer charges). Indeed,
40 Mr. Ruback claims, without any factual support, that kWh charges are necessary for the
41 distribution system to be “economically justified.” (*See* CUB-CCSAO Ex. 6.0, 6:116-
42 117). Furthermore, nowhere does Mr. Ruback define “economically justified,” although
43 the concept seems to be quite important in his testimony.

44 Q. In your rebuttal testimony, you stated that the fact that some portion of revenues ComEd
45 collects is through kWh charges reflects mainly the reality that many customers do not
46 have demand meters. How did Mr. Ruback respond to this simple observation?

47 A. Mr. Ruback responded by attacking this observation as though I had actually proposed
48 that residential customers should have demand meters. He testifies that residential
49 demand billing would “violate the rate design criteria of public acceptability” and would
50 create “serious customer confusion and general displeasure with only demand rates.”
51 (*See id.*, 6:119-128).

52 I point this out only for the purpose of making it clear for the record that I never testified
53 about the type(s) of meters that residential customers should have. Rather, I was simply
54 describing the system as it exists.

55 Q. Does Mr. Ruback offer any evidence to support the discount to the residential rate of
56 return that he proposes?

57 A. No. Mr. Ruback does concede that “industry analysts have been unable to quantify class
58 risk differentials....” (*See id.*, 7:152-153). Despite this admission and in the absence of
59 any empirical support, Mr. Ruback proposes that the Commission adopt a very specific
60 discount of 2.5% on the rate of return applicable rate base allocated to residential
61 customers. Where the Commission is supposed to find the evidentiary support for this
62 discount is left unstated.

63 Q. Please summarize your view of Mr. Ruback’s proposals and state your recommendation
64 to the Commission.

65 A. Both the weighting of the kWh allocation factor and the discount on residential rate of
66 return proposed by Mr. Ruback are unsupported in theory or empirically. The

67 Commission has for many years accepted, indeed, relied upon, the NCP and CP
68 methodology incorporated in the ECOSS. ComEd's ECOSS, as filed, reflects the
69 Commission's careful review over several recent proceedings of its many components
70 and the underlying cost allocation methodology. Mr. Ruback's unsupported proposals to
71 change that allocation methodology should be rejected.

72 Q. In their rebuttal panel testimony, CTA witnesses Messrs. Anosike and Zika testify that
73 there is nothing in ComEd's ECOSS that recognizes the cost differences between the
74 unique requirements of different customers. All customers are allocated costs based on
75 their load patterns. (See CTA Ex. 3.0, 6:162-7:171). How do you respond?

76 A. ComEd's ECOSS is a study of the embedded costs of providing standard services to
77 customers by customer class. Nonstandard services and facilities (and the recovery of
78 associated costs) to meet the unique requirements of individual customers are provided
79 for through various riders, as discussed in the panel testimony of ComEd witnesses
80 Mr. Lawrence S. Alongi and Mr. Timothy F. McInerney. (ComEd Ex. 10.0; ComEd
81 Ex. 24.0; ComEd Ex. 41.0).

82 As described in my testimony and rebuttal testimony, in ComEd's ECOSS, distribution
83 facilities related costs are allocated to customer classes based on the CP and NCP of the
84 classes. In addition, as mentioned earlier in this surrebuttal testimony, the Commission
85 has for many years accepted, indeed, relied upon, the NCP and CP methodology
86 incorporated in the ECOSS.

87 Q. In their rebuttal panel testimony, CTA witnesses Messrs. Anosike and Zika discuss a
88 “change in allocation methodology” proposed by ComEd that they claim negatively
89 impacts the Railroad Class. (CTA, Ex. 3.0, 7:173-8:198). Please comment.

90 A. There has been no change in the allocation methodology employed in the ECOSS.
91 Messrs. Anosike and Zika are comparing the results of the current ECOSS with the
92 results of the marginal cost studies prepared by ComEd in the last two distribution
93 services rate filings, Docket No. 99-0117 and Docket No. 01-0423. This is not a valid
94 comparison.

95 Q. In their rebuttal panel testimony, CTA witnesses Messrs. Anosike and Zika testify that
96 “the peak of each customer is summed to derive the class non-coincident demand.” (See
97 CTA Ex. 3.0, 8:208-209). Do you agree?

98 A. No. The NCP for a customer class is not the sum of the peak of individual customers in
99 the customer class. In the ECOSS, the NCP value for a customer class is the highest
100 hourly class load plus distribution losses that occurred in 2003. The development of
101 customer class NCP is explained in Schedule E-7, submitted pursuant to 83 Illinois
102 Administrative Code Part 285, the standard information requirements for public utilities,
103 and in ComEd’s responses to data requests from Mr. Peter Lazare, Commission Staff, in
104 PL 3.28 and PL 7.01.

105 Q. In their rebuttal panel testimony, CTA witnesses Messrs. Anosike and Zika testify that
106 “the railroad class is harmed if more costs are allocated on the basis of non-coincident
107 peak and less are allocated on the basis of coincident peak” and that “the increase in
108 railroad facilities charges should be reduced by 17%” using the averages of the CP and
109 NCP allocation factors.” (See CTA Ex. 3.0, 10:253-255, 11:286-291). Do you agree?

110 A. No. There is no basis for using the averages of CP and NCP allocation factors to reduce
111 the allocation of embedded costs to the Railroad customer class. In ComEd's ECOSS,
112 the costs for high voltage distribution facilities are properly allocated to customer classes
113 based on CP and the costs for other distribution facilities are properly allocated based on
114 NCP. ComEd's ECOSS appropriately allocates embedded costs to customer classes.
115 There is no basis for reducing the allocation of embedded cost to the Railroad customer
116 class.

117 Q. Have you prepared a revised version of the ECOSS?

118 A. Yes. Attached to my testimony is ComEd Exhibit 42.1, the Allocation schedule and the
119 Allocation Factors schedule of a revised ECOSS, which I prepared for illustrative
120 purposes at the request of ComEd witnesses Messrs. Alongi and McInerney. ComEd
121 Exhibit 42.1 shows the results of including the 70 points of supply of those two railroad
122 customers as 70 individual customers in the Very Large Load I class (1,001 – 10,000
123 kW). ComEd Exhibit 42.1 is the basis for the illustrative rate design spreadsheet (ComEd
124 Ex. 41.7) and the illustrative charge comparison exhibit (ComEd Ex. 41.8) that Messrs.
125 Alongi and McInerney prepared as attachments to their surrebuttal panel testimony.
126 (ComEd Ex. 41.0).

127 Q. Does this complete your surrebuttal testimony?

128 A. Yes.