

**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	)	

Supplemental Reply Panel Testimony of

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and

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April 7, 2006

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1 **I. INTRODUCTION AND PURPOSE**

2 **A. IDENTIFICATION OF WITNESSES**

3 **Q. Please state your names.**

4 A. Paul R. Crumrine and Lawrence S. Alongi.

5 **Q. Mr. Crumrine, are you the same Paul R. Crumrine who submitted direct, rebuttal,**  
6 **surrebuttal testimony and supplemental panel testimony with Lawrence S. Alongi**  
7 **on behalf of Commonwealth Edison Company (“ComEd”) in this Docket?**

8 A. Yes.

9 **Q. Mr. Alongi, are you the same Lawrence S. Alongi who provided direct, rebuttal, and**  
10 **surrebuttal panel testimony with Timothy F. McInerney and supplemental Panel**  
11 **testimony with Paul R. Crumrine on behalf of ComEd in this Docket?**

12 A. Yes.

13 **B. PURPOSE OF TESTIMONY**

14 **Q. What is the purpose of this supplemental reply panel testimony?**

15 A. The purpose of this panel testimony is to reply to the testimony of ICC Staff (“Staff”)  
16 witness Mr. Peter Lazare (Staff Ex. 23.0), Northeast Illinois Regional Commuter  
17 Railroad Corporation d/b/a METRA (“Metra”) witness Mr. James Mitchell (Metra  
18 Ex. 2), Chicago Transit Authority (“CTA”) witnesses Messrs. Dennis Anosike and Glenn  
19 Zika (CTA Ex. 4.0) and the verified comments of the Illinois Industry Energy Consumers  
20 (“IIEC”) (referred to herein as the “IIEC Comments”) filed on April 4, 2006. Such  
21 testimony was filed in response to the questions posed by the Illinois Commerce  
22 Commission (the “Commission” or “ICC”) members, Commissioners Lula Ford and

23 Robert Lieberman, in their letter of March 16, 2006, attached to the Administrative Law  
24 Judges' Notice of March 17, 2006, in this Docket.

25 **C. SUMMARY OF CONCLUSIONS**

26 **Q. Please summarize the conclusions of your supplemental testimony.**

27 A. We make the following conclusions:

28 (1) The discussion of the 24-hour Maximum Kilowatts Delivered ("MKD") issue by  
29 the parties has not revealed any additional useful information and therefore  
30 ComEd's proposed 24-hour MKD should be approved;

31 (2) The CTA has raised issues related to the CTA's contract with ComEd that are off-  
32 base and not relevant to the questions at issue in this testimony and these  
33 comments should be ignored; and

34 (3) ComEd has determined that it need not comment on other specific areas in the  
35 supplemental testimony filed by the parties as noted below.

36 **Q. How is the Panel's supplemental reply testimony organized?**

37 A. Section I provides an introduction and summary of our conclusions and Section II  
38 provides our reply comments on certain issues raised by the parties' supplemental  
39 testimony.

40 **Q. Please identify the attachments to the Panel's supplemental reply testimony.**

41 A. We have attached the following exhibits to this testimony

42 **▪ ComEd Exhibit 47.1** contains a table that summarizes the distribution rate design  
43 for major utilities in other restructured states and supersedes ComEd Exhibit 46.2;

- 44           ▪       **ComEd Exhibit 47.2** is a copy of Sheet No. 61.41 of ComEd’s Rider GCB -  
45                   Governmental Consolidated Billing (“Rider GCB”) effective as of March 30,  
46                   1998;
- 47           ▪       **ComEd Exhibit 47.3** is a copy of Sheet No. 30 of ComEd’s Rate 6L – Large  
48                   General Service (“Rate 6L”) that was in effect in 1998;
- 49           ▪       **ComEd Exhibit 47.4** is a copy of ComEd’s Rider 6 – Optional or Nonstandard  
50                   Facilities (“Rider 6”) that was in effect in 1998;
- 51           ▪       **ComEd Exhibit 47.5** is an analysis ComEd prepared in 1997 which was the  
52                   underlying basis for its charge assessed to CTA under Rider 6 as payment for  
53                   nonstandard service in order to take service under the provisions of Rate 6L;
- 54           ▪       **ComEd Exhibit 47.6** presents the load profile for the ComEd feeders supplying  
55                   the CTA Clark Street traction power substation for December 2004; and
- 56           ▪       **ComEd Exhibit 47.7** presents the load profile for the ComEd feeders supplying  
57                   the CTA Clark Street traction power substation for July 2004.

58   **II.    REPLY TO THE PARTIES’ TESTIMONY AND COMMENTS**

59       **A.    DEMAND RESPONSE**

60   **Q.    Will the Panel be responding to any of the testimony offered concerning demand**  
61       **response?**

62   **A.    No. ComEd has nothing further to add on this subject.**

63 **B. HOURLY ENERGY PRICING**

64 **Q. Will the Panel be responding to any of the testimony offered concerning residential**  
65 **hourly energy pricing?**

66 A. No. ComEd has nothing further to add on this subject.

67 **C. 24-HOUR MAXIMUM KILOWATTS DELIVERED**

68 **Q. Would the Panel please summarize ComEd's position on the 24-hour MKD issue**  
69 **that is before the Commission?**

70 A. ComEd's proposal for a 24-hour MKD is intended to achieve the traditional rate design  
71 objective of having the customers that cause ComEd to incur costs be the customers that  
72 actually pay for those costs. This issue boils down to one of fairness. In its essence,  
73 ComEd's proposal suggests that large customers with highly flexible loads, *i.e.*, loads that  
74 can be shifted to the off-peak period, should pay for the cost of the distribution facilities  
75 that their off-peak usage causes ComEd to incur. To be clear, if ComEd's proposal is  
76 rejected, these large customers with highly flexible loads will be given a subsidy of about  
77 \$31 million that must be paid for by those customers who do not have the flexibility to  
78 shift their load to the off-peak period.

79 **Q. Would the Panel please describe the 24-hour MKD issue that is before the**  
80 **Commission?**

81 A. ComEd recovers its costs of providing distribution facilities differently from various  
82 customer groups in three major ways. First, for residential and small commercial  
83 customers the distribution facilities costs are recovered through a per kWh charge  
84 because the metering in place for these customers is only capable of registering kWh.

85 Second, for non-residential customers with load under 400 kW, ComEd recovers these  
86 costs through a per kW (*i.e.*, demand) charge. These non-residential customers with load  
87 under 400 kW generally<sup>1</sup> have meters that record the customer's highest demand, no  
88 matter when that demand occurs (*i.e.*, on a 24-hour basis), and ComEd charges them  
89 based on the highest 24-hour demand in the billing month. Third, for customers with  
90 load over 400 kW that have meters that can record a customer's demand at regular  
91 intervals over the day, ComEd currently charges such customers only for the maximum  
92 demand during the billing month that is recorded in the Demand Peak Period (*i.e.*, 9 am  
93 to 6 pm, Monday through Friday, excluding certain days recognized as holidays).

94 ComEd has proposed in this proceeding that the measurement of demand for billing  
95 purposes, which is called the Maximum Kilowatts Delivered or MKD, for customers that  
96 have demand meters that record demand at regular intervals over the day, be modified so  
97 that it is determined based on the highest 24-hour demand in the month. (*See* ComEd  
98 Ex. 46.0, 22:470-477).

99 As ComEd has noted in other testimonies in this proceeding, this proposal would affect a  
100 very small number of ComEd's non-residential customers, and for those that are affected  
101 only a minority will see any significant change in their MKD relative to the manner in  
102 which it is currently measured. This is because most customers already experience their  
103 highest demand during the peak period and do not have the flexibility to shift load

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<sup>1</sup> Except for customers that elect different metering or an optional service that requires different metering (*e.g.*, hourly pricing).

104 between peak and off-peak periods. Therefore, moving to a 24-hour demand will not  
105 have an effect on their MKD measurement.

106 For the remaining very small group of ComEd's largest and most sophisticated  
107 customers, the 24-hour MKD proposal will change their measured billing demand. This  
108 is because these customers have the flexibility to shift load from peak to off-peak periods.  
109 In doing so, they avoid paying for any demand outside of the current peak period that is  
110 higher than their peak period demand. These large load customers that will be affected  
111 by this proposal have distribution facilities (*i.e.*, the facilities that the Distribution  
112 Facilities Charge ("DFC") is designed to recover the cost of) that are generally used  
113 solely by that customer. (These facilities are often referred to as dedicated facilities.)  
114 That is, these facilities are in place for the sole benefit of these customers. (*See* ComEd  
115 Ex. 23.0, 10:206-209). The facilities that ComEd must install for the use of these  
116 customers are related to the maximum demand that will be loaded on those facilities.  
117 (*See* ComEd Ex. 40.0 (Corrected), 11:224-227). Therefore, following the standard cost  
118 causation principle of rate design, customers should be charged based on the costs the  
119 utility incurs to provide service to them. (*See* ComEd Ex. 40.0 (Corrected), 15:310-316).  
120 Because these facilities are installed to meet the maximum demand of the customers, no  
121 matter when that occurs, it is appropriate to charge those customers based on their MKD,  
122 no matter when during the day that occurs. (*See e.g.*, ComEd Ex. 23.0, 10:207-11:215;  
123 ComEd Ex. 40.0 (Corrected), 15:319-321).

124 **Q. Does the Panel have any general comments on the parties' responses to the**  
125 **Commissioner's questions concerning the 24-hour MKD proposal?**

126 A. Yes. ComEd's proposal is based on the undisputed and time-honored rate design  
127 principle of cost causation. (See ComEd Ex. 9.0 (Corrected), 45:968-981). The parties to  
128 this proceeding agree that cost causation is an appropriate principle to apply in this case.  
129 (See e.g., IIEC Comments at 2; Staff Ex. 23.0, 2:40-42; CTA Ex. 4.0, 1:28-29). Cost  
130 causation holds that customers should be responsible for the costs that they cause the  
131 utility to incur to provide service. While cost causation is never determined with  
132 100 percent precision, generally, to determine cost causation, the cost analyst reviews  
133 what investment the utility is required to make and relates that to customer behavior (e.g.,  
134 consumption of energy or power). As noted in our supplemental testimony and  
135 elsewhere in this case, ComEd's proposed 24-hour MKD provision is based on the actual  
136 design of ComEd's distribution system. (See e.g., ComEd Ex. 46.0 (Public), 21:448-  
137 453). For the customers that will be affected by the proposed 24-hour MKD, ComEd  
138 must design its system to meet the maximum demand on the local distribution network  
139 (i.e., the local facilities), no matter when that demand occurs. No party in this docket has  
140 suggested that ComEd's design of its distribution system is inappropriate. Therefore,  
141 there is no dispute that ComEd must design its distribution network to meet the local area  
142 maximum demand of customers. (Note that ComEd has already addressed the 24-hour  
143 MKD issues in great detail in ComEd Ex. 9.0 (Corrected), 45:968-981; ComEd Ex. 23.0,  
144 9:171-14:279; ComEd Ex. 40.0 (Corrected), 10:201-19:413; ComEd Ex. 46.0 (Public),  
145 21:441-30:618).

146 **Q. Please clarify for the record the manner in which ComEd must design its**  
147 **distribution system.**

148 A. ComEd must design the distribution system such that the facilities on the system are sized  
149 to meet the expected maximum demand on those particular facilities, whenever it occurs.  
150 This means that localized demand is a critical planning criteria and ComEd must invest in  
151 these facilities to meet the maximum demand expected to be placed on the facilities. For  
152 very large load customers, ComEd will have to size the facilities dedicated to serve these  
153 customers to meet that customer's maximum demand, whenever it occurs.

154 **Q. How does the Panel respond to the claims of benefits to the distribution system of**  
155 **“load flattening” and “diversity”? (CTA Ex. 4.0, 3:61-70, 5:129-142; Staff Ex. 23.0,**  
156 **2:38- 3:55, 5:121-123; IIEC Comments at 2).**

157 A. As to the general claim by witnesses of benefits, we have addressed this issue in the  
158 supplemental Panel testimony as well as in ComEd's other testimony. (*See* ComEd  
159 Ex. 46.0 (Public), 21:444-459, 25:521-564 and incorporated cites). We observe that no  
160 party has been able to quantify any tangible benefit to the distribution system of load  
161 flattening.

162 **Q. Staff witness Mr. Lazare claims that demands in the peak period lead to stress on**  
163 **the distribution system and may lead to reliability problems. (Staff Ex. 23.0, 3:52-**  
164 **55). How does the Panel respond?**

165 A. Mr. Lazare provides only an assertion that shifting demand to the off-peak may provide  
166 reliability benefits. (*Id.*, 3:53-55). It could be true that removing demand from a  
167 transformer (or other component of the distribution system) during the peak load on that  
168 particular transformer might help to avoid reliability problems. However, it would only  
169 help at the point the transformer is actually overloaded. That is, removing load from a  
170 transformer at a time that it is not overloaded, even if the load on the generation system is

171 reaching a peak, does not necessarily provide any additional reliability benefits to the  
172 distribution system. Further, Mr. Lazare does not suggest that his proposal can identify  
173 those distribution facilities that might be close to being overloaded. Therefore, his  
174 preferred definition of MKD cannot provide the benefits he is looking for. Mr. Lazare  
175 also misses the point that most of the customers that this proposal would affect have  
176 dedicated (or nearly dedicated) facilities and, therefore, as even the IIEC has noted, those  
177 facilities have to be sized to meet the maximum demand used on those facilities. (IIEC  
178 Comments at 2).

179 **Q. Does Mr. Lazare’s discussion of the reliability issues in 1999 support his**  
180 **conclusions? (Staff Ex. 23.0, 3:58-4:81).**

181 A. No. Mr. Lazare notes that this example comes from “ComEd’s growth-related reliability  
182 problems.” As we noted in our supplemental panel testimony, it is feasible that there are  
183 benefits to the system of reducing the growth of local peak demand. (See ComEd  
184 Ex. 46.0 (Public), 25:522-523). However, load shifting, in this context, does nothing to  
185 change the growth of local peak demand. If Mr. Lazare’s (and the other parties opposed  
186 to the 24-hour MKD) proposal is accepted, it could actually cause ComEd’s costs to rise,  
187 with other customers (*i.e.*, those that cannot shift load) paying for the additional costs.

188 **Q. How could this be the case?**

189 A. As we noted, Mr. Lazare’s preferred methodology would result in an effective off-peak  
190 distribution capacity price of zero. (See *Id.*, 27:557-558). Without a restraint on off-peak  
191 demand (with respect to pricing for the distribution system), these large load customers  
192 will have an additional incentive to increase off-peak demand. As we have discussed, the  
193 facilities for these customers generally are dedicated to their sole use and, therefore, any

194 additional investment ComEd would have to make in order to meet this increasing off-  
195 peak load would be recovered (primarily) from other customers.

196 **Q. Mr. Lazare claims that “the extent to which large industrial demands can be shifted**  
197 **to non-peak hours can help alleviate the stress on system reliability and consequent**  
198 **costs resulting from peak demands.” (Staff Ex. 23.0, 4:85-87). Is this an accurate**  
199 **statement?**

200 A. No. We note that the facilities at issue here are distribution facilities that are largely  
201 dedicated to serving these large load customers as identified above. Removing their load  
202 during the peak does nothing to alleviate any congestion that may be occurring on other  
203 facilities on ComEd’s system. Further, as has been noted elsewhere, ComEd must  
204 provide standard facilities based on a maximum 24-hour demand basis. However, under  
205 Mr. Lazare’s (and others’) proposals, ComEd only would be allowed to charge based on  
206 the customer’s demand during the peak period. (*See* ComEd Ex. 46.0 (Public), 27:fn 4).  
207 We also have testified that ComEd cannot, and should not, be in the business of  
208 predicting when customers will shift load on-peak or when a customer’s generation  
209 facilities will trip off-line during the peak hours. (*Id.*, 21:448-453). Indeed, we wonder  
210 how these customers (and the Commission) would respond if ComEd changed its  
211 distribution planning criteria to meet only their peak period load.

212 **Q. The IIEC provides a hypothetical example based on three customers. (IIEC**  
213 **Comments at 4). How does the Panel respond?**

214 A. This hypothetical actually proves our point. Under the IIEC hypothetical there are three  
215 customers, A, B, and C that have 10 MW maximum demand but A and C reach that  
216 maximum demand during the peak period and C reaches it in the off-peak with only a

217 5 MW demand during the peak period. IIEC then argues that the utility would size the  
218 system to meet the “peak period” maximum demand of 25 MW. This is not correct.  
219 ComEd would have to install dedicated distribution facilities to serve each customer and  
220 an actual system would be sized to meet the 30 MW of load, not the 25 MW that IIEC  
221 hypothesizes. There is no “perverse” incentive as IIEC suggests, as all customers will  
222 pay the same, as they contribute to the costs in the same way.

223 **Q. Does Mr. Lazare’s discussion of the potential benefits in terms of power costs have**  
224 **any relevance here? (Staff Ex. 23.0, 4:89-96).**

225 A. No. Power costs (*i.e.*, generation related costs) are not relevant to the pricing of  
226 distribution services. Furthermore, these benefits will largely be obtained, to the extent  
227 they exist, from demand response programs. (ComEd Ex. 46.0 (Public) discussed  
228 ComEd’s position on demand response.) Also, customers that shift load using self-  
229 generation do so to avoid high energy prices as well as maintain reliable supply. There is  
230 no economic reason to provide a distribution pricing signal for these customers to shift  
231 load to the off-peak period. Further, it is likely that these customers will continue to  
232 operate as they currently do and, therefore, any power cost benefits will be maintained.  
233 (*See e.g.*, ComEd Ex. 23.0, 13:259-261; *also see* IIEC Ex. 5.0, 6:119-123).

234 **Q. Metra witness Mr. Mitchell alleges that it is being double or triple charged demand**  
235 **charges. (Metra Ex. 2, 9:9-24). Is this discussion relevant?**

236 A. No. Mr. Mitchell seems to be suggesting that Metra is being charged double demand  
237 charges on the same “equipment.” (*Id.*, 9:18). The equipment that Mr. Mitchell is  
238 referring to is not ComEd equipment, but Metra equipment. That Metra equipment (*i.e.*,  
239 trains) moves to various locations on ComEd’s system and ComEd must have equipment

240 at all of those locations Mr. Mitchell is referring to in his examples to serve the Metra  
241 trains as they move along the tracks. He certainly should not expect ComEd to provide  
242 free service at these different locations as the ComEd equipment at each location must be  
243 put in place to serve Metra. If ComEd did not charge for its delivery facilities to serve  
244 Metra at these different geographic locations, it would have to charge other customers.

245 **Q. Mr. Mitchell discusses the alleged elimination of “demand response pricing**  
246 **incentives.” (Metra Ex. 2, 11:18-12:1). How does the Panel respond?**

247 A. Mr. Mitchell’s discussion concerns three issues: (1) ozone problems related to the  
248 generation of electricity as well as the operation of internal combustion engines; (2) the  
249 effect ComEd’s proposed 24-hour MKD may have on customer-owned generation;  
250 (3) Metra’s likely response to ComEd’s proposals. First, ComEd already has addressed  
251 the issue of using distribution rates to incorporate generation externalities. (See ComEd  
252 Ex. 23.0, 40:851-903; ComEd Ex. 40.0 (Corrected), 46:1051-49:1122). In addition,  
253 Mr. Mitchell seems confused concerning our 24-hour MKD proposal when he states  
254 “[A]lthough it may not financially benefit ComEd to offer peak incentives....” (Metra  
255 Ex. 2, 11:21-22). ComEd’s proposal does not change the total revenue recovered from  
256 customers. The proposal only changes which customers pay the total revenue.  
257 Therefore, ComEd is compensated either way and it does not have a financial incentive to  
258 discourage off-peak usage. Second, Mr. Mitchell’s discussion of the ComEd proposal as  
259 “providing an incentive for creating customer generation to avoid high energy prices” is  
260 incorrect. (*Id.*) ComEd’s proposed 24-hour MKD is neutral to energy prices. (See  
261 ComEd Ex. 23.0, 13:259-262). Last, Mr. Mitchell speculates about what Metra may or  
262 may not do in response, if ComEd’s pricing proposals are approved. (Metra Ex. 2, 12:4-

263 9). However, if ComEd's prices are set correctly as ComEd proposes, any changes in the  
264 manner in which Metra operates will be based on proper price signals concerning the cost  
265 of using ComEd's delivery system.

266 **Q. CTA witnesses Messrs. Anosike and Zika claim that the proposed 24-hour MKD**  
267 **ignores the benefits of diversity in the case of the CTA. (CTA Ex. 4.0, 3:59-70; CTA**  
268 **Ex. 4.01). How does the Panel respond?**

269 A. Messrs. Anosike and Zika analyze the demand at the CTA Clark Street traction power  
270 substation and claim that the CTA demand drops during ComEd peaks. However, this is  
271 misleading as they are comparing the overall system peak on the total ComEd system  
272 with demand at the CTA Clark traction power substation. As we have noted previously,  
273 distribution investment is related to local or customer specific maximum demand and not  
274 the overall system peak. To illustrate this relationship for the CTA Clark Street traction  
275 power substation example that CTA presented in its CTA Ex. 4.01, ComEd has prepared  
276 an analysis of the feeder loadings that deliver electricity to the CTA Clark traction power  
277 substation in ComEd Exs. 47.6 and 47.7. ComEd Ex. 47.6 shows the load profile on this  
278 pair of feeders for the month of December 2004, which is one of the time periods that  
279 CTA used in its exhibit. What is clear from the exhibit is that the feeder line loading  
280 peaks twice each day, just before and just after the current Demand Peak Period, much  
281 like the CTA traction power substation load profile shown in CTA Ex. 4.01. This  
282 indicates that it is the CTA demand that influences the loading on the feeders that deliver  
283 electricity to that CTA traction power substation and in turn influences the costs of  
284 serving this customer. ComEd Ex. 47.7 provides a similar analysis for the month of July  
285 2004, which is the other time period that CTA used in its exhibit. Again, a similar pattern

286 is discernable. Thus, CTA's claims of distribution system benefits due to load diversity  
287 should be ignored.

288 **Q. How does the Panel respond to Mr. Lazare and the IIEC's discussion of the tariff**  
289 **setting process in other jurisdictions? (Staff Ex. 23.0, 6:138-8:198; IIEC Comments**  
290 **at 7).**

291 A. First, it is meaningful that both Mr. Lazare and the IIEC find that other jurisdictions do  
292 use the proposed 24-hour clock for setting the MKD. (*See* Staff Ex. 23.0, 7:162; IIEC  
293 Comments at 7). Therefore, regulators in other restructured states have recognized that  
294 the 24-hour MKD is appropriate. Second, neither Mr. Lazare nor the IIEC performed a  
295 study as comprehensive as was provided in ComEd Ex. 47.1. Neither Staff nor IIEC  
296 identify if off-peak demand is used in the MKD or priced separately in some manner in  
297 the distribution tariffs in these other jurisdictions. Nor did they identify if demand  
298 ratchets are used by these utilities. As shown in ComEd Ex. 47.1 these pricing tools are  
299 used in other states and are quite common. Yet Mr. Lazare and the IIEC leave the  
300 Commission with the impression that 24-hour MKD and peak period MKD are used  
301 equally in other states. Based on our survey, this is not case. Finally, the IIEC discusses  
302 the pricing of transmission services which is not at issue in this case and should be  
303 disregarded by the Commission. (IIEC Comments at 7).

304 **Q. Has the Panel revised its survey results found in ComEd Ex. 46.2?**

305 A. Yes. We noticed in reviewing Mr. Lazare's research that ComEd Ex. 46.2 misidentified  
306 Consolidated Edison's ("ConEd") New York tariff. In addition, we note that Mr. Lazare  
307 has identified Ohio Power Company's tariffs as well. Therefore, we provide ComEd  
308 Ex. 47.1, which supersedes ComEd Ex. 46.2, to include the proper ConEd tariff from

309 New York, the Rockland Electric tariff from New Jersey (which was misidentified as the  
 310 ConEd New York tariff in ComEd Ex. 46.2) and to include the Ohio Power tariff to be  
 311 consistent with Mr. Lazare’s examples. (See ComEd Ex. 46.0 (Public), 24:500-509 for a  
 312 discussion of the methodology used in this survey.) Using ComEd’s Ex. 47.1, we also  
 313 have revised the table from our supplemental Panel testimony as shown below.  
 314 **However, our conclusions reached in that testimony have not changed.** Over  
 315 60 percent of the utilities surveyed either use a 24-hour clock or recognize off-peak  
 316 demand in some manner. Of those that did not, over one-half use a demand ratchet.  
 317 Only a minority of utilities surveyed utilize an on-peak only MKD without a ratchet, as is  
 318 currently the case with ComEd. Therefore, it is clear that off-peak demand is a critical  
 319 factor in setting unbundled distribution rates in the United States.

<b>Maximum Billing Demand Determination</b>	<b>Number of Utilities in Survey</b>	<b>Percent of Total</b>
1. 24-Hour clock	12	32%
2. Some recognition of off-peak demand	12	32%
3. On-peak demand with ratchet	8	21%
4. On-peak demand without ratchet	6	16%
<b>Total</b>	<b>38</b>	<b>100%*</b>

320 \* May not sum to 100 due to rounding.

321 **D. METER COSTS**

322 **Q. Will the Panel be responding to any of the issues related to meter costs?**

323 A. No. No other testimony has been entered on this subject.

324 **E. OTHER RESPONSES TO THE CTA**

325 **1. Miscellaneous Issues Raised by the CTA**

326 **Q. Do you agree with CTA witnesses Messrs. Anosike’s and Zika’s statement that**  
327 **ComEd’s proposal is “to use a 24-hour MKD ... for measuring demand rather than**  
328 **during a pre-defined peak (Coincident Peak)”? (CTA Ex. 4.0, 1:18-21).**

329 A. No. In fact, no party to this proceeding has suggested heretofore that the MKD should be  
330 based on “Coincident Peak.” As described above and elsewhere, the current peak period  
331 MKD, which certain parties have proposed be retained, is not based on a customer’s  
332 demand coincident with ComEd’s system peak or class coincident peak. Rather, the  
333 current peak period MKD is the maximum demand for the customer during the current  
334 demand peak period (*i.e.*, anytime between 9 am and 6 pm, Monday through Friday,  
335 excluding certain days recognized as holidays). Therefore, a large portion of their panel  
336 testimony on the MKD issue, which appears to have been predicated on the erroneous  
337 notion that coincident peak is the current basis for determining billing demand, is  
338 completely off-point with respect to the proposals that have been offered heretofore in  
339 this proceeding. (*See* CTA Ex. 4.0, 1:26-2:58; 5:122-125; 6:144-145; the last  
340 unnumbered page) (Note that the last unnumbered page of CTA Exhibit 4.0, which is  
341 referred to as “ComEd Cross Exhibit 3,” was never offered or admitted as a cross  
342 exhibit).

343 **Q. Do you agree with the statement of Messrs. Anosike and Zika that ComEd’s**  
344 **proposal substantially raises the price that CTA pays for the demand component of**  
345 **the rate by its proposal to switch to the 24-hour MKD (CTA Ex. 4.0, 2:51-52) and**  
346 **will dramatically increase the traction costs to the CTA (*Id.*, 6:144-145)?**

347 A. No. The DFC is actually lower in absolute value using the 24-hour MKD as the billing  
348 units. As Mr. Crumrine explained during cross-examination, the use of the 24-hour  
349 MKD versus the current demand peak period MKD does not change the portion of the  
350 delivery service revenue requirement that the two railroads are assigned and which needs  
351 to be recovered from the railroad class. (See Tr. 2340:15-2341:6). The use of 24-hour  
352 MKD or the current demand peak period MKD may have some affect on the portion of  
353 the railroad class' revenue requirement that will be recovered from CTA versus the  
354 portion that will be recovered from Metra, but the total dollars of revenue requirement  
355 that will be recovered from these two customers remains constant. There is no evidence  
356 provided by Messrs. Anosike and Zika that the CTA has a much larger 24-hour MKD  
357 relative to current peak period MKD than Metra.

358 **Q. How does ComEd respond to CTA's comments concerning the separate railroad**  
359 **class? (CTA Ex. 4.0, 3:72-4:115).**

360 A. This portion of the testimony does not provide any relevant information concerning  
361 ComEd's proposed use of a 24-hour MKD (versus current peak period MKD) for the  
362 determination of DFCs. Indeed, their complaints focus on how the two railroad  
363 customers would not be allowed to exploit the "benefits of diversity" that the CTA  
364 associates with the inclusion of such customers in a larger, over 10 MW customer class—  
365 not the alleged benefits of load diversity to the distribution system, which appears to be  
366 the focus of the Commissioners' questions on this subject.

367 **2. CTA Contract Issues**

368 **Q. CTA witnesses Messrs. Anosike and Zika discuss the 1998 Amendment of the CTA's**  
369 **electric service contract with ComEd, noting that it "enabled CTA to purchase**

370 **power under the Rate 6L energy charges and a reduced point of supply charge**  
371 **instead of the most recent ComEd filing for traction power.” (CTA Ex. 4.0, 7:176-**  
372 **181). Is their description complete?**

373 A. No. CTA failed to mention that it entered into discussions with ComEd to request an  
374 amendment to its electric service contract that incorporated the relevant provisions of  
375 Rate 6L specifically to enable the CTA to take service under Rider GCB. ComEd  
376 Ex. 47.2 contains Sheet No. 61.41 of Rider GCB as in effect in 1998.

377 **Q. What is the significance of CTA being able to take service under Rider GCB?**

378 A. By taking service under Rider GCB, CTA could obtain substantial savings in its charges  
379 for electricity because Rider GCB was designed to select demand for billing purposes  
380 based upon the coincident demand of the governmental entities taking service under the  
381 rider. Thus, the primary motivation for the CTA to seek a modification to its contract in  
382 1998, as we understand it, was to enable the CTA to obtain the savings that were then  
383 possible under Rider GCB.

384 **Q. What provisions of Rate 6L affected the development of the 1998 Amendment?**

385 A. The key provision of Rate 6L that affected the development of the 1998 Amendment is  
386 the requirement that standard service is determined in conjunction with ComEd’s Rider 6.  
387 (See Sheet No. 30 of Rate 6L as in effect during 1998, particularly the Service Facilities  
388 section, which is attached as ComEd Ex. 47.3). Moreover, such standard service under  
389 Rider 6 consists of facilities adequately sized to serve a customer’s entire load at a single  
390 point of delivery. Furthermore, service in excess or different than such a standard service

391 is provided as nonstandard under ComEd's Rider 6. ComEd Ex. 47.4 contains Rider 6 as  
392 in effect during 1998.

393 **Q. How did the standard service requirement under Rate 6L affect the 1998**  
394 **Amendment?**

395 A. In order to properly apply the standard service requirement under Rate 6L for the CTA,  
396 ComEd prepared an analysis to determine the underlying cost differential between the  
397 actual service that ComEd previously had provided as standard to CTA under its  
398 then-existing contract and an appropriate standard service under Rate 6L consisting of  
399 facilities adequately sized to serve CTA's entire traction power system load at a single  
400 point of delivery.

401 **Q. What were the results of that analysis?**

402 A. Attached as ComEd Ex. 47.5 is the analysis that ComEd prepared in 1997, which was the  
403 underlying basis for its charge assessed to CTA under Rider 6 as payment for  
404 nonstandard service in order to take service under the provisions of Rate 6L. Among  
405 other things, it demonstrates that although CTA claims it should be charged like  
406 customers that have load over 10 MWs, the massive amount of distribution facilities  
407 required to serve CTA's geographically dispersed traction power substations—which in  
408 1998 included 162 miles of underground primary feeder cable in conduit, 18 miles of  
409 overhead primary feeders, involving over 20 different ComEd substations and

410 approximately 60 different feeders<sup>2</sup>—is much different than the distribution facilities  
411 required to serve any single customer with load over 10 MWs. Rather, with the  
412 exception of the automatic load transfer capability that CTA requires, the service to  
413 CTA’s geographically dispersed traction power substations (of which there was 57 in  
414 1997) is more like providing service to a retail chain of grocery stores, each of which is  
415 billed as an individual customer.

416 **Q. CTA witnesses Messrs. Anosike and Zika claim that it is not clear whether ComEd**  
417 **excludes the value of dedicated facilities from rate base and cost of service studies.**  
418 **(CTA Ex. 4.0, 8:218-9:227). How are payments for nonstandard facilities, such as**  
419 **those for CTA, recorded on ComEd’s books of accounts and how does that affect**  
420 **cost recovery through base rates?**

421 A. Although neither of us are accountants, we understand that standard accounting practice  
422 for payments of nonstandard service and facilities, other than equipment or service that is  
423 provided on a rental basis, is to record the payment on ComEd’s books of account as a  
424 contribution in aid of construction (“CIAC”) and reduce ComEd’s plant-in-service by the  
425 amount of the payment. Such a reduction in the plant-in-service reduces ComEd’s rate  
426 base, which in turn reduces ComEd’s revenue requirement. Thus, such accounting  
427 treatment ensures that CIAC payments are not double-recovered from customers through  
428 base rates that are determined from ComEd’s revenue requirement. ComEd’s books of  
429 account are the basis for its embedded cost of service study; consequently, the costs of

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<sup>2</sup> As of 2004, these statistics have grown to approximately 35 different ComEd substations and over 100 different primary feeders

430 facilities that are paid and accounted for as such CIAC payments are properly excluded  
431 from the cost study.

432 **Q. CTA witnesses Messrs. Anosike and Zika, state that “[u]nder the 1998 Amendment,**  
433 **CTA agreed to pay for one of the two lines feeding the CTA traction power**  
434 **substations per the language of Rider 6 that was included in the Amendment.”**  
435 **(CTA Ex. 4.0, 7:192-194). Is that an appropriate interpretation of Rider 6?**

436 A. No. Standard service under Rate 6L and Rider 6 consists of facilities adequately sized to  
437 serve a customer’s entire load at a single point of delivery. For the CTA, that standard  
438 installation currently consists of 3-50 MVA transformers at single point of delivery to  
439 serve CTA’s total traction power system load, which is approximately 120 MVA. The  
440 CTA misunderstands the concept of standard service under Rate 6L and Rider 6. To be  
441 clear, this treatment of standard facilities given to CTA at the time of the 1998  
442 amendment is consistent with the treatment afforded all other customers that take service  
443 under Rate 6L. CTA was treated no differently than any other similarly sized customer  
444 taking service under Rate 6L would be treated with regard to standard facilities.

445 **Q. CTA witnesses Messrs. Anosike and Zika list five ways in which they believe CTA**  
446 **has paid ComEd for dedicated facilities that serve CTA. (CTA Ex. 4.0, 8:209-216).**  
447 **How do you address those comments?**

448 A. Item (i) refers to the point of supply charges under the CTA’s pre-1998 electric service  
449 contract with ComEd, which at that time in 1998 was designed to recover only customer  
450 costs such as metering, bill processing, and customer service. The costs of distribution  
451 facilities such as the 180 miles of primary feeders and transformers and related  
452 equipment at over 20 ComEd substations that served the CTA at that time were not

453 recovered through the point of supply charge. Moreover, CTA seems to imply that they  
454 have fully paid for the dedicated distribution facilities that are used to serve them but  
455 CTA ignores the fact that eventually all distribution facilities must be replaced. With  
456 respect to items (ii) through (v), those are all payments for nonstandard facilities that are  
457 accounted for as CIAC, which we have already addressed.

458 **Q. Does the fact that the 1998 Amendment provided for a reduced point of supply**  
459 **charge if CTA took service under Rider GCB have any bearing on payment for**  
460 **dedicated facilities?**

461 A. No, other than its relation to metering facilities. The reduction of the point of supply  
462 charge simply reflected the fact that the standard meter under the CTA contract would no  
463 longer be provided under Rider GCB and thus the portion of the point of supply charge  
464 related to standard metering was removed.

465 **Q. CTA witnesses Messrs. Anosike and Zika assert that CTA does not believe that**  
466 **ComEd has charged the CTA only for the cost of facilities that are reasonably**  
467 **assignable to the CTA. (CTA Ex. 4.0, 9: 240-246). How do you respond?**

468 A. As the 1997 analysis demonstrates, ComEd considered only the CTA's proportional use  
469 of each individual primary feeder and each ComEd transformer substation in developing  
470 the underlying basis for the nonstandard service charge under Rate 6L and Rider 6, which  
471 is consistent with the cited provision of Rider 6 to charge only the cost of facilities that  
472 are reasonably assignable to the customer. Making an assessment of a customer's use of  
473 facilities and the corresponding costs of those facilities that are reasonably assignable to  
474 the customer is ComEd's standard practice. CTA's assertion has no basis and should be  
475 ignored.

476 **Q. CTA witnesses Messrs. Anosike and Zika reiterate their opposition to ComEd's**  
477 **reserved distribution system capacity charge. (CTA Ex. 4.0, 9: 248–10:255). How**  
478 **do you respond?**

479 A. As explained in prior testimony and upon cross-examination, ComEd's reserved  
480 distribution system capacity charge is not new. It is a charge currently assessed under  
481 Rider 6 as a nonstandard service to assign the cost of capacity that must be reserved on  
482 ComEd's distribution system to accommodate an automatic transfer of load from one  
483 primary feeder to another in the event of an interruption of service involving one primary  
484 feeder serving a customer that requests such automatic load transfer capability.

485 Under the provisions of the CTA's pre-1998 electric service agreement, reserved  
486 distribution system capacity for CTA's automatic load transfer service arrangement was  
487 provided as part of standard service and recovered through the railroad class base rates.  
488 That changed in 1998 under the 1998 Amendment of the CTA electric service contract.  
489 For consistency among the two railroad customers, in its initial filing in this proceeding,  
490 ComEd proposed to apply the same standard service going forward for Metra beginning  
491 in 2007. That is, if ComEd's proposal is approved, Metra's standard service would also  
492 become a single point of delivery for Metra's entire traction power system load and,  
493 therefore, Metra also would be subject to the reserved distribution system capacity charge  
494 for new traction power system load, just as any other retail customers that request such  
495 automatic load transfer capability. In his rebuttal testimony, Staff witness Mr. Mark H.  
496 Hanson agreed that the reserved distribution system capacity charge is appropriate with  
497 the clarifications that ComEd provided in its rebuttal testimony. (See Staff Ex. 18.0,

498 2:23-27). Therefore, CTA's arguments opposing the reserved distribution system  
499 capacity charge are without merit and should be ignored.

500 **Q. Are there circumstances in which the reserved distribution system capacity charge**  
501 **does not apply?**

502 A. Yes. As we mentioned earlier, the reserved distribution system capacity charge does not  
503 apply in the very few limited circumstances in which standard service includes automatic  
504 load transfer switching facilities and the corresponding reservation of distribution system  
505 capacity, as is the case in the current Metra contract and was the case in the pre-1998  
506 CTA contract. However, the 1998 Amendment of the CTA contract changed standard  
507 service for the CTA and ComEd's proposals in this rate case would change the standard  
508 service for Metra beginning 2007 so as to provide CTA and Metra with standard service  
509 in a manner consistent with other retail customers. Indeed, ComEd's surrebuttal panel  
510 testimony offers to provide one-line service as standard to each railroad traction power  
511 substation and bill each of those geographically dispersed traction power substations  
512 individually (with a summary statement billing option) is comparable to providing  
513 standard service to other entities that take service from ComEd at multiple locations  
514 throughout ComEd's service territory, such as a chain of major grocery stores. In  
515 summary, ComEd's clarifying language for reserved distribution system capacity and its  
516 surrebuttal panel testimony offer to provide one-line service as standard to each railroad  
517 traction power substation are reasonable and should be approved.

518 **Q. Does this conclude the supplemental reply panel testimony?**

519 A. Yes.