

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON)
COMPANY)
Proposed general increase in)
rates for delivery service.)

Docket No. 05-0597

Direct Testimony and Exhibit on Rehearing of

Robert R. Stephens

On Behalf of

Illinois Industrial Energy Consumers

October 16, 2006
Project 8472



BRUBAKER & ASSOCIATES, INC.
ST. LOUIS, MO 63141-2000

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

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Direct Testimony on Rehearing of Robert R. Stephens

1 Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A My name is Robert R. Stephens. My business address is 1215 Fern Ridge Parkway,
3 Suite 208; St. Louis, Missouri 63141.

4 Q ARE YOU THE SAME ROBERT R. STEPHENS WHO PREVIOUSLY TESTIFIED IN
5 THESE PROCEEDINGS?

6 A Yes, I am.

7 Q WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY ON REHEARING?

8 A I will address two issues on which the Commission has granted rehearing in relation
9 to its Final Order of July 26, 2006 (the "Order"): (1) the impact of the Commission's
10 Order on customers over 10 MW served at high voltage; and (2) the appropriateness
11 of continuation of Rider GCB and treatment of any revenue shortfall associated with
12 the continuation of Rider GCB.

13 **Impact of ComEd Rates on Customers Over 10 MW Served at High Voltage**

14 **Q HAVE YOU REVIEWED THE COMMISSION'S ORDER AS IT RELATES TO OVER**
15 **10 MW CUSTOMERS SERVED AT HIGH VOLTAGE?**

16 A Yes, I have. In addition, I have reviewed the tariffs filed by ComEd in response to the
17 Commission's Order and IIEC's Application for Rehearing on this issue. In fact, I
18 provided an Affidavit in conjunction with IIEC's Application for Rehearing which is
19 attached to this testimony as IIEC Exhibit 9.1.

20 **Q AT PAGE 196 OF ITS ORDER, THE COMMISSION STATES:**

21 **The Commission finds that ComEd must maintain a separate**
22 **rate class for those customers with demands greater than**
23 **10 megawatts. This is due, largely, to the adverse rate**
24 **impacts that would be faced by the largest customers . . .**

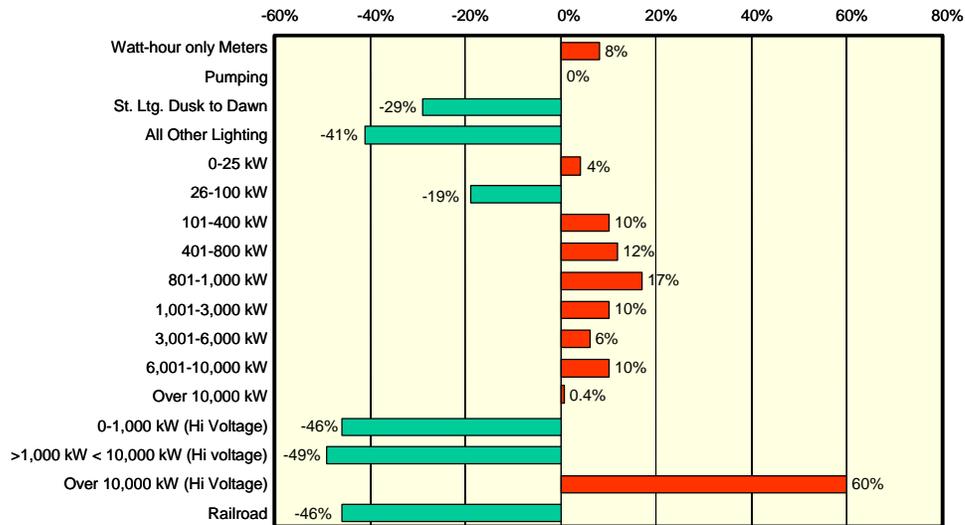
25 **DOES THE ORDER MITIGATE THE ADVERSE RATE IMPACTS FOR ALL**
26 **CUSTOMERS OVER 10 MW?**

27 A No, it does not, at least as it has been interpreted by ComEd. As I described in my
28 Affidavit, the impact is only mitigated for part of the above 10 MW class. Those
29 customers in the above 10 MW class that are served at high voltage will see a very
30 large increase in distribution facilities charges -- approximately 60 percent.

31 **Q HOW DOES THIS COMPARE TO OTHER DELIVERY SERVICE CLASSES?**

32 A The increase for the above 10 MW customers served at high voltage is much higher
33 than the increase for any other non-residential class, many of which will actually see
34 rate decreases from present rates under the tariffs filed by ComEd. This is illustrated
35 graphically in Figure 1, below.

Figure 1: Comparison of Distribution Facilities Charge Increases Between Current (June 2006) Rates and Compliance Rates



36 As can be seen from Figure 1, the impact on above 10 MW customers served at high
 37 voltage is extreme, as shown near the bottom of the figure, and dramatically different
 38 from any other class or subclass, including the above 10 MW customers served at
 39 standard voltage, which ComEd has properly treated.

40 **Q AT PAGE 199 OF ITS ORDER, IN THE HIGH VOLTAGE CLASS RATES SECTION**
 41 **OF THE ORDER, THE COMMISSION STATES:**

42 **Based on the Commission’s conclusion reached in the Very**
 43 **Large Load section of the Order, DOE’s concerns have been**
 44 **mitigated. Additionally, the Commission rejects IIEC’s**
 45 **proposed methodology for increasing rates applicable to**
 46 **customers in the high voltage class. Given the other**
 47 **conclusions in this Order, the Commission concludes that**
 48 **high voltage customers will not receive undue rate increases**
 49 **and the resulting rates will bear a reasonable relationship to**
 50 **the cost of providing service.**

51 **TAKING THESE STATEMENTS IN TURN, COULD THE CONCLUSION REACHED**
52 **IN THE VERY LARGE LOAD SECTION OF THE ORDER HAVE MITIGATED DOE'S**
53 **CONCERNS?**

54 A No, not unless the rate treatment for the Over 10 MW Customer class described in
55 the Very Large Load Section of the Order applies to all above 10 MW customers,
56 both standard and high voltage. No other conclusion in that section of the order could
57 have mitigated such customers' concerns. As can be seen in Figure 1, above,
58 DOE concerns have not been mitigated, as the DOE facilities are above 10 MW
59 customers served at high voltage as well.

60 **Q HOW DO YOU RESPOND TO THE STATEMENT THAT THE COMMISSION**
61 **REJECTS IIEC'S PROPOSED METHODOLOGY FOR INCREASING RATES**
62 **APPLICABLE TO CUSTOMERS IN THE HIGH VOLTAGE CLASS?**

63 A IIEC did not have a proposed methodology for increasing rates to the high voltage
64 class. The Commission has misinterpreted IIEC's position on this matter. IIEC's
65 position, which was set forth in my direct and rebuttal testimonies, was to set rates for
66 customers over 10 MW in demand according to the system average increase
67 approved for ComEd. (See, for example, lines 301-311 of my Direct Testimony, IIEC
68 Exh. 1.0). This included all customers in the over 10 MW class, both standard and
69 high voltage. IIEC took no position as to method of increasing rates to customers in
70 the High Voltage Class, which, under IIEC's position, and the current (pre-2007)
71 structure, would not include customers over 10 MW.

72 Q HOW DO YOU RESPOND TO THE STATEMENT THAT HIGH VOLTAGE
73 CUSTOMERS WILL NOT RECEIVE UNDUE RATE INCREASES?

74 A As I discussed and as shown in Figure 1 above, the statement is not correct as
75 applied to over 10 MW customers served at high voltage. Under ComEd's
76 interpretation of the Order, such customers get a 60 percent increase, while ComEd's
77 revenue increase was only 0.5 percent (Order at 306), and other customers served at
78 high voltage get large decreases.

79 Q WHAT IS YOUR RECOMMENDATION?

80 A My recommendation remains as it was in my direct and rebuttal testimony in this
81 case, which is that the Commission maintain the over 10 MW class of customers, with
82 both standard voltage and high voltage customers within the class, and increase or
83 decrease the charges in proportion to ComEd's overall revenue increase or decrease.
84 For the over 10 MW customers served at high voltage, the current (June 2006) net
85 charge of \$1.04 per kW should be the base charge to be increased or decreased.
86 ComEd's continued attempts to move the over 10 MW customers served at high
87 voltage into a class with all other customers served at high voltage should be
88 rejected.

89 **Rider GCB Revenues**

90 Q HAVE YOU REVIEWED THE DIRECT PANEL TESTIMONY ON REHEARING OF
91 COMED WITNESSES PAUL R. CRUMRINE AND LAWRENCE S. ALONGI, COMED
92 EXHIBIT 57.0, ON REHEARING AS IT RELATES TO RIDER GCB?

93 A Yes, I have.

94 **Q DO YOU DISAGREE WITH THE ANALYSIS OF THE PANEL WITNESSES OR THE**
95 **RECOMMENDATION TO END RIDER GCB?**

96 A No, I do not disagree with the analysis or recommendation to implement ComEd's
97 proposed rider GCB-7. In fact, I agree with ComEd that Rider GCB should not be
98 retained in its current form, as it apparently creates potentially huge commodity
99 subsidies. This would create the possibility that delivery services customers who are
100 not eligible for Rider GCB service would be required to contribute to the commodity
101 subsidy. Accordingly, I disagree with the witnesses' alternative proposals, in the
102 event Rider GCB is retained, to place the burden of any subsidy on delivery service
103 customers under any circumstance. The vast majority of these costs appear to be
104 commodity related and, thus, are not appropriately reflected in delivery service rates.

105 **Q DID IIEC TAKE A POSITION ON THIS ISSUE IN THE ORIGINAL CASE?**

106 A No, it did not. The severity of this issue did not come to light until after the
107 Commission's Order was entered and until the panel witnesses quantified the extent
108 of the unwarranted cross-subsidy and the specter of such a cross-subsidy growing in
109 the future. Assuming ComEd has correctly calculated the subsidy created under
110 retention of current Rider GCB to be \$116 million (Crumrine/Alongi ComEd Exhibit 57
111 on Rehearing at 1), the potential increase in ComEd rates to recover the subsidy from
112 customers would be almost equal to the entire revenue increase of \$109.8 million to
113 \$119 million requested by ComEd on rehearing (Mitchell ComEd Exhibit 51.0 on
114 Rehearing at 2).

115 Q HOW DOES COMED SUGGEST THAT THE CROSS-SUBSIDY BE RECOVERED IF
116 THE COMMISSION DOES NOT CHANGE THE ORDER WITH RESPECT TO RIDER
117 GCB?

118 A The panel witnesses outline three possible approaches at the top of page 12 of their
119 testimony. These options are shown below:

- 120 (1) using a new rider applicable to kilowatt-hours delivered
121 solely to retail customers within the areas of governmental
122 entities benefiting from GCB (e.g., customers in Cook and
123 Lake Counties);
124 (2) using a new rider applicable to kilowatt-hours delivered to
125 all retail customers; or
126 (3) using the AAF. This method would recover the subsidy
127 solely from customers who choose to obtain their electricity
128 supply from ComEd.

129 Q IT APPEARS THAT SOME OF THESE OPTIONS WOULD RECOVER THE
130 SUBSIDY FROM DELIVERY SERVICE CUSTOMERS. IS THAT FAIR?

131 A No. As I noted earlier, the subject costs appear to be primarily commodity costs. It is
132 not appropriate to recover commodity costs in delivery service rates or from delivery
133 service customers. This is violative of cost causation principles and counter to the
134 consensus rate principles from the Post 2006 workshops. Delivery service
135 customers, including large industrial customers in the IIEC, do not cause these
136 deficiencies in commodity revenues and derive no benefit from discounted energy
137 prices being provided to the governmental parties eligible for Rider GCB. Thus, as an
138 issue of fundamental fairness, they should not have to pay for such a discount.

139 Q DOES THIS MEAN YOU SUPPORT OTHER DELIVERY SERVICE CUSTOMERS
140 PAYING A SUBSIDY?

141 A No. As I stated above, I do not support any delivery service customer group paying
142 this subsidy. My principal recommendation is that Rider GCB-7 should be adopted as
143 proposed by ComEd. This avoids the commodity subsidy altogether. However, if a
144 commodity subsidy is created anyway, then it clearly should not be the responsibility
145 of delivery service customers.

146 Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY ON REHEARING?

147 A Yes, it does.

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