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1 **I. INTRODUCTION AND BACKGROUND**

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 testimony on behalf of
6 Commonwealth Edison Company (“ComEd”) earlier in this case?

7 A. Yes.

8 Q. Mr. Alongi, are you the same Lawrence S. Alongi who submitted testimony on behalf of
9 ComEd earlier in this case?

10 A. Yes.

11 **B. PURPOSE OF TESTIMONY**

12 Q. What is the purpose of your rebuttal panel testimony on rehearing?

13 A. Our testimony responds to the respective direct testimony on rehearing of Illinois
14 Commerce Commission (the “Commission” or “ICC”) Staff (“Staff”) and intervenor
15 witnesses on issues relating to Rider GCB – Government Consolidated Billing (“Rider
16 GCB”) and proposed Rider GCB7 – Government Consolidated Billing — 2007 (“Rider
17 GCB7”), Rider NS – Nonstandard Services and Facilities (“Rider NS”), rates for the
18 High Voltage Delivery Class, the Supply Administration Charge (“SAC”), and Rider
19 ECR – Environmental Cost Recovery (“Rider ECR”). More specifically, we respond to
20 the direct testimony on rehearing of the following witnesses: City of Chicago (“City”)
21 witness Steven Walter (City Ex. 3.0); Chicago Transit Authority (“CTA”) panel
22 witnesses Dennis Anosike and Glenn Zika (CTA Ex. 5.0); Northeast Illinois Regional

23 Commuter Railroad Corporation, d/b/a METRA (“METRA”) witness James Mitchell
24 (METRA Ex. 3.0); Illinois Industrial Energy Consumer (“IIEC”) witness Robert R.
25 Stephens (IIEC Ex. 9.0); United States Department Of Energy (“DOE”) witness Dr. Dale
26 E. Swan (DOE Ex. 2.0); Staff witnesses Theresa Ebrey (Staff Ex. 25.0) and Peter Lazare
27 (Staff Ex. 27.0); City of Chicago Board of Education (“Chicago BOE”) witness Arne
28 Duncan (Chicago BOE Ex. 1.0); and Coalition Of Energy Suppliers (“CES”) witness
29 John L. Domagalski (CES Ex. 8.0).

30 **C. SUMMARY OF CONCLUSION**

31 Q. What conclusions do you reach in your rebuttal testimony?

32 A. We reach the following conclusions:

33 1) On rehearing, the Commission should adopt ComEd’s proposed Rider GCB7 and
34 reverse its decision to require ComEd to retain the existing pricing structure of
35 Rider GCB. Staff and IIEC agree with ComEd and filed testimony supporting
36 proposed Rider GCB7. It is unfair to burden other ComEd customers with paying
37 for a subsidy that could reach \$116 million in 2007 alone.

38 2) All parties filing testimony agree that, if the Commission’s Order on Rider GCB
39 is unchanged, the Commission must approve a method for recovery of the
40 subsidy. The most equitable manner of allocating this subsidy is to recover it
41 from the customers residing or doing business in Cook County and Lake County
42 because these customers would benefit most from it. Staff also agrees that
43 localization of the subsidy is the best approach.

44 3) With respect to Rider NS, the CTA and METRA have not raised any issues that
45 warrant an amendment to the Order.

46 The Commission should reject the railroads' efforts to change the standard of
47 service. Doing so would increase the already large subsidy to these customers
48 and result in a standard of service that is inconsistent with the charges the
49 railroads pay for ComEd's distribution service.

50 The Commission also should reject the railroads contention that the Commission
51 should modify its Order to allow these customers to obtain reservation of
52 distribution system capacity free of charge.

53 4) With respect to issues raised by IIEC and DOE regarding rates for the High
54 Voltage Delivery Class, ComEd generally opposes the rate treatment requested
55 for these customers. However, if the Commission were to determine that the
56 resolution of the group of issues that ComEd has discussed with IIEC is
57 appropriate (*see Mitchell Reh'g Reb.*, ComEd Ex. 58.0), we describe the preferred
58 manner in which to handle the rate treatment requested by IIEC and DOE.

59 5) Mr. Domagalski has not raised any issues that warrant an amendment to the Order
60 concerning the expenses and costs that the Commission approved to be recovered
61 through the distribution revenue requirement rather than the SAC.
62 Mr. Domagalski's approach appropriately was rejected in the original proceedings
63 in this Docket and his proposal creates the likelihood that ComEd will fail to
64 recover tens of millions of dollars of legitimately incurred costs. Accordingly, the
65 Commission's Order should stand on this issue.

66 6) Finally, there are no remaining issues to be resolved with respect to Rider ECR.

67 Q. Are there any attachments to your testimony?

68 A. Yes. Attached to our testimony are the following exhibits:

69 • ComEd Exhibit 62.1 is the City's response to ComEd Data Request on Rehearing
70 2.01; and

71 • ComEd Exhibit 62.2 contains our determination of the preferred rate design and
72 calculation of the subsidy that would result from extending subsidy for customers
73 in the Extra Large Load Delivery Class (i.e., the class of customers with demands
74 over 10 Megawatt ("MW") for which ComEd's lines enter their premises at
75 voltages under 69,000 volts) customers in the High Voltage Delivery Class with
76 demands over 10 MW.

77 **II. RIDER GCB**

78 **A. INTRODUCTION**

79 Q. Do you have any general comments regarding the Rider GCB issue?

80 A. Yes. As we discussed in our direct testimony on rehearing, the Commission's Order
81 provides a large subsidy to Rider GCB customers. To the extent certain favored
82 customers would be charged rates far less than the cost of serving them, other customers
83 must be charged rates in excess of cost. Here the GCB subsidy would be borne by other
84 customers, many of whom may reside or do business in parts of ComEd's service
85 territory that have little or no connection to the governmental units enjoying the subsidy.
86 This is fundamentally unfair. We urge the Commission to reverse its decision and adopt
87 Rider GCB7, a result that both Staff and IIEC also support.

88 Furthermore, there is another aspect to a decision to confer subsidies on certain
89 favored customers that is also disturbing. To the extent the Commission undertakes to
90 provide subsidies to parties that argue that they are worthy of such subsidies, rather than

91 setting cost-based rates, it only invites others to make their case for similar largesse. This
92 tendency is already evident, and is clearly demonstrated in the testimony of the Chicago
93 BOE on rehearing. Chicago BOE witness Mr. Duncan never even makes an attempt to
94 tie his testimony to ComEd's costs of serving Chicago Public Schools. Rather, his
95 testimony discusses the Chicago BOE's mission and budget issues. While ComEd
96 appreciates the concerns raised by Mr. Duncan, we note that ComEd provides electric
97 service to many entities that provide important social and economic roles in Northern
98 Illinois. To the extent the Commission sets rates on a basis other than on traditional
99 ratemaking principles, foremost cost, the door is open for many of these entities to come
100 before it seeking subsidies. We urge the Commission not to head in that direction.

101 Granting these types of subsidies inevitably causes other ComEd customers to pay
102 more than they would otherwise have to pay -- thus increasing hardships for other
103 customers. The Commission should take the opportunity in rehearing to stay the course
104 toward cost-based ratemaking and adopt Rider GCB7.

105 **B. CITY OF CHICAGO**

106 Q. Mr. Crumrine, does ComEd have a "large financial interest in advocating its
107 interpretation" of the Act as City witness Walter suggests? (City Ex. 3.0, 2:32-34).

108 A. No. The Commission's Order provides that it is "neither reasonable nor appropriate" for
109 ComEd to absorb any subsidy created by the maintenance of Rider GCB. Commission
110 Order at 236. No party on rehearing, not even the City, advocates that ComEd should
111 absorb this subsidy (the City made its position clear in its data request response which is
112 attached to this testimony as ComEd Ex. 62.1). Thus, this is not a "financial interest"
113 issue for ComEd. It is one of fairness to other customers.

114 Q. Mr. Walter disagrees with your testimony in terms of the impact a rate freeze for Rider
115 GCB customers would have on incentives for conserving energy. (City Ex. 3.0, 3:42-
116 4:63). Is he correct?

117 A. No. It is a fundamental economic principle that a customer charged a rate that is as
118 significantly below cost as the Rider GCB shortfall being discussed here has less
119 incentive to conserve than the customer would have if the rate were set at the appropriate
120 level. Simply stated, effectively extending the rate freeze indefinitely as the City requests
121 would send the wrong price signals to these governmental customers.

122 Q. City witness Walter and CTA panel witnesses Anosike and Zika each discount your
123 statements regarding the difficulty of administering Rider GCB. (City Ex. 3.0, 4:64-5:77;
124 CTA Ex. 5.0, 10:214-11:230). Do you agree with them?

125 A. No. The City and the CTA ignore the practical complexities inherent in the
126 administration of Rider GCB which are directly related to the requirement to determine
127 and bill the coincident demand of the group of numerous noncontiguous, geographically
128 dispersed customers involving perhaps thousands of meters. For example, the 30-minute
129 interval data for the entire monthly billing period for every single meter of every single
130 Rider GCB customer is needed to determine the coincident demand under Rider GCB. If
131 problems are encountered with the communication of automated meter reading data from
132 one or more meters, the missing 30-minute interval data for such meters must be
133 estimated -- resulting in manual intervention and delayed billing to estimate a detailed
134 30-minute by 30-minute load profile for the missing data from each affected meter.

135 Additionally, providing a substantially below cost rate will likely result in many
136 customers who are not currently taking or who have never taken service under Rider
137 GCB requesting to be placed on the rider. Such new customers would not be able to take
138 service until the requisite metering is physically installed (*i.e.*, automated meter reading
139 (“AMR”) meters. Thus, because procurement and installation of such metering requires a
140 lead-time that would depend on the volume and timing of requests for Rider GCB
141 service, ComEd’s ability to provide additional service under the rider will be subject to
142 these real administrative issues.

143 Q. Does any party dispute the amount of the subsidy as calculated in your direct testimony?

144 A. No. It appears that no party takes issue with ComEd’s calculation that the subsidy could
145 amount to \$116 million in 2007 if Rider GCB is maintained.

146 Q. Mr. Walter asserts that it is “telling” that Section 16-125A lacks a sunset provision. (City
147 Ex. 3.0, 6:108-10). Do you agree with his statement?

148 A. No. We do not agree with his statement. ComEd proposed Rider GCB7 in order to meet
149 the continuing requirements of Section 16-125A. Indeed, the Commission correctly
150 described those continuing requirements in its conclusion on page 236 of its Order:
151 “Section 16-125A states that ComEd’s tariffs must allow ‘governmental customers to
152 work cooperatively in the purchase of electric energy to aggregate their monthly
153 kilowatt-hour energy usage and monthly kilowatt billing demand.’ Rider GCB7
154 indisputably provides for such aggregation.”

155 C. CTA

156 Q. Messrs. Anosike and Zika assert that charging the CTA under Rider GCB does not create
157 a subsidy. (CTA Ex. 5.0, 5:98-103). Is this correct?

158 A. No. If the Commission's Order stands, the CTA and other Rider GCB customers would
159 pay rates that are significantly below ComEd's costs to serve them. These are real supply
160 costs that ComEd will have to pay to its wholesale suppliers. This is the textbook
161 definition of a subsidy.

162 Q. Messrs. Anosike and Zika do not dispute ComEd's calculation of the subsidy as
163 amounting to \$116 million. However they assert that they could not verify this amount
164 due to the fact that the necessary data was confidential customer data. (CTA Ex. 5.0,
165 5:104-7:131). Please comment.

166 A. While it is true that ComEd is not at liberty to disclose confidential customer data of
167 other GCB-eligible customers to CTA, in response to a CTA data request ComEd did
168 provide the CTA with a working model of the spreadsheet that ComEd used to calculate
169 the GCB subsidy, with the CTA data unredacted. This spreadsheet and CTA data
170 allowed CTA to confirm the reasonableness of ComEd's calculation approach as it relates
171 to CTA. ComEd applied the same general approach for other customers that are eligible
172 for service under Rider GCB. We note that the CTA does not claim to have found any
173 errors in the calculations that ComEd performed in estimating the amount of the subsidy.

174 Q. Messrs. Anosike and Zika note that ComEd's calculation includes customers that also are
175 expected to take service under Rider GCB. (CTA Ex. 5.0, 6:123-24). Can you comment
176 on this statement?

177 A. First, we note again that the CTA does not dispute the calculation, but simply makes a
178 note of this issue. As a matter of logic, one can reasonably expect that most customers
179 who are eligible for a rate that is as significantly below cost as Rider GCB would likely
180 take advantage of it. (ComEd Ex. 57.0, 9:181-88). Thus, the calculation of the subsidy
181 must take these additional customers into account in order to be realistic. A calculation
182 of the subsidy based only on current Rider GCB customers would not accurately reflect
183 the realistic magnitude of the subsidy.

184 Q. Mr. Crumrine, Messrs. Anosike and Zika assert that Rider GCB's purpose is more than
185 merely allowing benefits of cooperative purchasing for governmental entities. (CTA
186 Ex. 5.0, 7:132-52). Do you agree?

187 A. No. I note that Messrs. Anosike and Zika simply make the statement, but do not provide
188 any support for their position. They discuss the negotiations and that "[Rider] GCB rate
189 was but one part of a complicated compromise and should not be treated in isolation by
190 this Commission." (CTA Ex. 5.0, 7:142-43). However, their testimony corroborates ours
191 to the extent they do not dispute our statement that no party discussed a permanent rate
192 freeze for Rider GCB customers as part of these negotiations.

193 Q. Messrs. Anosike and Zika assert that the 1998 Amendment to the CTA/ComEd contract
194 ("the 1998 Amendment") supports a conclusion that Rider GCB was to continue past the
195 end of the transition period. (CTA Ex. 5.0, 8:153-60). Do you agree?

196 A. No. The fact that the 1998 Amendment contained references to Rider GCB does not
197 mean that ComEd could not modify Rider GCB with Commission approval, which is the
198 implication of CTA's testimony. Again, we do not think any party took the position that

199 Section 16-125A expires at the end of the mandatory transition period. We do however
200 contend that ComEd's proposed Rider GCB7 meets the continuing requirements of
201 Section 16-125A and thus should supersede existing Rider GCB.

202 Q. Messrs. Anosike and Zika also dispute that the Commission's Rider GCB decision will
203 lessen the incentive to conserve energy. (CTA Ex. 5.0, 8:161-9:192). Do you agree with
204 their statements?

205 A. No. As we stated above with respect to Mr. Walter's testimony, a frozen bundled service
206 rate that does not reflect the full costs of providing that service results in an incorrect
207 price signal to these customers. Thus, the incentive to conserve, or invest in equipment
208 that conserves energy, is diminished.

209 **D. COST RECOVERY MECHANISMS**

210 Q. What are the parties' positions regarding cost recovery mechanisms if the Commission
211 requires ComEd to maintain Rider GCB?

212 A. Staff and IIEC each support a reversal of the Commission's decision and support the
213 adoption of Rider GCB7 as originally proposed by ComEd. Notwithstanding this, if a
214 subsidy is created, Staff supports the recovery of the subsidy through a rider that localizes
215 the cost recovery to customers located in Cook County and Lake County. According to
216 Staff witness Lazare, "[t]he most reasonable of these alternatives would be to recover the
217 shortfall from the ratepayers who derive benefits from the governmental bodies receiving
218 the subsidized rates." Staff Ex. 27.0, 20:466-68.

219 The CTA and the City of Chicago each favor recovery from all ComEd
220 customers.

221 IIEC witness Stephens favors ComEd's third alternative, which would recover the
222 subsidy through the AAF only from customers taking supply service from ComEd.

223 Q. What is ComEd's position?

224 A. ComEd's position has not changed from our direct testimony on rehearing. ComEd
225 continues to favor the localization of the subsidy so that the customers who benefit most
226 from the subsidy would pay for it. The second best alternative is to recover the shortfall
227 from all ComEd customers.

228 We also note that we must clarify that the third method of recovering this subsidy
229 (*i.e.*, recovery only from ComEd supply customers via the AAF) will create an even
230 greater burden to ComEd's residential and small business customers. To the extent that
231 larger business customers continue to switch away from ComEd supply service, a
232 significant amount of the subsidy would have to be transferred to the remaining ComEd
233 supply service customers, which are primarily residential and small business customers.
234 This could result in residential customers paying an even larger portion of the \$116
235 million subsidy than they otherwise would pay under the AAF approach absent the
236 increase in large business customers switching away from ComEd supply service. We
237 calculate that as much as an additional \$15 million of the subsidy would be recovered
238 from residential customers under the AAF approach if no large nonresidential customer
239 over 400 kW take ComEd supply. For this additional reason, either the localized
240 approach or recovery from all ComEd customers are better options than recovering the
241 shortfall solely from ComEd supply customers.

242 Q. Mr. Walter asserts that the rate reduction associated with Rider GCB has never been
243 recovered “only from residents in the affected jurisdictions.” (City Ex. 3.0, 7:126-27).
244 Do you think this is a basis for the Commission rejecting localization if Rider GCB is
245 maintained?

246 A. No. Mr. Walter ignores the fact that during the mandatory transition period, the burden
247 fell upon ComEd to absorb or mitigate the impacts of any specifically targeted rates such
248 as Rider GCB. For the post-transition period, ComEd has signed contracts with its
249 wholesale suppliers and will pay the resulting costs. If a subsidy is provided under Rider
250 GCB, the Commission must determine an appropriate recovery mechanism for the post-
251 transition period and a localized method should be seriously considered from a fairness
252 perspective.

253 Q. Messrs. Anosike and Zika assert that any Rider GCB subsidy should be recovered from
254 all other ComEd customers because the CTA provides benefits to the entire region.
255 (CTA Ex. 5.0, 12:254-13:270). Do you agree?

256 A. No. While we acknowledge that some CTA ridership is attributable to some people that
257 live outside Cook County, the CTA does not address the problem as to where the
258 Commission should draw a line. If such a line is not drawn, then many customers, such
259 as customers located far from the Chicago metropolitan area must pay even though they
260 receive little, if any, benefits. Indeed, the difficulty in deciding who should pay
261 highlights the problem with the Commission’s Order and supports the reversal of the
262 Commission’s initial decision altogether.

263 **III. RIDER NS**

264 Q. Messrs. Anosike and Zika and METRA witness Mr. Mitchell state that ComEd cannot
265 unilaterally replace language in the railroad class members' contracts and require the
266 CTA and METRA to pay for construction costs for providing service to the railroad
267 class's substations. (CTA Ex. 5.0, 14:294-15:326; METRA Ex. 3.0, 6:3-15). Do you
268 agree with their contention?

269 A. No. As a matter of background, ComEd has filed compliance rates in accordance with
270 the Commission's Order. ComEd is not "unilaterally" replacing contract language. The
271 Commission approved Rate BES-RR, which contains language that constitutes an
272 amendment to the CTA and METRA contracts and also incorporates provisions of Rider
273 NS and General Terms and Conditions. The Commission's decision is consistent with
274 the contracts, both of which explicitly defer to the ratemaking authority of the
275 Commission. These parties' continued invoking of the contracts in an effort to supplant
276 the Commission's authority is misplaced

277 We also note that the issue they raise is a simple one, but these witnesses misstate
278 it. Specifically, this is simply a standard of service issue.

279 Q. What is standard of service?

280 A. Every ComEd customer is entitled to be provided standard service facilities, without
281 additional charge over the base rate charges. If a customer requests different facilities or
282 services that require the use of other facilities, the additional facilities are provided as
283 nonstandard facilities and the customer is charged for the costs of those facilities that are
284 in excess of the costs of standard facilities. This is a fundamental rate design concept that

285 has been in place in ComEd's rates for decades. The railroads are entitled to receive,
286 without additional charge over the base rate charges, the same standard service and
287 standard facilities used to provide that service as other similarly situated customers. The
288 railroads, however, are apparently not content with that. They want to be provided with
289 nonstandard services and nonstandard facilities, but without paying the extra costs that
290 other customers would be charged.

291 Q. Are these witnesses correct in their statements regarding standard service?

292 A. No. There are two problems with the testimony of the witnesses for the railroads on this
293 topic.

294 First, a customer like a railroad, with numerous noncontiguous facilities that is
295 treated for ratemaking purposes as if it were one large customer at a single contiguous
296 geographic location, is entitled to receive the same standard facilities as other large
297 customers. Similarly, a railroad must pay for additional, nonstandard facilities that it may
298 require in the same manner as other customers requiring similar nonstandard facilities.
299 The Commission's Order allows the CTA and METRA to be treated as if they are each a
300 single large contiguous customer, and, thus, each is entitled to receive standard facilities
301 consistent with that status. The Commission's Order appropriately adopted Rate BES-
302 RR, which provides railroad customers as standard service the same facilities usually
303 provided to other similarly sized customers (i.e., customers with demands over 10 MW at
304 single contiguous location). All customers must pay, under Rider NS, for the excess
305 costs of any additional or different facilities that they require ComEd to provide.

306 Second, contrary to the CTA’s statements regarding the “current version of the
307 contract”, the standard of service under Rate BES-RR is consistent with the 1998
308 Amendment that the CTA repeatedly cites. Specifically, when that agreement was
309 entered into, the CTA was allowed to take advantage of the charge structure of Rider
310 GCB in return for its agreement to a new standard of service based on a single point of
311 delivery adequately sized to serve its entire traction power system load. We cite this
312 agreement not because it is controlling in any way over Rate BES-RR. Rather, we cite it
313 because at that time it was understood that being treated and charged as a large
314 contiguous customer comes with a tradeoff as to standard service.

315 Q. Messrs. Anosike and Zika assert that the CTA is not receiving a subsidy by being charged
316 as a single customer with over 10 MW of demand. They also assert that the
317 Commission’s Order supports their view. (CTA Ex. 5.0, 13-14:283-92). Do you agree?

318 A. No. ComEd’s embedded cost of service study and our previous testimony in this
319 proceeding demonstrated that the cost to provide delivery service to a railroad customer
320 with numerous noncontiguous, geographically dispersed locations is higher than the cost
321 to serve a customer with over 10 MW of demand at a single contiguous premises.
322 Accordingly, the use of the lower distribution facilities charges applicable to customers
323 with over 10 MW of demand for railroad customers creates a subsidy. We will not repeat
324 this testimony, but it can be found in Messrs. Alongi’s and McInerney’s Rebuttal and
325 Surrebuttal Testimony and Messrs. Alongi’s and Crumrine’s Supplemental Testimony.
326 ComEd Ex. 24.0, 38:962-40:1002; ComEd Ex. 41.0 Corr., 24:561-25:570; ComEd Ex.
327 46.0, 18:384-20:415. Suffice it to say, we do not agree with these witnesses’ statements
328 and note that the Commission, in adopting the distribution facilities charges for the

329 railroads that are equal to those assessed to customers with over 10 MW (*i.e.*, those
330 customers with over 10 MW of load that are not served at high voltage), expressly
331 acknowledged that the railroad customer's rates were not cost based and, in addition,
332 "[t]o the extent that the aggregation creates or otherwise represents a subsidy to the
333 railroad class, the difference in cost should be recovered from the other non-residential
334 classes." Order at 189-90.

335 Q. In his testimony, Mr. Mitchell addresses the parties' historical conduct with respect to
336 maintenance of ComEd owned electrical distribution supply facilities leading to
337 METRA's substations, and maintenance of METRA owned electrical supply facilities
338 leading from the METRA substations to its trains. (METRA Ex. 3.0, 5:15-21). Does this
339 history persuade you that starting in 2007 METRA should be provided as standard the
340 same facilities provided to customers with loads less than 10 MW?

341 A. No. This history might be of interest if METRA were now arguing that starting in 2007 it
342 should pay rates as if it were a customer with load less than 10 MW. However, earlier in
343 this case, when the rates the railroads would pay were at issue, METRA argued otherwise
344 and the Commission agreed, directing that the railroads be charged for delivery service as
345 if they each were one large customer with over 10 MW at a single location.

346 METRA's testimony reveals the extensive ComEd distribution equipment
347 required to serve each railroad traction power substation. CTA requires a similar level of
348 ComEd distribution equipment to serve each railroad traction power substation. In total,
349 ComEd serves about 70 railroad traction power substations scattered throughout
350 ComEd's service territory. It is thus clear that ComEd does not serve either of the
351 railroad customers like one large customer with over 10 MW at a single contiguous

352 location. Instead, ComEd's distribution service to these 70 railroad traction power
353 substations is "more like providing service to a retail chain of grocery stores, each of
354 which is billed as an individual customer." ComEd Ex. 47.0, 19:405-20:415. Each
355 grocery store has less than 10 MW of load and is provided a standard of service based on
356 the load at the individual store (*i.e.*, a single point of delivery sized for that store's load).
357 However, unlike the railroads, each grocery store pays the charges applicable for such
358 load under 10 MW, consistent with the standard of service each store receives.

359 The railroads want the best of both worlds. That is, the railroads want a standard
360 of service comparable to that provided to each individual grocery stores in the grocery
361 store chain -- but they do not want to pay the same charges that those grocery stores pay.
362 Instead, they want to pay lower charges as if they each are one large customer with over
363 10 MW of load at a single contiguous location. It is inappropriate to have it both ways.
364 The standard of service that ComEd provides to the railroads should be consistent with
365 the charges the railroads pay for ComEd's distribution service.

366 So long as the railroads are to be charged for delivery service like a large
367 customer with over 10 MW of load at a single contiguous location, then each railroad's
368 standard level of service should be like that of such a large customer (*i.e.*, based on a
369 single point of delivery adequately sized to serve its entire traction power system load).

370 Accordingly, the Commission should reject the railroads efforts to have it both
371 ways and the Commission's Order should remain unchanged with regard to standard
372 service for the railroads.

373 Q. Are there other reasons why the Commission should reject CTA and METRA's efforts to
374 amend its Order regarding the standard of service for railroads?

375 A. As METRA's testimony demonstrates and as we have previously testified, ComEd has
376 provided a massive amount of distribution facilities to serve the railroads. To the extent
377 that such existing facilities have been provided without charge, ComEd does not intend to
378 now charge for those existing facilities -- provided the railroad's service requirements
379 remain unchanged. However, to the extent that the railroads request changes in service
380 that involve additions or changes of ComEd's distribution facilities, then ComEd intends
381 to determine charges for such requests based upon the provisions of Rider NS and a
382 standard of service for each railroad that consists of a single point of delivery adequately
383 sized to serve its entire traction power system load. This is also how ComEd treats other
384 similarly sized customers.

385 The Commission's Order, as it stands, creates a subsidy for the railroad customers
386 by setting their distribution facilities charges equal to those assessed to Over 10 MW
387 customers (*i.e.*, those customers with over 10 MW of load that are not served at high
388 voltage). Modifying the Order further on rehearing such that ComEd would also be
389 required to provide to the railroads standard facilities in excess of those provided as
390 standard to other large customers, as the railroads request, could significantly increase
391 this subsidy and delay ComEd's cost recovery if the railroad traction power system is
392 expanded or revised and new or revised ComEd facilities are required for service.

393 Accordingly, the Commission should reject the railroads' efforts to amend the
394 Order regarding the standard of service for railroads.

395 Q. Messrs. Anosike and Zika and Mr. Mitchell state that the Final Order specifically rejected
396 ComEd's request for a reserved capacity charge. (CTA Ex. 5.0, 19:394-95; METRA
397 Ex. 3.0, 7:16-8:4). Is this correct?

398 A. No, that is not our understanding. The Order states that "[t]he Commission rejects the
399 language in ComEd's proposed Rider NS related to reserved capacity charges and finds
400 that the remaining provisions are adequate for ComEd to recover the cost of additional
401 facilities necessary to provide non-standard service." Order at 226 (emphasis added).
402 We interpret this language as stating that the remaining language is sufficient for ComEd
403 to recover costs associated with nonstandard facilities, including the cost of nonstandard
404 facilities associated with reservation of distribution capacity.

405 Q. Does ComEd incur real costs to provide reserved distribution system capacity and are
406 there specific situations that you can describe?

407 A. Yes. When a customer requests service in such a way that requires ComEd to reserve
408 distribution capacity, there are real costs involved that ComEd must be able to recover.
409 In addition, as Staff witness Hanson testified, there is a real cost associated with
410 reservation of distribution capacity and ComEd should be allowed to recover such costs
411 from the cost causer. Staff Ex. 7.0, 9:192; Staff Ex. 18.0, 2:20-27. A simple example of
412 such a situation is the need to reduce the normal capacity rating of one feeder in order to
413 ensure a customer's request for an automatic transfer of its load from another feeder does
414 not cause an overload on the alternate feeder. Such a reduction in capacity is necessary,
415 for example, if the amount of the customer's load that is automatically transferred
416 exceeds the difference between the normal and emergency capacity ratings of the
417 alternate feeder. That is, for such a situation, if the normal rating of the alternate feeder is

418 not reduced to limit the load normally served by that alternate feeder, the automatic
419 transfer of the load requested by the customer could result in the alternate feeder
420 exceeding its emergency capacity rating -- potentially resulting in an overload. If ComEd
421 does not make this adjustment to feeder capacity, then the necessary distribution capacity
422 on the alternative feeder has not really been reserved, or set aside, for the customer that is
423 asking ComEd for the automatic load transfer capability.

424 By way of numerical example, if a customer requests automatic transfer capability
425 for 3 MW of load and ComEd's alternate feeder has a normal capability rating of 8 MW
426 and an emergency capability rating of 10 MW, which are typical ratings of ComEd's 12
427 kV distribution feeders (rounded to the nearest MW), then the normal capability rating of
428 that alternate feeder must be reduced by 1 MW (*i.e.*, from 8 MW to 7 MW) to ensure that
429 the load on that feeder will not exceed its 10 MW emergency rating in the event an
430 automatic transfer of the customer's 3 MW load should occur. Consequently, a portion
431 of the full normal capacity rating of the alternate feeder that would have otherwise been
432 available to serve other customers, 1 MW in this example, is now reserved for the single
433 customer that requested the automatic load transfer capability and is not available for use
434 by other customers. Such reserved capacity must then be replaced with new distribution
435 capacity to serve other customers, resulting in additional costs to ComEd that it would
436 not otherwise have incurred absent the individual customer's request for automatic load
437 transfer service. Nonstandard service and facilities charges should apply in such a
438 situation.

439 Accordingly, ComEd is not opposed to clarifying the language in Rider NS to
440 limit the application of nonstandard services and facilities charges for reserved
441 distribution system capacity to such situations.

442 Nonetheless, if the Commission is of the opinion that the CTA and METRA
443 should be provided this service free of charge, then the Commission's Order on
444 Rehearing should provide an express exception for these railroad customers. Otherwise,
445 nothing will stop other customers from requesting this type of service free of charge.
446 Aside from being problematic for ComEd from a timely cost recovery and cost causation
447 perspective, numerous requests of this type would surely require additional resources to
448 install distribution system additions to provide such reserved capacity and ultimately
449 cause delivery service charges for all other customers to increase.

450 Q. What do you recommend the Commission do with respect to Rider NS?

451 A. We recommend that the Order remain as entered, or be clarified to state that reservation
452 of distribution capacity be treated as a nonstandard service on a case-by-case basis for
453 situations in which the normal capacity rating of a feeder must be reduced to
454 accommodate a customer's request for automatic load transfer capability.

455 Q. Messrs. Anosike and Zika and Mr. Mitchell state that the railroad customers should be
456 able to pay their construction costs in a lump sum rather than a monthly basis for federal
457 funding purposes. (CTA Ex. 5.0, 16:328-43; METRA Ex. 3.0, 6:3-15). Does ComEd
458 oppose allowing lump sum payments for the railroads?

459 A. Although most construction costs for nonstandard facilities that would apply to the
460 railroads would likely be subject to payment as a lump sum, ComEd is amenable to

461 providing such an option so long as it is expressly limited to the railroad customers for
462 those limited circumstances in which a monthly rental charge might otherwise apply for
463 nonstandard services and facilities under Rider NS.

464 Q. Messrs. Anosike and Zika and Mr. Mitchell claims that the language in Rider NS appears
465 to allow ComEd to charge for facilities that already have been paid for by the CTA or
466 METRA pursuant to prior arrangements. (CTA Ex. 3.0, 18:365-73; METRA Ex. 3.0,
467 7:4-10). Do you agree?

468 A. No. The language from Rider NS that the CTA and METRA witnesses cite is: “The
469 provisions of this rider are applicable for service provided on and after January 2, 2007,
470 without regard to the date on which services or facilities were first provided.” This
471 language serves a very specific purpose. That is, certain nonstandard services and
472 facilities that are being provided to customers on a monthly rental basis under Rider 6,
473 the predecessor to Rider NS, will continue to be provided on a monthly rental basis under
474 Rider NS after January 2, 2007. Such nonstandard services and facilities generally
475 include transformers, switchgear, and capacitance. Neither the CTA nor METRA are
476 currently paying such monthly rentals under their accounts for traction power.
477 Consequently, this language has no impact on those accounts.

478 **IV. HIGH VOLTAGE RATES**

479 Q. DOE witness Dr. Swan and IIEC witness Mr. Stephens each address issues with respect
480 to customers in the High Voltage Delivery Class with demands over 10 MW. (DOE
481 Ex. 2.0, 2:34-8:183; IIEC Ex. 9.0, 2:13-5:88). Would you please summarize their
482 positions regarding the rates for customers served at high voltages?

483 A. Yes. These witnesses assert that the subsidy extended to the Extra Large Load Delivery
484 Class (*i.e.*, the class of customers with demands over 10 MW for which ComEd’s lines
485 enter their premises at voltages under 69,000 volts) also should apply to customers In the
486 High Voltage Delivery Class with demands over 10 MW. In essence, these parties seek
487 an additional subsidy for these customers by proposing to increase or decrease their
488 current “net” charges in proportion to ComEd’s overall revenue increase or decrease. See
489 the rebuttal testimony on rehearing of ComEd witness Mr. Barry Mitchell (ComEd
490 Ex. 58.0) for an overall discussion of the issues raised by IIEC.

491 Q. How do the IIEC and DOE proposals differ?

492 A. While they each seek to extend the Order’s Extra Large Load Delivery Class subsidy to
493 the customers in the High Voltage Delivery Class with demands over 10 MW, they each
494 propose different methods to accomplish this result. IIEC recommends that the
495 Commission maintain the current Over 10 MW class of customers as defined in Rate
496 RCDS – Retail Customer Delivery Service (“Rate RCDS”), with both standard voltage
497 and high voltage customers within the class, and increase or decrease the charges in
498 proportion to ComEd’s overall revenue increase or decrease. On the other hand, DOE
499 recommends that ComEd implement the proposal by creating two separate charges within
500 the High Voltage Delivery Class, one for over 10 MW customers and another for other
501 customers in the class. In addition, Dr. Swan suggests that, although less important, if the
502 Commission believes it is appropriate to also provide a distinction in charges between
503 load served at high voltage versus standard voltage within the High Voltage Delivery
504 Class, such a distinction could also be implemented through what Dr. Swan describes as a
505 “fairly straightforward” approach.

506 Q. In the event the Commission chooses to extend this subsidy, how should these parties'
507 proposal be implemented?

508 A. In order to implement the necessary billing system changes by January 2, 2007, if the
509 Commission should decide to provide this subsidy to customers in the High Voltage
510 Delivery Class with demands over 10 MW, then the High Voltage Delivery Class should
511 be retained and the distribution facilities charges for customers in the class should be
512 differentiated only by the customer's demand. In other words, the High Voltage Delivery
513 Class should have only two distribution facilities charges based on the customer's
514 Maximum Kilowatt Demand -- one for customers in the High Voltage Delivery Class
515 with demands over 10 MW and another for the other customers in the High Voltage
516 Delivery Class with demands that do not exceed 10 MW. The distinction of distribution
517 facilities charges for load served at standard voltage versus load served at high voltage
518 within the High Voltage Delivery Class (as shown on 1st Revised Sheet No. 370 of Rate
519 RDS filed August 11, 2006 in compliance with the Commission's July 26, 2006 Order)
520 should be eliminated in order to facilitate implementation for January 2, 2007.

521 As a reminder, the distinction between distribution facilities charges for load
522 served at standard voltage versus load served at high voltage within the High Voltage
523 Delivery Class approved in the Commission's Order was originally introduced by DOE
524 witness Dr. Swan as an alternative to the system-wide increase based proposal for
525 customers in the High Voltage Delivery Class with demands in excess of 10 MW.
526 Dr. Swan testified that such a distinction (*i.e.*, the alternative) is "moot" if the
527 Commission adopts the proposal regarding a system-wide increase for customers with
528 loads in excess of 10 MW. DOE Ex. 1.0, 11:279-82. In his testimony on rehearing, Dr

529 Swan now suggests that, although less important, if the Commission believes such a
530 distinction between standard voltage load and high voltage load within the High Voltage
531 Delivery Class is the proper way to treat such loads, then “there is a fairly straightforward
532 way to accomplish that.” Dr. Swan goes on to briefly describe his approach. (DOE
533 Ex. 2.0, 8:172-83). His proposal appears to be different from earlier proposals and is not
534 as straightforward as he suggests. Indeed, his proposal is problematic from an
535 implementation and administration perspective because the application of “the
536 appropriate rate” for standard voltage load under 10 MW would require ComEd to
537 program its billing system with the ability to classify the standard voltage load based on
538 demand at a meter level rather than at an account level and bill the applicable distribution
539 facilities charges from any one of the five other nonresidential delivery service classes --
540 in addition to billing the applicable charge (*i.e.*, over 10 MW or under 10 MW) for loads
541 served at high voltage. Such an approach is definitely not “fairly straightforward” and
542 should be rejected.

543 Mr. Stephens’ proposal is also unworkable at this late date. Although
544 Mr. Stephens’ proposal sounds simple, it involves moving customers from the High
545 Voltage Delivery Class into the Extra Large Load Delivery Class and further segmenting
546 the Extra Large Load Delivery Class by customers that receive service at high voltage
547 and those customers that receive service at standard voltage. This approach is not
548 recommended because it would require changes to the fundamental post-2006 billing
549 system structure, for which programming is well underway, in order to modify how
550 customers are classified for delivery service purposes. Instead, if the Commission should
551 decide to provide this subsidy, ComEd recommends modifying the charges within the

552 High Voltage Delivery Class as we have described and is described in ComEd Exhibit
553 62.2 Step D, in order to minimize changes to the post-2006 billing system design.

554 **Q.** What is the amount of the subsidy that would result from extending the Extra Large Load
555 Delivery Class subsidy to customers in the High Voltage Delivery Class demands over
556 10 MW?

557 **A.** We have identified the subsidy as approximately \$6.7 million. Attached as ComEd
558 Exhibit 62.2 is our calculation of this amount. If the Commission creates this subsidy,
559 then ComEd requests guidance as to which other ComEd customers should pay for it
560 (*e.g.*, all other non-residential customers).

561 **V. SUPPLY ADMINISTRATION CHARGE (“SAC”)**

562 **Q.** Do you agree with CES witness Mr. Domagalski’s testimony regarding Call Center
563 expenses and costs and the Supply Administration Charge? (CES Ex. 8.0, 7:141 - 8:151).

564 **A.** No. Mr. Domagalski continues to assert that a portion of the expenses and costs of the
565 Call Center (as well as other operating expenses and capital costs) should be recovered
566 through the SAC. Mr. Domagalski provides only very loose and unsupported
567 descriptions of expenses and costs that he believes should be allocated to the SAC. The
568 Commission in its Order rejected the same argument. Order at 254. CES provides no
569 new information for the Commission to consider on this subject. In the original
570 proceedings in this case, Mr. Alongi and ComEd witness Timothy McInerney showed
571 that ComEd had correctly determined the expenses and costs that should be recovered
572 through, and properly calculated, the Supply Administration Charge (ComEd Ex. 10.0,
573 3:62-63, 15:372-16:383; ComEd Ex. 10.7; ComEd Ex. 24.0, 10:275-11:291), and

574 Mr. Crumrine also showed that Mr. Domagalski's assertion that other expenses or costs
575 should be recovered through the SAC was incorrect because they are more appropriately
576 recovered in ComEd's delivery rates. ComEd Ex. 23.0, 49:1056-54:142; ComEd Ex.
577 40.0 Corr., 57:1306-61:1389. On rehearing, Mr. Domagalski has presented no facts to
578 the contrary.

579 Additionally, as Mr. Crumrine previously has explained, if the CES approach
580 were to be adopted, residential and small business customers would likely bear an even
581 larger share of these expenses and costs in future rates cases, if they were to be recovered
582 through the SAC rather than in the distribution revenue requirement. That is because as
583 large commercial and industrial customer switching levels continue to increase, there will
584 be fewer remaining customers taking supply from ComEd over which to spread these
585 costs via the SAC. ComEd Ex. 23.0, 52:1111-53:1131. Mr. Domagalski's testimony
586 appropriately was rejected in the original proceedings and he presents no new
587 justification for the Commission to alter its decision. As such, we recommend that the
588 Commission's Order stand on this issue.

589 Q. Would acceptance of CES's proposal affect ComEd's cost recovery?

590 A. Yes. If the Commission requires the ComEd to recover significant additional costs
591 through the SAC, ComEd would not be able to recover all of its costs. This is because
592 the SAC is not a cost-tracking rider but rather a charging mechanism that was determined
593 based on an estimate of customers to whom ComEd is providing supply service. This
594 estimate was made prior to the time this rate case was filed in August 2005. However,
595 since that time there has been a continuing increase in switching away from ComEd
596 supply and, thus, the current underlying SAC factor is already understated. As such,

597 passing more costs through the SAC will exacerbate this problem and cause a significant
598 revenue shortfall.

599 Q. What is amount of under-recovery that would occur if the SAC is not updated to reflect
600 more accurate switching information?

601 A. Mr. Domagalski suggests very broad categories of cost that he believes should be moved
602 to recovery under the SAC. The worst case estimate would occur if the revenue
603 requirement value of ComEd's General and Intangible Plant were to be inappropriately
604 charged via the SAC. Switching levels have changed so dramatically since the rate case
605 data was determined that using that same data would cause ComEd to incur a revenue
606 shortfall as great as \$70 million. This is a final, overriding reason that the Commission
607 should not add to the amount of costs that are already being recovered via the SAC.

608 Q. What is your recommendation if the Commission adopts CES' inappropriate proposal to
609 require ComEd to recover additional costs through the SAC,?

610 A. In order to ensure that ComEd recovers the costs it incurs, the allocation factors based on
611 billing units in the underlying SAC calculations would need to be adjusted in the
612 compliance filing in this case to incorporate more current information as to the amount of
613 load ComEd expects to serve.

614 **VI. RIDER ECR**

615 Q. Is there any remaining issue with respect to Rider ECR?

616 A. No. Consistent with our direct testimony and that of Staff witness Teresa Ebrey, Staff
617 and ComEd are in agreement as to Rider ECR language. Thus, this issue has been
618 resolved.

619 Q. Does this conclude your rehearing testimony?

620 A. Yes.