

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Commonwealth Edison Company :
: **ICC Docket No. 07-0566**
Proposed General Increase in Rates. :

DIRECT TESTIMONY
OF

EDWARD C. BODMER

ON BEHALF OF THE COALITION TO

REQUEST EQUITABLE ALLOCATION OF COSTS TOGETHER

REACT

COMPRISED OF:

A. FINKL & SONS, CO.
ALSIP PAPER CONDOMINIUM ASSOCIATION
AUX SABLE LIQUID PRODUCTS, LP.
THE CITY OF CHICAGO
COMMERCE ENERGY, INC.
FLINT HILLS RESOURCES, LLC
INTEGRYS ENERGY SERVICES, INC.
PDV MIDWEST REFINING LLC
UNITED AIRLINES, INC.
WELLS MANUFACTURING, INC.

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STATE OF ILLINOIS

BEFORE THE ILLINOIS COMMERCE COMMISSION

Commonwealth Edison Company :
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DIRECT TESTIMONY OF EDWARD C. BODMER

1

I.

2

INTRODUCTION AND QUALIFICATIONS

3

Q. Please state your name and business address.

4

A. My name is Edward C. Bodmer. My business address is 5951 Oakwood Dr.,
Lisle, Illinois 60532.

6

7

Q. On whose behalf are you testifying?

8

A. In this testimony, I am testifying on behalf of the coalition to Request Equitable
Allocation of Costs Together (collectively, "REACT").¹ REACT brings together
some of the largest and most well-known industrial, commercial and
governmental entities in the Chicagoland area, along with retail electric suppliers
("RESs") that are interested in providing service to residential customers in the
ComEd service territory.

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¹ The REACT members include: A. Finkl & Sons, Co.; Alsip Paper Condominium Association; Aux Sable Liquid Products, LP; City of Chicago; Commerce Energy, Inc.; Flint Hills Resources, LLC; Integrys Energy Services, Inc.; PDV Midwest Refining LLC; United Airlines, Inc.; and Wells Manufacturing, Inc. The opinions herein do not necessarily represent the positions of any particular member of REACT. In addition, I am simultaneously submitting direct testimony on behalf of the City of Chicago, in which I address other issues solely on behalf of the City of Chicago.

14 **Q. That is a unique combination of entities. What is the unifying philosophy**
15 **that brings this group together?**

16 A. REACT was formed in direct response to Commonwealth Edison Company
17 (“ComEd”) filing this rate case. The entities that comprise REACT agree that
18 ComEd has not properly allocated the costs that it seeks to collect from its
19 customers. At several very fundamental levels, the way in which ComEd has
20 proposed to allocate its cost does not make sense.

21 **First**, ComEd’s proposal would improperly allocate costs to its very
22 largest customers. As a result, in the context of an overall 21% proposed
23 increase, ComEd has proposed **more than a 120% rate increase** in the
24 delivery services rates it charges these customers.

25
26 **Second**, ComEd’s proposal would improperly allocate costs related to the
27 *procurement* of energy to the *delivery services* rates of ComEd’s
28 customers.

29
30 **Third**, ComEd has proposed unjustified riders that would result in ComEd
31 further misallocating costs, to the detriment of its largest customers and
32 the competitive retail electric market.

33
34 The members of REACT recognize that their interests align in opposing ComEd’s
35 proposed inequitable allocation, and have joined together to request equitable
36 allocation of costs together, or “REACT.”

37

38 **Q. What is your present occupation?**

39 A. I am an independent consultant. About half of my business consists of
40 specializing in utility regulation and energy economic analysis and the other half
41 is teaching professional development courses around the world.

42

43 **Q. Please summarize your educational background and professional experience.**

44 A. I received a B.S. degree in Finance with highest honors from the University of
45 Illinois in 1979 and an M.B.A. degree with honors from the University of Chicago
46 in 1986.

47

48 My regulatory experience began with my employment on the Accounting and
49 Finance Staff of the Illinois Commerce Commission (“Commission”) and has
50 encompassed numerous assignments on regulatory issues as a consultant. I have
51 testified before this Commission and other state and federal utility regulatory
52 commissions a number of times on cost of service and rate design issues. My
53 recent work includes submission of an Affidavit to the Federal Energy Regulatory
54 Commission (“FERC”) on the massive profits that Exelon has earned from assets
55 that were financed by ratepayers, as well as testimony before the Maine Public
56 Service Commission on the sales forecasts of Central Maine Power Company. A
57 list of my testimony experience is included in REACT Exhibit 2.1.

58

59

II.

60

PURPOSE AND GENERAL CONCLUSIONS

61

Q. What is the purpose of your testimony?

62

A. The purpose of this testimony is to comment upon ComEd's overall proposed cost allocation as it affects customers who are in the over-10 MW classes. Just looking at the numbers, you have to ask "What did the over-10 MW customers do to deserve such a disproportionate, massive rate increase?" ComEd has not provided an answer to that question.

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First, I will explain that ComEd's massive – above 120% – increase for customers in the over-10 MW classes deserves additional scrutiny in the context of an overall request for a 21% increase.

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Second, I will explain that ComEd's proposed increase for these customers is not derived from changes in the manner in which these customers use distribution equipment and, more importantly, the allocation of ComEd's proposed increase is not at all supported by a coherent cost of service analysis.

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Finally, I will offer more rational approach for allocating costs to the customers in the over-10 MW classes. ComEd should analyze the actual facilities used to serve its 79 extra large customers, and then use the actual data to allocate the cost of service. If ComEd cannot compile this data in time for inclusion in this proceeding, rates for consumers with demands of 10 MW or more should be adjusted on a percentage basis using the overall system percentage revenue requirement increase ultimately allowed by the Commission in this case.

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III.

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COMED HAS PROPOSED MASSIVE, DISPROPORTIONATE RATE INCREASES FOR CUSTOMERS IN THE OVER-10 MW CLASSES

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88

Q. How does ComEd proposed increase for the over-10 MW class compare to the increase ComEd has proposed for other customer classes?

89

90

A. ComEd has proposed a far larger overall percent rate increase for customers with loads in excess of 10 MW than for its other rate classes. The enormous disparities in ComEd proposal are illustrated in Table 1 below.

91

92

93

Table 1

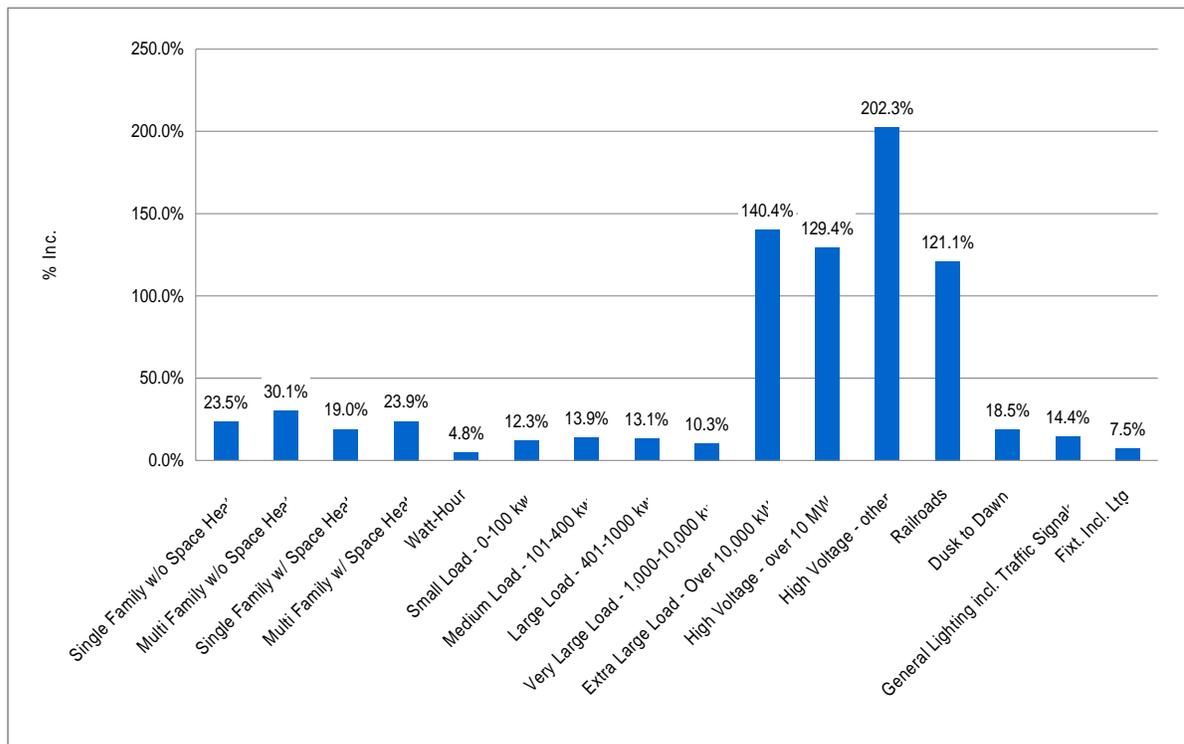
94

Overall Proposed Rate Increase

95

For Delivery Services Charged By Customer Class % Increase

96



97

98

(Source: ComEd Exhibit 11.0, at 10, Table 5.)

99

100 **Q. What does Table 1 show?**

101 A. Table 1 graphically demonstrates the disparate treatment of the over-10 MW
 102 customers. According to ComEd Ex 11.0:

- 103 • The 53 customers in the “Extra Large Load over 10,000 kW” group,
 104 the over-10 MW customers that are not classified as high voltage,
 105 would receive an overall **140.4% increase**.
- 106 • The 26 customers in the “High Voltage Over 10 MW” group would
 107 receive a **129.4% increase**.
- 108 • The 2 railroad customers class is the third bar would receive a **121.4%**
 109 **increase**.
- 110 • If one excludes the over-10 MW and high voltage customers, the next
 111 highest rate increase – 30.1% – would be applied to multi-family non-
 112 space heat consumers.
- 113 • The next highest increase is less than 24%.

114
 115 **Q. What impact should these figures have upon the Commission’s review of**
 116 **ComEd’s proposal?**

117 A. Given both the magnitude of the proposed increase for the over-10 MW
 118 customers and the terribly uneven percentage increases, the Commission should
 119 more closely evaluate the underlying basis for ComEd’s proposed treatment of its
 120 over-10 MW customers.

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IV.

**COMED’S TESTIMONY HAS NOT JUSTIFIED
 THE PROPOSED MASSIVE, DISPROPORTIONATE
RATE INCREASES FOR ITS OVER-10 MW CUSTOMERS**

- Q. What is the primary focus of ComEd’s testimony with respect to the over-10 MW classes?**
- A. Rather than provide a detailed explanation of why prices must increase by more than 120%, ComEd jumps to discussing how its massive rate increase for over-10 MW customers should be administered slowly through a “phase-in” rather than all at one time. (*See, e.g.,* ComEd Exhibit 11.0 at 7.)
- Q. Would it be appropriate for the Commission to simply focus on a “phase-in,” as suggested by ComEd?**
- A. No. The suggestion to implement the massive rate increase gradually has little impact upon this group’s economic position. Any “relief” afforded by a phase-in is totally overwhelmed by the fact that at the end of the phase-in, each of these customers will be suffering the effects of the 120-plus percent increase forever – thus, the slow torture of a phase-in has very little benefit relative to the size of the rate increase. No one can be fooled into believing that terms such as “rate prism” and “phase-in” will make a 120% rate increase more palatable to the customers bearing the brunt of such extraordinary increases. Rather than be distracted by discussions of a phase-in, the Commission must first closely scrutinize whether ComEd has appropriately reconciled its current proposal to disproportionately

145 increase its rates to the over-10 MW class of customers with the rates that the
146 Commission established in the last case.

147

148 **Q. How does ComEd explain its proposed dramatic, lopsided treatment of its**
149 **over-10 MW customers?**

150 A. ComEd does not offer a true explanation for its proposed treatment of its
151 over-10 MW customers. Instead, ComEd mechanically applies a very crude and
152 inflexible embedded cost of service study that does not consider the actual costs
153 of serving customers. ComEd's embedded cost study is an overly simplistic study
154 that does not account of density, under-grounding, timing of when facilities were
155 built, and many other factors that drive the actual cost of service that ComEd
156 experiences to serve a customer. The crudeness of ComEd's embedded cost of
157 service study falsely implies that current distribution rates for the over-10 MW
158 customers do not cover the cost of service. Neither ComEd's testimony nor its
159 supporting materials confirms such an implication.

160

161 **Q. Does ComEd explain why such large rate increases are necessary for the very**
162 **large customers?**

163 A. No. As demonstrated in Table 1 in Mr. Fults' testimony, this is the fourth rate
164 case for increased distribution rates that ComEd has filed in the brief tenure of
165 restructured Illinois electric markets (*i.e.*, since the Electric Customer Choice and
166 Rate Relief Act of 1997) (*See* REACT Exhibit 1.0 at Table 1.) In the course of
167 these four rate increase filings, ComEd has changed cost studies, revised customer

168 class definitions, used alternative components in determining the revenue
169 requirements, and explained the need for rate increases using completely different
170 rationales ranging from repairing the decrepit and aging distribution facilities to
171 incurring high costs for new copper wires because of sky-rocketing prices due to
172 demand in Asia. While the ComEd rate increases have continued since 1999, the
173 number of over-10 MW customers has remained about the same.

174

175 **Q. Has ComEd presented any evidence that the distribution facilities to serve**
176 **customers in the over-10 MW classes have changed significantly since**
177 **delivery services rates were first set in 1999?**

178 A. No. ComEd has not presented any testimony that the distribution facilities used to
179 serve the over-10 MW customers have changed much at all. The main thing that
180 has changed is the cost study mechanics that ComEd employs. And because the
181 cost study mechanics have changed -- arguably becoming much worse in terms of
182 precision and overall quality -- ComEd now asserts that customers with demands
183 of over-10 MW are being "subsidized" by other customers. In short, the
184 Commission has established cost-based rates for the over-10 MW customers;
185 although ComEd's overall cost of service may have increased, ComEd has not
186 identified any unique cost increase properly attributed to serving its extra large
187 customers. Rather than attempt to reconcile its current proposal with the results
188 from prior rate cases, ComEd merely refers to its flawed embedded cost of service
189 study.

190

191 **Q. How should ComEd have tried to reconcile its proposed rates for these**
 192 **customers with the rates currently in place?**

193 A. It would be insufficient for ComEd to simply go back to the last case and recount
 194 the compromise in which rates were increased at the overall system average
 195 percent increase. Rather, ComEd must explain why rates which were considered
 196 reasonable in the first delivery service case in 1999 and were derived from
 197 ComEd’s cost of service study at that time are now so unreasonable. This
 198 involves describing precisely what changes were made in cost of service
 199 assumptions and mechanics and why the current cost measurement is better than
 200 the previous cost measurement.

201

202 **Q. When one takes a step back from the technical jargon in ComEd testimony**
 203 **and considers the logic of the proposed allocation of the rate increase, does**
 204 **ComEd’s approach make sense?**

205 A. No. Perhaps an example will assist in reviewing the merits of ComEd’s proposal.
 206 Consider an over-10 MW industrial company that has participated in the
 207 competitive supply market since the inception of restructuring in Illinois. Imagine
 208 that company’s plant manager trying to explain to the CEO that ComEd has
 209 proposed to increase the plant’s rates by more than 100% because residential
 210 expansion out in “far collar” suburbs and changes in ComEd’s cost of service
 211 study – the true drivers behind the rate increase. No doubt the CEO certainly
 212 would be perplexed. Large customers have just been handed a big increase in
 213 FERC-regulated transmission rates (ComEd recently received a \$116 million

214 annual revenue requirement increase from FERC²). Now, without an iota of
 215 change in the service, ComEd has proposed to increase the plant’s distribution
 216 rates by more than 120% on top of those higher transmission rates. To add insult
 217 to injury, ComEd has proposed to increase its “line loss” factor – the amount of
 218 electricity that ComEd “loses” as it delivers it to the plant – by more than 45%.
 219 Assuming that the distribution facilities for our subject customer have not
 220 changed dramatically, if at all (a reasonable assumption for virtually all of the
 221 over-10 MW customers), the rate increase has to be justified by something other
 222 than equipment which the very large customers actually use. Most customers
 223 with demands over-10 MW, being reasonable people, would be willing to accept
 224 changes in rates when they actually receive enhanced service, but it would be
 225 difficult to explain the logic of massive rate increases when nothing has changed
 226 in terms of the equipment in place, and the “leaks” in the lines have increased
 227 significantly. And so far, nothing in ComEd’s presentation of its proposal
 228 provides a satisfactory explanation.

229

230 **Q. Has ComEd demonstrated that its rate policy with respect to very large**
 231 **ratepayers is consistent with the rate policy used in other States?**

232 A. No. While I have not studied the rate policies of other states in detail, ComEd’s
 233 proposal does not seem to ring true. For example, from my recent work on a
 234 matter pending before the Maine Public Service Commission, I am aware the
 235 distribution rates for very large customers of Central Maine Power and Bangor

² See REACT Exhibit 2.2, attached hereto and made a part hereof, the January 23, 2008 Press Release from ComEd’s parent company, Exelon Corporation, announcing the results of Exelon’s fourth quarter 2007 earnings and full year 2007 consolidated earnings, referencing the recent FERC action.

236 Hydro Electric Company are so low compared to other rate classes, that the
 237 customers hardly make a dent in the revenue requirement and these large
 238 customers do not bother to participate much in the distribution rate cases. In stark
 239 contrast, under ComEd’s proposal, over-10 MW non-high voltage customers in
 240 northern Illinois would pay \$12.48 per MWh if ComEd’s proposal is adopted.
 241 (*See* ComEd Schedule E-5, at 7 of 8.)

242 **V.**

243 **COMED’S EMBEDDED COST OF SERVICE STUDY HAS NOT**
 244 **JUSTIFIED THE PROPOSED MASSIVE, DISPROPORTIONATE**
 245 **RATE INCREASES FOR ITS OVER-10 MW CUSTOMERS**
 246

247 **Q. Does ComEd’s 82-page embedded cost of service study justify the utility’s**
 248 **proposed increases for above-10 MW customers?**

249 A. No. When one looks behind the embedded cost of service study into its
 250 assumptions, the phrase “the emperor has no clothes” comes to mind. The entire
 251 justification for using an embedded cost of service study – to ensure that rates
 252 reflect the actual, not hypothetical, costs of the facilities customers use – has not
 253 come close to being realized with respect to customers with demands
 254 over-10 MW.

255
 256 **Q. How have you arranged your discussion of ComEd’s cost of service study?**

257 A. I begin by discussing a few observations about the cost of service for the
 258 over-10 MW customers that do not take service at high voltage; then I discuss
 259 cost of service for high voltage customers.

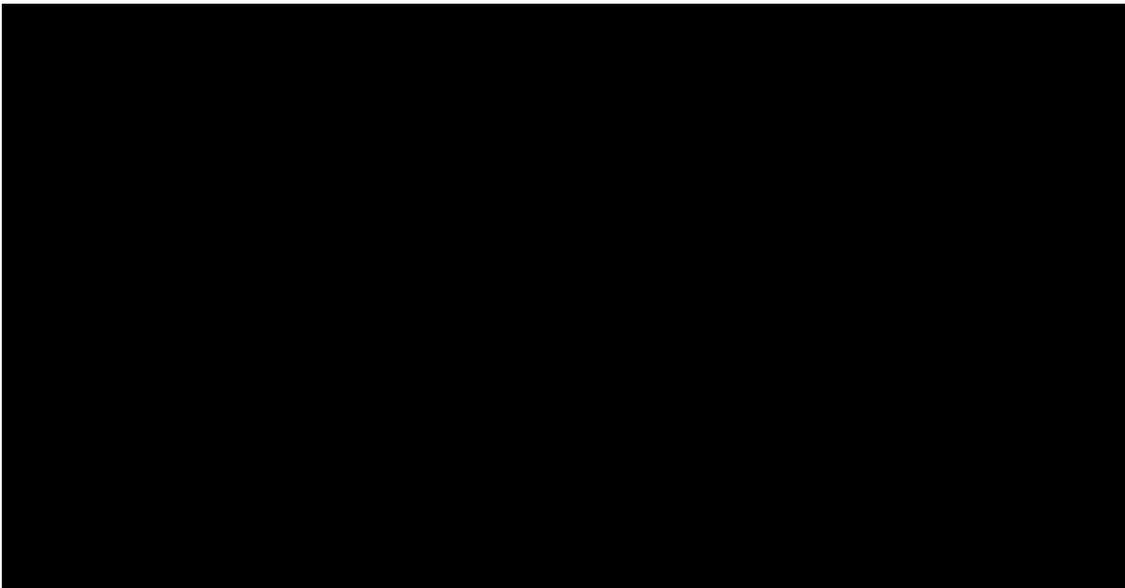
260

261 **Q. What makes up the cost of service study for the over-10 MW customers that**
262 **do not take service at high voltage?**

263 A. The table below illustrates the components of cost of service that make-up the
264 total embedded cost of service (other than the distribution revenue tax) for the
265 over-10 MW customers that take service at below 69,000 volts. The table
266 illustrates that the majority of costs are represented in the category distribution
267 lines and that this class is also allocated amounts for line transformers and
268 services. On average, each customer in this class pays \$562,285 for low voltage
269 lines each year and each customer pays more than \$50,000 per year for
270 transformers.

271 **Table 2**

272
273 **Components Of Cost Of Service**
274 **(Extra Large Customers With Service Under 69 kV)**
275



276

277 (Source: ComEd Exhibit 13.1)

278

279 **Q. Is ComEd's cost allocation of distribution lines to the over-10 MW non-high**
280 **voltage class reasonable?**

281 A. No. The allocation of distribution lines to the rate class is made according to how
282 much non-coincident load is measured by ComEd. For example, if one
283 over-10 MW customer has the same non-coincident peak load as a thousand
284 100 kW residential customers, the allocation of distribution lines will be the same
285 for the two groups (i.e., the single over-10 MW customer will be allocated the
286 same line cost as the 1,000 residential customers). The distribution lines include
287 poles, primary and secondary lines, under-ground and overhead lines, cost of tree
288 trimming and cost of underground cable repairs; however, the allocation does not
289 account for how many miles of line are required to serve the customer. The
290 underground lines include in-duct cable in the City of Chicago central business
291 district as well as underground wire in new suburban developments. Finally, the
292 allocation does not account for the age of distribution lines – a customer with a
293 brand new expensive line is allocated the same cost as a customer who is served
294 from a line that is thirty years old. One does not have to be a sophisticated
295 engineer to understand that the distribution line requirements are likely to be
296 entirely different for a large over-10 MW customer operating in McCook with
297 minimal lines than for a series of buildings operating in the downtown Chicago
298 network. Yet, under ComEd's embedded cost of service study, the estimated cost
299 would be the same as long as the non-coincident load was the same.

300

301 **Q. Please elaborate on the allocation of secondary distribution lines to the**
 302 **over-10 MW class.**

303 A. ComEd defines secondary lines to be lines with voltage of 2.3kV or below. (*See*
 304 *ComEd Response to City of Chicago’s Data Request No. 3.099, attached hereto*
 305 *as REACT Exhibit 2.3.*) ComEd acknowledged that secondary lines are indeed
 306 allocated to over-10 MW customers. (*See id.*)

307

308 While it may be possible for some very large customers to take service at such a
 309 low level in exceptional cases, I understand that most extra large customers take
 310 service at 34kV or at minimum 12kV. Yet, under ComEd’s embedded cost of
 311 service study, the over-10 MW customers are allocated the exactly same amount
 312 of secondary wire as residential customers for a given amount of non-coincident
 313 load. On its face, this is simply defies logic; ComEd’s position is unreasonable
 314 and unjustifiable.

315

316 **Q. If ComEd made a more reasonable calculation of secondary wire, would that**
 317 **make the cost of service calculation reasonable?**

318 A. Not at all. I have used the case of secondary wire to illustrate just how crudely
 319 ComEd’s cost study allocates costs. There other distortions in the ComEd cost
 320 study, such as the failure to delineate between underground and overhead wire
 321 and the failure to compute the average miles per line to the over-10 MW class.
 322 ComEd’s cost of service study is a very blunt instrument; the distortion with

323 respect to secondary wire is simply one example of how that blunt instrument
 324 fails to work properly.

325

326 **Q. What makes up the cost of service study for the over-10 MW customers that**
 327 **take service at high voltage?**

328 A. The table below shows the components of cost of service that comprise the total
 329 embedded cost of service for the over-10 MW class that take service at voltage
 330 levels of 69kV or above. The table shows that less money is allocated to
 331 distribution lines and much of the cost allocation for the rate class comes from
 332 high voltage substations.

333
 334
 335
 336
 337

Table 3
Components Of Cost Of Service
(Extra Large Customers With High Voltage Service)

	High Voltage Over 10,000 kW	Percent of Total	Cost per Ratepayer
High Voltage ESS	7,199,017	62.8%	\$276,885
High Voltage Dist. Substations	748,168	6.5%	\$28,776
High Voltage Dist. Lines	972,565	8.5%	\$37,406
Distribution Substations	214,919	1.9%	\$8,266
Distribution Lines	2,156,495	18.8%	\$82,942
Line Transformers	-	0.0%	\$0
Services	19,613	0.2%	\$754
Customer Install. Other	413	0.0%	\$16
Fixt.-Incl. Ltg.	-	0.0%	\$0
Metering Services	10,936	0.1%	\$421
Billing -- Computation & Data Mang.	132,047	1.2%	\$5,079
Bill Issue & Processing	181	0.0%	\$7
Customer Information	262	0.0%	\$10
Uncollectible Accounts (Customer)	-	0.0%	\$0
Revenue-Related (Customer)	-	0.0%	\$0
TOTAL COST OF SERVICE	11,454,615	100.0%	\$440,562

338
 339
 340

(Source: ComEd Exhibit 13.1)

341 **Q. Can you provide an example of the way in which ComEd’s embedded cost of**
 342 **service study improperly allocates the cost of substations for this group of**
 343 **customers?**

344 A. Yes. Without using detailed data on the particular customer, I can describe a case
 345 study that illustrates the inequity that results from ComEd’s study. In this
 346 example, the customer is served directly from transmission lines at 138kV and the
 347 only distribution facility owned by ComEd is a substation at the site. All of the
 348 distribution lines on the customer’s premises are owned by the customer rather
 349 than by ComEd. Further, the substation was installed by ComEd in the mid-
 350 1970s. The distribution tariffs for this customer currently are about \$1,000,000
 351 annually and would increase to more than \$2,000,000 annually under ComEd’s
 352 proposal.

353
 354 The absurdity of ComEd’s cost of service study to justify the result in this case
 355 study is readily apparent by examining a few items on the table of costs attached
 356 hereto as REACT Exhibit 2.4.

- 357 • First, under ComEd’s embedded cost study, 27% of the cost the customer
 358 incurs for distribution is supposedly for distribution lines, even though
 359 ComEd has absolutely no distribution lines that serve the premises.
 360
- 361 • Second, under ComEd’s proposal, the customer would pay \$2,000,000
 362 *every single year* for the thirty-plus year-old substation even though the
 363 overall average net cost of substations is a little more than \$1,000,000
 364 and the carrying charge on substations is about \$200,000, or one tenth of
 365 the customer’s delivery services bill. The average costs of a ComEd
 366 substation are shown on the table below.

367

368

- Finally, and most importantly, since the substation is more than thirty years old, it is either fully depreciated or almost fully depreciated and the net rate base associated with the customer is nothing at all.

369

370

371

372

Q. Does the above case study highlight any conflict with the rationale for the implementation of embedded cost of service studies the Commission in the first place?

373

374

375

A. Yes. The case study demonstrates that it would be improper for the Commission to rely upon ComEd's cost study to allocate costs to the over-10 MW customers; to do so would be completely contrary to the original objective that was supposed to be furthered by using an embedded cost of service study. That is, the idea of moving from marginal cost study to an embedded cost study was to compute more objectively the actual cost of service associated with customer classes, rather than relying on hypothetical costs for hypothetical new customers. As the case recounted above demonstrates, ComEd's embedded cost study does nothing of the sort. Rather, the examples above demonstrate that ComEd's embedded cost study contains faulty assumptions that bear no relationship to the customers' actual facilities.

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Q. What should the Commission conclude regarding ComEd's embedded cost of service study?

388

389

A. Particularly when faced with proposed rate increases of more than 120% -- and more than a million dollars annually for many customers -- the Commission

390

391 cannot rely on a cost of service study that is so seriously flawed. Rate increases
 392 of such magnitude must be based on credible evidence. ComEd’s embedded cost
 393 study does not meet that standard.

394 **VI.**

395 **THE COMMISSION SHOULD REQUIRE COMED TO BASE ITS RATES FOR**
 396 **THE OVER-10 MW CUSTOMER CLASSES UPON THE ACTUAL**
 397 **FACILITIES USED TO SERVE THOSE CUSTOMERS**

398 **Q. What is your recommendation for cost-of-service and rate design with**
 399 **respect to customers in the over-10 MW classes?**

400 **A.** Because of the very crude manner in which ComEd’s embedded cost study
 401 allocates costs for the over-10 MW classes, it should be rejected as a tool to
 402 assign costs to these customers. Instead, ComEd should analyze the actual
 403 facilities used by those customers to set rates for those classes.

404

405 **Q. Please explain how costs should be allocated to ComEd’s over-10 MW**
 406 **customers.**

407 **A.** ComEd should conduct an audit to identify specific, actual equipment and
 408 expenses it has experienced for each of the 79 customers in the over-10 MW
 409 classes. That is, ComEd should evaluate all 53 of the customers in the low
 410 voltage group to determine the cost of serving the class in the aggregate.
 411 Likewise, ComEd should analyze the actual facilities for all 26 of the customers
 412 in the high voltage class and then use the actual data to determine the cost of
 413 service for these customers. Once the equipment has been identified, ComEd
 414 should compute the actual costs beginning with the net book value of distribution
 415 specific equipment. The net book value would depend on when the equipment

416 was placed in service and the overall cost to serve these customers could then be
 417 computed through allocating other items such as operating expenses and deferred
 418 taxes.

419

420 **Q. Under such an analysis, how would ComEd account for the fact that there**
 421 **may be some distribution lines that serve both the over-10 MW customer as**
 422 **well as other customers at the same time?**

423 A. For lines and substations that are not specifically dedicated to a particular
 424 customer, ComEd could identify the percent of the regional coincident peak load
 425 used by the over-10 MW customer and simply allocate a portion of the lines from
 426 this percentage. The fact that a few allocations and assumptions need to be made
 427 does not invalidate the exercise – certainly, such an approach, even with certain
 428 assumptions, would be considerably more accurate in calculating accurate cost of
 429 service than the ComEd cost of service study relied upon to present its initial case
 430 in this proceeding. Remember that the bar has been set at a very low level by
 431 ComEd’s embedded cost of service study and even rough allocations would
 432 represent a dramatic improvement.

433

434 **Q. Is ComEd able to compute the book value of distribution plant associated**
 435 **with particular customers?**

436 A. Yes. In response to a data request from the City of Chicago, ComEd
 437 acknowledged that computation of the book value of plant associated with
 438 individual ratepayers is possible. (See ComEd Response to City of Chicago Data

439 Request COC 2.34, attached hereto and made a part hereof as REACT Exhibit
 440 2.5.) That is, ComEd has admitted that it *can* in fact compute the net book value
 441 of facilities used to serve the over-10 MW customer classes, using a
 442 comprehensive ratepayer-by-ratepayer analysis.

443

444 **Q. Do you think it would be overly burdensome for ComEd to analyze the**
 445 **actual facilities used for the 79 over-10 MW customers?**

446 A. No. ComEd is capable of making customer specific rate computations for a large
 447 group of customers. A couple of years ago, ComEd computed customer-specific
 448 stranded cost charges for each of the more than 6,000 ratepayers that used more
 449 than 400 kW per month for each year. An audit of these 79 customers would be a
 450 considerably less daunting task.

451

452 **Q. Given that ComEd did not particularize facilities on a ratepayer-by-**
 453 **ratepayer basis for this proceeding, what should the Commission do?**

454 A. Given that it is unlikely that such information can be credibly developed for use in
 455 this case, the Commission should assign the over-10 MW customers a rate
 456 increase equal to the overall system average rate increase. This is the same policy
 457 that the Commission ultimately adopted in ComEd’s last rate case, ICC Docket
 458 No. 05-0597.

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VII.

SUMMARY

Q. Please summarize your conclusion and recommendation.

A. ComEd is proposing its fourth increase of distribution rates in less than 10 years. This, in and of itself, is rather curious. That fact aside, the actual details of the current enormous proposed rate increase are shocking for the members of REACT and similarly sized customers. Proposed rates that are much more than double the current charges for distribution services are threatened against the largest customers on ComEd’s system. The factual information presented by ComEd seeking to impose this massive cost increase upon these customers does not come close to justifying its proposal. ComEd’s embedded cost of service study is simply an irrational basis upon which to try to justify the increases that ComEd has proposed.

The Commission should order ComEd to perform an audit for all 79 customers with demands of over-10 MW based upon the actual facilities utilized to serve those customers, and use that aggregate data to establish rates for those customer classes. If ComEd cannot present such an analysis in time to be fully evaluated in this proceeding, the Commission should assign a system-average rate increase to these customer classes.

Q. Does this conclude your direct testimony on behalf of REACT?

A. Yes.