ComEd Ex. 45.0

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY	:	
	:	Docket No. 07-0566
Proposed general increase in electric rates	:	

Surrebuttal Panel Testimony of

LAWRENCE S. ALONGI

Manager, Retail Rates

and

CHANTAL K. JONES, PHD

Principal Rate Analyst, Retail Rates

April 21, 2008

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I. INTRODUCTION AND PURPOSE

A. IDENTIFICATION OF WITNESSES

Q. Please state your names and business addresses.

A. Lawrence S. Alongi and Chantal K. Jones, PhD., Commonwealth Edison Company ("ComEd"), Three Lincoln Centre, Oakbrook Terrace, Illinois 60181-4260.

Q. Are you the same Lawrence S. Alongi and Chantal K. Jones who provided direct panel testimony and rebuttal panel testimony in this proceeding?

A. Yes.

B. PURPOSE OF SURREBUTTAL TESTIMONY

Q. What is the purpose of this surrebuttal panel testimony?

A. The purpose of this surrebuttal panel testimony is to respond to certain rebuttal testimony of Illinois Commerce Commission (the "Commission") Staff ("Staff") witnesses Mr. Peter Lazare and Mr. Ronald Linkenback; People of the State of Illinois ("AG") witness Mr. Scott J. Rubin; Chicago Transit Authority ("CTA") witnesses Mr. Dennis Anosike and Mr. Glenn Zika; Building Owners and Managers Association of Chicago ("BOMA") witnesses Mr. Guy Sharfman and Mr. Ralph Zarumba; City of Chicago ("City") witness Mr. Edward C. Bodmer; Coalition to Request Equitable Allocation of Costs Together ("REACT") witnesses Mr. Edward C. Bodmer and Mr. Bradley O. Fults; U.S. Department of Energy ("DOE") witness Dr. Dale E. Swan; Illinois Industrial Energy Consumers ("IIEC") witnesses Mr. Robert Stephens and Mr. David L. Stowe; Northeast Illinois Regional Commuter Railroad Corp. ("METRA") witnesses Mr. James Mitchell; and METRA and CTA Joint witness Mr. James G. Bachman.

C. SUMMARY OF CONCLUSIONS

Q. Please summarize your conclusions.

A. We conclude the following:

1. The Commission should approve ComEd's proposed rate design without the modifications proposed by other parties. ComEd's rate design proposal is just and reasonable. While other parties have made a wide range of proposals, each of which is designed in some way to minimize the potential rate impact to their constituents, ComEd's proposed rate design appropriately balances the objective of designing rates based on costs with the objective of mitigating significant rate increases that would otherwise occur.

2. The Commission should approve ComEd's proposed revisions to Rider ACT, as presented in ComEd Ex. 32.9. ComEd's proposed revisions would grandfather Rider ACT and provide a one-time payment option for existing customers taking service under Rider ACT who voluntarily terminate service under the rider.

3. The Commission should continue to find that ComEd's contracts for electric service with its two railroad customers are subject to modification pursuant to Commission Orders. Further, the Commission also should find that ComEd's tariffs filed in compliance with Commission Orders or legislation serve to amend the railroad contracts without explicitly changing the language of the railroad contracts.

D. ITEMIZED ATTACHMENTS

Q. Please describe the attachments to your surrebuttal panel testimony.

A. The following is a list of the exhibits attached to our surrebuttal panel testimony and a brief description of each:

(1) **ComEd Ex. 45.1** provides an illustrative rate design spreadsheet showing the determination of charges for standard delivery service based upon an across-the-board rate increase for all delivery classes and a revenue requirement of $2,042,894,000.

(2) **ComEd Ex. 45.2** provides ComEd's response to Staff Data Request QL 1.03 in which ComEd detailed the methodology it used to develop the rate design it is proposing in this proceeding.

II. COST OF DELIVERY SERVICE AND DELIVERY SERVICE RATE DESIGN

A. RESPONSES TO REBUTTAL TESTIMONY ADDRESSING THE EMBEDDED COST OF SERVICE STUDY ("ECOSS")

Q. Various witnesses have asserted that there are flaws in the ECOSS or have proposed revisions to the ECOSS. What is your overall response to that rebuttal testimony?

A. Because our rebuttal panel testimony (ComEd Ex. 32.0 Corr.) and the rebuttal testimony of ComEd witness Mr. Alan C. Heintz (ComEd Ex. 33.0) address most of the assertions and proposals made by the various parties in their rebuttal testimony with respect to the ECOSS, it is not necessary to cover that ground again. However, we address some specific points that deserve additional attention in this surrebuttal panel testimony.

Q. What information is presented by Mr. Stowe in IIEC Ex. 7.1?

A. IIEC Ex. 7.1 provides pages from the marginal cost of delivery service study filed by ComEd in Docket No. 99-0117.

Q. Do you agree with Mr. Stowe that the information in IIEC Ex. 7.1 demonstrates "ComEd's ability to produce the needed primary/secondary cost separation"? (IIEC Ex. 7.0, 7:110-12).

A. No. Mr. Stowe misunderstood the information provided in IIEC Ex. 7.1, which does not represent the primary/secondary cost separation of plant records that would be required for use in an embedded cost of service study. ComEd has not performed the primary/secondary cost separation of plant records in its embedded cost of service studies filed in any rate case.

Q. Does Mr. Stowe demonstrate that a primary/secondary cost separation should be done?

A. No. To the extent that a more refined identification and assignment of primary and secondary distribution facilities costs might change the total cost allocation to customers in the Extra Large Load, High Voltage, or Railroad delivery classes, it is ComEd's position that its mitigation proposal presented in the rebuttal phase of this proceeding addresses such a potential result while providing for its main purpose, which is a phased-in transition to fully cost-based delivery service rates for all delivery classes. That is, even under the flawed and heavily-biased study conducted by Mr. Stowe, the rates under ComEd's proposed rate design for the High Voltage, Extra Large Load, and Railroad delivery classes still would not exceed those that would result under Mr. Stowe's primary/secondary separation proposal.

Q. What is your response to Mr. Zarumba's recommendation that the Commission should require ComEd to file a marginal cost of service study for the purpose of

pricing tariff elements in any future request for a general rate increase? (BOMA Ex. 5.0, 7:90-92).

A. Given the policy already articulated in the Commission's rules, it would be inappropriate for the Commission to direct ComEd to file a marginal cost study without first evaluating the need for such studies for all Illinois electric utilities. (*See* 83 Ill. Adm. Code Part 285).

Q. How does ComEd respond to Dr. Swan's discussion regarding unit costs from ComEd's ECOSS? (DOE Ex. 2.0, pp. 5-9).

A. Dr. Swan's rebuttal testimony regarding unit costs is unclear and, in particular, lines 121-124 could be misinterpreted to mean that in Docket No. 05-0597 the Commission concluded that the Maximum Kilowatts Delivered ("MKD") is the appropriate measurement to use in the assignment of ComEd's distribution-related costs to the various delivery classes. That is not the case. The Commission ordered the use of the MKD for the purpose of setting the distribution facilities charges ("DFC") **after** distribution-related costs are assigned to the delivery classes. In addition, with respect to the delivery classes to which costs are assigned in ComEd's ECOSS, the Commission approved the use of demands based upon a 24-hour clock for purposes of determining the delivery classes for most nonresidential customers. To be clear, the MKD is **not** used to assign distribution-related costs to the delivery classes. In fact, Dr. Swan did acknowledge that the assignment of ComEd's distribution-related plant and related Operation & Maintenance ("O&M") costs to the delivery classes, as developed in ComEd's ECOSS, is based upon coincident peak ("CP") and noncoincident peak ("NCP") units of measurement. (DOE Ex. 2.0, 6:124-28). However, Dr. Swan did not

mention that kilowatt-hours ("kWhs") delivered is used as the allocation factor in ComEd's ECOSS for a component of the distribution-related costs, the Illinois Electricity Distribution Tax, which varies from about 6% of the distribution-related costs for the Small Load delivery class to about 10% of the distribution-related costs for the Extra Large Load delivery class, to about 36% of the distribution-related costs for the High Voltage Over 10,000 kW subclass, shown in ComEd's ECOSS. (ComEd Ex. 33.1, Sch. 2a, pp. 11-12, the amounts in line 203 divided by the amounts in line 205). Finally, Dr. Swan notes that as load factor increases unit cost decreases (DOE Ex. 2.0, 6:138-7:141), which corroborates the position presented in our rebuttal panel testimony and illustrated in ComEd Ex. 32.3. Considering the variations in distribution-related cost assignments among the delivery classes results from the variations in the CPs, the NCPs, and kWhs, among the delivery classes and not the MKD, a comparison of overall costs per kWh among the nonresidential classes is indeed meaningful, contrary to Dr. Swan's conclusion.

B. RESPONSES TO REBUTTAL TESTIMONY REGARDING DELIVERY SERVICE RATE DESIGN

Q. What are the different revenue requirement allocation and rate design proposals offered by various parties in this proceeding?

A. The parties offer many revenue requirement allocation and rate design proposals, which are presented below in alphabetical order by party in Table SR1: Other Proposals. It is understandable that the other parties would make this wide range of proposals, each of which is designed in some way to minimize the potential rate impact to their constituents.

Table SR1: Other Proposals

AG Agrees ComEd's Proposed Rate Design For The Residential Sector Is Reasonable. (AG Ex. 6.0, 5:120-6:122). **Alternative Proposal** Applies Rate Increase On An Across-The-Board Basis For All Delivery Classes (If ECOSS Rejected). (AG Ex. 6.0, 8:187-88).
BOMA Employs Blocked Step In Distribution Facilities Charge With Discount For Nonresidential Electric Space Heating Customers. (BOMA Ex. 5.0, 14:250-58)
CITY Caps Residential Customer Charge At $3.00 / Month. (City Ex. 1.0, 80:1460-61). **Additional Proposal** Applies Regional Surcharges. (City Ex. 1.0, 17:282-98).
COMMERCIAL GROUP Uses ComEd's 100% Equal Percentage Embedded Cost ("EPEC") Rate Design. (CG Ex. 2.0, 3:48-49). **Alternative Proposal** Recovers Any Subsidy Provided To Extra Large Load, High Voltage, And Railroad Delivery Classes From All Other Classes. (CG Ex. 2.0, 8:156-58).
CTA Limits Increase To Railroad Delivery Class To The Lower Of The System Average Increase Or The Increase To The Residential Sector. (METRA/CTA Joint Ex. 1.0, 4:22-25; METRA/CTA Joint Ex. 3.0, 3:2-5).
DOE Employs An Across-The-Board Increase For The Nonresidential Sector. (DOE Ex. 2.0, 25:599-602). **Alternative Proposal** Moves Distribution Facilities Charges For The Extra Large Load, High Voltage, And The Railroad Delivery Classes One-Third Of The Way To Fully Cost Based Rates (If ECOSS Accepted). (DOE Ex. 2.0, 27:638-44). **Additional Proposal** Institutes Separate Distribution Facilities Charges For High Voltage Delivery Class For Service Entering Premises Below 69,000 Volts And For Service Entering The Same Premises At Or Above 69,000 Volts. (DOE Ex. 2.0, 17:385-18:421).
IIEC Utilizes 100% EPEC Rate Design Employing ECOSS Presented By IIEC. (IIEC Ex. 5.0, 7:127-29). **Alternative Proposal #1** Employs An Across-The-Board Increase. (IIEC Ex. 1.0, 16:295-96; IIEC Ex. 5.0, 7:125-27). **Alternative Proposal #2** Limits Increase To Any Delivery Class To No More Than 25% Above The System Average Increase. (IIEC Ex. 5.0, 9:172-77).
KROGER Determines Single Weighted Average Distribution Facilities Charge For The Small Load, Medium Load, Large Load, Very Large Load, And Extra Large Load Delivery Classes And Allow Mitigation For Just Customers In The

High Voltage Delivery Class With Demands That Do Not Exceed 10,000 kW. (Kroger Reb., 6:6-7:10).
METRA Limits Increase To Railroad Delivery Class To The Lower Of The System Average Increase Or The Increase To The Residential Sector. (METRA/CTA Joint Ex. 1.0, 4:22-25; METRA/CTA Joint Ex. 3.0, 3:2-5).
REACT Applies System Wide Average Increase To Customers With Demands Over 10,000 kW. (REACT Ex. 5.0, 3:47-49; REACT Ex. 6.0, 2:30-33).
STAFF Applies Rate Increase On An Across-The-Board Increase For All Delivery Classes. (Staff Ex. 18.0, 17:390-91, 20:464-65). **Alternative Proposal** Determines Single Weighted Average Distribution Facilities Charge For The Medium Load, Large Load, Very Large Load, And Extra Large Load Delivery Classes, And The High Voltage Delivery Subclass With Demands That Do Not Exceed 10,000 kW. (Staff Ex. 18.0, p. 32, Sch. 18.02, p. 9, Sch. 18.03, p. 9).

Q. Several witnesses are proposing that any increase in delivery service rates should be applied on an across-the-board basis. Does ComEd agree with this proposal?

A. No. Several witnesses leave the impression that there is a level of neutrality associated with an across-the-board rate increase, and that no harm will be done by such an increase. In fact, under this approach, the current interclass subsidies would be exacerbated, and there would be no progress toward cost-based rates. Indeed, as rates increase, the subsidies actually become more pronounced.

An example demonstrates this point. In the example, for simplicity's sake, the cost to serve all customers is 5.0 cents per kWh. Customers in Group A are currently subsidized and charged 4.0 cents per kWh. Meanwhile, customers in Group B are charged 7.0 cents per kWh to pay for both their service and the subsidy provided to the customers in Group A. As a result, there is a current differential of 3.0 cents per kWh. If overall costs increase by 10%, as a result of applying an across-the-board methodology for rate design, customers in Group A will see a new charge of 4.4 cents per kWh (0.4 cents per kWh

increase), while the customers in Group B will see a new charge of 7.7 cents per kWh (0.7 cents per kWh increase) and the differential between the two groups will grow to 3.3 cents per kWh. With that result, customers in Group B incur the increase of 0.5 cents due to increases in the costs to serve them, but they also incur an additional 0.2 cents per kWh increase because they also are paying for a portion of the increased costs to serve customers in Group A. Customers in Group A, on the other hand, are not paying for the full increase in the costs to serve them because their charges increase by only 0.4 cents per kWh.

Q. How does ComEd respond to Mr. Lazare's reasons to support an across-the-board rate increase?

A. Mr. Lazare indicates that he is concerned about bill impacts and the possibility that any rate design that distributes the rate increase differently from an across-the-board increase "may create feelings of unfairness among those ratepayers who are required to absorb above-average increases." (Staff Ex. 18.0, pp. 18-21). However, this ignores that an across-the-board increase would subject other customers to increases that exceed the increase in the costs to serve them. As the example above shows, with an across-the-board increase, customers shouldering the burden of existing subsidies (Group B) not only see the increase due to increases in the costs to serve them, but they also see an <u>additional</u> increase because they are paying for a portion of the increased costs to serve customers in the group that receives the benefit of the subsidy (Group A).

Q. What would be the consequences of an across-the-board increase involving all delivery classes?

A. ComEd prepared an illustrative rate design spreadsheet that incorporates an across-the-board increase for all delivery service customers at a revenue requirement of $2,042,894,000. That spreadsheet is attached to this surrebuttal panel testimony in ComEd Ex. 45.1. In comparing the results of that rate design to ComEd's proposed rate design as provided in ComEd Ex. 32.1, approximately $32,710,000 would be shifted from the residential sector. Of that amount, approximately $29,760,000 would be shifted to the nonresidential sector, and approximately $2,950,000 would be shifted to the lighting sector.

Q. Mr. Lazare includes attachments to his testimony that provide the answers ComEd prepared in response to data requests from Staff, part of which incorporated a single, weighted average DFC for customers in the Medium Load, Large Load, Very Large Load, and Extra Large Load delivery classes, and the subclass of the High Voltage Delivery Class for customers with demands at or below 10,000 kW. (Staff Schs. 18.02 and 18.03). Should that weighted average DFC be used in the determination of charges applicable to customers at the conclusion of this proceeding?

A. No. First, with the revised ECOSS it no longer makes sense to have a weighted DFC that includes the subclass of the High Voltage Delivery Class for customers with demands at or below 10,000 kW. By applying a weighted average DFC to customers in that subclass, those customers would be subjected to charges that are at levels in excess of 110% of EPEC. (Staff Sch. 18.02, p. 9, Sch. 18.03, p. 9). Second, the bill impact that those customers would see would be far greater than that proposed by ComEd under the mitigation proposal that moves that subclass 50% of the way toward cost-based rates.

Finally, it is our understanding that Mr. Lazare proposes the adoption of this weighted average DFC rate design (Staff Ex. 18.0, 32:737-39) only in the event that his proposal for the use of an across-the-board increase for all delivery classes (*id.*, 17:390-91, 20:464-65) is not adopted. These two proposals cannot be applied at the same time.

Q. Mr. Stephens and Mr. Bodmer assert that ComEd's proposed rates are flawed because they are higher than those for other utilities. (IIEC Ex. 5.0, 7:110-12; REACT Ex. 6.0, 8:171-75, 22:486-88; City Ex. 2.0, 40:990-93). Do their claims have merit?

A. No. The suggestion that ComEd's rates should be set to be comparable to another utility's rates is wrong. There are many reasons why ComEd's rates might differ from the rates of another utility. First, ComEd's rates should reflect ComEd's cost to serve its customers; they should not be set to reflect another utility's cost of service. Second, standard electric distribution service provided by ComEd may not be the same as standard electric distribution service that is provided by another utility. For example, another utility might not provide distribution facilities beyond the property lines of customers' premises, and might not provide transformation to secondary service voltage as part of standard distribution service. Meanwhile, ComEd does provide distribution facilities, including transformation to secondary service voltage, on customers' premises as part of standard distribution service. Third, the rates charged by another utility may not reflect its costs to serve its customers. Another utility's rates might reflect interclass subsidies and may very well not provide an accurate reflection of the utility's costs to provide electric distribution service.

Q. Mr. Zarumba and Mr. Sharfman recommend the use of lower distribution rates for nonresidential customers with electric space heating because that is what other utilities do and it is "a common practice in the industry." (BOMA Ex. 5.0, p. 8; BOMA Ex. 4.0, pp. 8-9). Is the fact that other utilities have lower rates for electric space heating customers a good reason for ComEd to have lower rates for electric space heating customers?

A. No. Our response to this question is the same as our response to the previous question. In addition, showing a listing of ten utilities that have rates specific to nonresidential customers with electric space heating is not indicative that this is a common practice in the electric utility industry. (BOMA Ex. 4.0, 8:116-9:123). Furthermore, of those ten utilities listed in Mr. Sharfman's rebuttal testimony, the subject rates for at least six have been grandfathered. Therefore, for those utilities the special rate is not available to new or successor customers.

For example, Allegheny Power's rate was closed to new customers as of April 9, 1973. The nonresidential electric space heating rate for Public Service Electric & Gas ("PSEG") in New Jersey specifically states, "[t]his rate schedule is closed and is in the process of elimination." (PSEG, Rate Schedule HS - Building Heating Service, Fourth Revised Sheet No. 105). Similarly, Kansas City Power & Light has an electric space heating rate designation for nonresidential customers. However, in December of 2007 the Missouri Public Utility Commission ("Missouri PUC") grandfathered the electric space heating rate for KCPL due to concerns regarding cost justification noting that "[i]n a future rate case, the Commission might be willing to consider eliminating the discounts [for electric

space heating] altogether." (Report and Order of the Missouri PUC in Case No. ER-2007-0291, issued Dec. 6, 2007, pp. 79-82).

Q. Mr. Zarumba has a very specific proposal with respect to the rate design for nonresidential customers with electric space heating. (BOMA Ex. 5.0, pp. 8, 14-15; BOMA Ex. 5.1). Should the Commission adopt his recommendation?

A. No. There is absolutely no cost-based justification to set nonresidential DFCs in accordance with Mr. Zarumba's recommendation.

Q. But, it appears that Mr. Zarumba's proposal has grandfathering provisions and is limited to nonresidential customers that were previously taking service under Rider 25 prior to January 2, 2007. (BOMA Ex. 5.0, p. 8). With this limitation, does Mr. Zarumba's proposal have merit?

A. No. The provision of a deep discount to nonresidential electric space heating customers is not cost-justified. It would be inappropriate to reinstate a subsidy that was eliminated years ago.

Q. Mr. Sharfman asserts that you "fail to explain why distribution rate increases incurred by customers with demand ranges between 400 kW and 3,000 kW incurred distribution rate hikes above the 38% revenue requirement increase." (BOMA Ex. 4.0, 7:84-86). How do you respond to his assertion?

A. The data in Table R7: Effective Distribution Facilities Charges for kW-Based Delivery Classes from our rebuttal testimony clearly explained the principal reason why the increases to customers with demands between 400 kW and 3,000 kW exceeded the overall revenue requirement of 38%. That is, those delivery classes have been paying for

the subsidies provided to other classes. While the overall, nominal increase in the revenue requirement from 1999 to 2007 was 38%, the change for the Over 10,000 kW class was an increase of just 28.8%, the change for the High Voltage Over 10,000 kW subclass was a **decrease** of 39.7%, and the change for the Railroad Delivery Class was a **decrease** of 29.5%. Principally, to offset those changes, the increases for the remaining nonresidential classes exceeded the overall increase of 38%.

Q. Dr. Swan continues to recommend that customers in the High Voltage Delivery Class that are served at multiple points with some lines entering the premises at voltages below 69,000 volts should be charged two separate distribution facilities charges. He suggests that the DFC applied to load for electricity entering the premises below 69,000 volts should be based upon the delivery service class that would be applicable to just that portion of the customer's load. (DOE Ex. 2.0, 20:461-63, 473-76). He also suggests that it would not be difficult for ComEd to develop. (*Id.*, 2:37-39). Do you agree with his recommendation?

A. No. Implementation of Dr. Swan's proposal would be very difficult and complex. DOE Exhibit 2.3, which is ComEd's response to data request DOE 7.09, provides detail with respect to the costly burden ComEd would be required to undertake to administer an account in the manner that Dr. Swan proposes. There also is a concern that added complexity in rate design and tariff terms can at times lead to misapplication of the terms of the rate which can lead to even more administrative issues.

Q. Mr. Stephens claims ComEd is playing "a game of semantics" because ComEd previously provided a high voltage credit under Riders 11 and HVDS prior to 2007. He suggests that ComEd simply reverse the process and implement a surcharge for

the load of high voltage customers served at lower voltgages. (IIEC Ex. 5.0, pp. 14-16). Does this have merit?

A. No. When ComEd's High Voltage delivery class was approved, programming code for the high voltage credit was replaced with programming code to implement the High Voltage delivery class structure. Reverting to a surcharge structure for high voltage customers would require significant time and resources to reprogram recently completed programming that implemented the High Voltage delivery class structure. Presently, the High Voltage Delivery Class has two separate subclasses with about 8.7% and 91.3% of billing demand in the Up to 10,000 kW and Over 10,000 kW subclasses, respectively. The additional changes that IIEC proposed would further divide billing demand of the Up to 10,000 kW subclass into two groups, with only about 1.5% of the 8.7% billing demand in the below 69,000 volts group and would further divide the billing demand of the Over 10,000 kW subclass into two groups, with only about 2.1% of the 91.3% in the below 69,000 volts group. The extensive resources required to reprogram and administer a separate surcharge for such a small portion of the billing demand is simply not warranted.

Q. Turning to residential rate design, did Mr. Rubin make any determination regarding the rate design proposed by ComEd?

A. Yes. Mr. Rubin noted, "I determined that the overall effect of ComEd's residential rate design proposal is reasonable and appropriately reflects a balance between cost of service and the need to mitigate the impact of rate changes on customers." (AG Ex. 6.0, 5:120-6:122). Mr. Rubin's characterization of the process ComEd undertook to develop the rate design for the residential sector is accurate. (*Id.*, pp. 4-5). The process ComEd undertook to develop the rate design for the residential sector was explained in a response

to a data request submitted by Staff witness Qin Liu during the initial discovery phase of this proceeding. That data request and its associated response are attached to this surrebuttal panel testimony as ComEd Ex. 45.2. Since the submission of that response, ComEd's proposed charges have been revised to reflect the revised revenue requirement of $2,042,894,000 and the revised ECOSS provided in ComEd Ex. 33.1. However, the methodology used to determine the revised charges is exactly the same for the residential sector as the methodology described in ComEd Ex. 45.2.

Q. Did Mr. Bodmer respond to your criticism of his recommendation that the customer charge for all residential customers should be capped at $3.00 per month?

A. Yes. At one point Mr. Bodmer claims, "[E]very recommendation I made was founded on the bedrock principle of recovering costs from the cost causers -- and no one else." (City Ex. 2.0, 40:981-83). His claim simply is not true. A customer charge set at $3.00 does not allow ComEd to recover all of its customer-related costs through the customer charge. Mr. Bodmer's suggestion to cap the customer charge at $3.00 per month requires a corresponding increase in the DFC in order to recover those customer-related costs that are not being recovered through the arbitrarily set $3.00 customer charge. That is, Mr. Bodmer is promoting the recovery of customer-related costs through the DFC, which varies with electricity consumption. Under Mr. Bodmer's proposal, high-use customers who already have larger bills must pay even more to benefit low-use customers who already have smaller bills.

Mr. Bodmer claims his design would help low-income customers, and he points to the unsupported generalization that high income translates to high electricity use and low-income translates to low electricity use. However, as we noted in our rebuttal panel

testimony, low-income does not necessarily translate to low electricity use. Nor is it necessarily the case that high income translates to high electricity use. Thousands of ComEd's customers in the residential multi-family without electric heating class that reside in neighborhoods with the highest household incomes in the City are in the lowest quartile of electricity usage for that class, as illustrated in Chart 1: Low Usage Customer Distribution by Income presented in our rebuttal panel testimony. (ComEd Ex. 32.0 Corr., p. 33). These higher income, lower use customers would receive an unjustified benefit under Mr. Bodmer's proposal. On the flip side, thousands of ComEd's Low Income Heating Energy Assistance Program ("LIHEAP") customers have electricity consumption that exceeds the average usage for their respective classes as a whole, as illustrated in our rebuttal panel testimony in Table R10: Average LIHEAP Customer Electricity Consumption. (*Id.*, p. 34). These lower income, higher use customers would pay more under Mr. Bodmer's proposal.

Our point is simply that charges should reflect costs. Customer-related costs should be reflected in customer charges; distribution related costs should be reflected in DFCs. Attempts to manipulate costs away from their corresponding charge to help certain customers, however noble in intent, should be avoided. Those manipulations do not necessarily help the intended customer group. Assistance to low-income customers should be done through programs already in place to assist low-income customers in the payment of energy bills.

Q. How do you respond to Mr. Bodmer's assertion that the data you presented regarding LIHEAP customers is biased because it highlights only those low-income customers that have high electricity use, and his further suggestion that it is

inappropriate to use what he seems to consider to be a low percentage of customers because the LIHEAP program reflects self selection in that only low-income high-use customers would apply for the program?

A. It is noteworthy that Mr. Bodmer agrees that there are low-income customers with high electricity use. To the point, Mr. Bodmer states "LIHEAP ratepayers constitute **only** about 12% of the total number of City ratepayers." (City Ex. 2.0, 43:1054-55, emphasis added). While Mr. Bodmer may dismiss these customers, we consider it to be significant that over 207,000 residential customers in our service territory (with over 120,000 residing in the City) are part of the LIHEAP program. Table SR2: LIHEAP Customer Counts Relative To Total Customer Counts provides data regarding the number of customers in ComEd's service territory that participate in LIHEAP. 11.5% of customers in Chicago participate in LIHEAP. To be very clear, that is not 11.5% of the low-income customers in the City; it is 11.5% of **all** residential customers in the City.

Table SR2: LIHEAP Customer Counts Relative To Total Customer Counts

Delivery Class	Inside Chicago Customers			Outside Chicago Customers		
	LIHEAP #	Total #	%	LIHEAP #	Total #	%
Multi-Family Without Electric Heat	56,084	563,546	10.0%	23,298	419,006	5.6%
Multi-Family With Electric Heat	5,079	41,667	12.2%	8,574	112,622	7.6%
Single Family Without Electric Heat	58,861	435,750	13.5%	54,272	1,789,035	3.0%
Single Family With Electric Heat	221	1,390	15.9%	1,299	33,698	3.9%
Total	120,245	1,042,353	11.5%	87,443	2,354,361	3.7%

As we showed in our rebuttal panel testimony, when the class average usage levels for LIHEAP customers inside the City are compared to the class average usage levels for all residential customers inside the City, customers in only one class, the multi-family with electric heat delivery class, have average electric consumption that is lower than the average for all multi-family customers with electric heat inside the City. Thus, it is not true that low-income is synonymous with low usage. Finally, Mr. Bodmer offers no support for his apparent assumption that all LIHEAP-eligible customers that do not participate in the program are low use customers. There may be any number of reasons why customers eligible for a program do not participate in the program.

Q. Mr. Bodmer asserts that, "Mr. Alongi and Ms. Jones testify that 'the $3.68/month charge set in 1995 at the conclusion of Docket No. 94-0065 was not cost based because it was not based upon the marginal cost-of-service study or the embedded cost-of-service study filed in that rate case.' (ComEd Ex. 32.0, lines 442-44). This statement is erroneous." (City Ex. 2.0, 43:1068-44:1072). What is your response to Mr. Bodmer's assertion?

A. There is no error in our statement. First, contrary to Mr. Bodmer's testimony, ComEd did file an embedded cost of service study in Docket No. 94-0065. (Docket No. 94-0065, ComEd Ex. 12.1). The fact that it was not utilized for rate design purposes does not mean that an embedded cost study was not filed. Second, there is nothing erroneous regarding the statement that the $3.68/month customer charge was not fully cost-based. If the customer charge for the residential multi-family without electric heating class had been based solely on the marginal cost of service study submitted in that proceeding, it would have been $11.05/month. Of course, with the 20% reduction in rates mandated by

the 1997 amendments to the Public Utilities Act, multi-family residential customers would have been paying a customer charge of $8.84/month at the end of 2006. Moreover, the overall rates set at the end of that proceeding resulted in the residential sector being responsible for just 85.97% of the costs that would have been assigned to them under fully marginal cost-based rates.

Q. Mr. Bodmer continues to recommend that regional surcharges that vary by county should be applied to electric delivery service rates. (City Ex. 2.0, 36:885-90). Is there merit to his recommendation?

A. No. We addressed this recommendation in our rebuttal panel testimony. The proposal to apply regional surcharges on charges for electric delivery service should be rejected by the Commission. We are in agreement with AG witness Mr. Rubin with respect to this topic. As stated by Mr. Rubin, "[Mr. Bodmer's] proposal to establish separate, lower rates for customers located in the City of Chicago should be rejected. There is no cost basis for establishing such rates. Without such a cost basis, rate differences based on location would be arbitrary and unduly discriminatory." (AG Ex. 6.0, 7:149-52).

III. RIDER ACT

Q. How do you respond to Mr. Fults' insistence that Rider ACT should be retained in its current form? (REACT Ex. 5.0, 29:600-06).

A. We addressed Mr. Fults regarding his position on Rider ACT in our rebuttal panel testimony. It is noteworthy that by insisting Rider ACT must be retained in its current form, Mr. Fults is rejecting an option for customers that ComEd's proposed revisions to Rider ACT provide. ComEd is willing to make a one time payment to customers that

voluntarily elect to terminate service under Rider ACT. Under Mr. Fults' recommendation, customers would not be allowed to take advantage of that option. Moreover, in the past 10 years only 35 customers have elected service under Rider ACT or its forerunner. Closing the rider to new customers is not onerous because virtually no new customers elect to take service under the rider and those that did generally did so for operational reasons unique to their business.

Q. Did Mr. Linkenback or Dr. Swan oppose your revised proposal with respect to Rider ACT?

A. No. Both Mr. Linkenback and Dr. Swan stated that ComEd's revisions to Rider ACT as provided in ComEd Ex. 32.9 are acceptable, and they do not oppose them. (Staff Ex. 19.0, 11:244-60; DOE Ex. 2.0, 10:207-18).

IV. RAILROAD DELIVERY CLASS

Q. Mr. Anosike refers to a 2004 ComEd letter and indicates that the CTA "contract contains numerous provisions that are not subject to this Commission's jurisdiction." (CTA Ex. 3.0, 8:172-9:181). Do you agree with Mr. Anosike's assessment?

A. No. Although we are not lawyers, it is clear from Section 26.02 of the CTA contract that the contract is "subject to approval by Illinois Commerce Commission and shall be subject to modification by proceedings before such Commission to the same extent and upon the same grounds as any filed rate of general applicability."

Q. Mr. Anosike discusses numerous "advices" that the CTA and ComEd have signed over the years and infers that the "normal practice between the parties was to

negotiate and to sign an advice before any change in understanding under the Contract." (CTA Ex. 3.0, 9:182-201). What bearing does Mr. Anosike's discussion have on ComEd's fundamental position?

A. None. ComEd's tariff sheets filed in compliance with the Commission's Orders serve to amend the CTA contract without explicitly changing the language of the contract. The "advices" that Mr. Anosike discusses relate primarily to agreements between the CTA and ComEd concerning certain facilities of the parties. For example, the majority of those "advices" that Mr. Anosike cited were agreements to transfer ownership of certain facilities that were used to convert AC power to DC power for use in powering CTA trains along the CTA's DC powered rail system (*i.e.*, traction power substation equipment). Other "advices" involved installation or removal of certain ComEd service facilities. As a practical matter, such customer-specific facility related agreements need not be approved by the Commission. Indeed, ComEd enters into customer-specific Electric Facilities Agreements with most large nonresidential customers, without Commission approval.

Q. Mr. Anosike testifies that the "1998 amendment never was submitted to the Commission by ComEd for approval" and suggests that further supports the notion that the "normal practice between the parties was to negotiate and to sign an advice before any change in understanding under the Contract." (CTA Ex. 3.0, 9:191-96). How do you respond?

A. First, the list of "advices" that Mr. Anosike attached to his testimony as CTA Ex. 3.02 did not include a reference to the 1998 amendment. Consequently, it is not clear what the relationship is to this particular amendment and what Mr. Anosike describes as the

"normal practice". Second, as Mr. Alongi testified in Docket No. 05-0597, the 1998 amendment was not submitted to the Commission for approval because "at the time before ComEd was an integrated distribution company [in 2004] and after the time of the customer choice law being enacted in December 1997, … 16-116b [of the Public Utilities Act] allowed ComEd to enter into a contract agreement with a customer without specific Commission approval. And that's how that amendment came about." (Docket No. 05-0597, Mar. 29, 2006 Tr., 2153:20-22, 2154:1-5). Consequently, the 1998 amendment is an example of an exception, not the rule.

Q. Mr. Anosike agrees with your rebuttal testimony that Article 15 of the CTA contract details how each party may obtain permission to use the property of the other party but he disagrees with your statement that consent cannot be unreasonably withheld. (CTA Ex. 3.0, 10:212-23). How do you respond?

A. Mr. Anosike is correct with respect to the CTA contract. In preparing our rebuttal testimony we inadvertently generalized the discussion of property use for both railroads based upon provisions of the METRA contract (*i.e.*, Sections 8.01 and 8.02) that clearly provide that consent shall not be unreasonably withheld. Whether or not such a provision may be implied as a matter of law is a legal issue upon which we offer no opinion. Although the provisions for property use in the METRA contract are similar to those in the CTA contract, they are not identical and we acknowledge the inadvertent overgeneralization.

Q. Mr. Bachman suggests that based on Mr. Alongi's testimony in Docket No. 05-0597, ComEd is ready to track individual 12 kV distribution circuits' original cost, depreciation reserve or expense for the purpose of conducting a specific cost of

service study for the railroad class. (METRA/CTA Joint Ex. 3.0, 4:3-17). Is he correct?

A. No. Mr. Bachman takes the quote from Mr. Alongi's testimony in Docket No. 05-0597 out of context. The correct context of Mr. Alongi's statement related to the determination of charges for nonstandard services and facilities under Rider NS or its predecessor, Rider 6, with respect to specific CTA requests for new or revised service at a specific location, not for conducting a cost of service study for providing delivery service to the entire Railroad Delivery Class system load.

Q. Mr. Anosike reiterates CTA's claim originally made in direct testimony by Mr. Zika that it is ComEd's responsibility to pay the cost of the first line to each CTA traction power substation. (CTA Ex. 3.0, 13:271-81). How do you respond?

A. For the reasons we articulated in our rebuttal testimony, we disagree with Mr. Anosike's characterizations regarding which party bears responsibility for costs of construction to provide distribution service to new railroad traction power substations. (ComEd Ex. 32.0 Corr., 48:814-49:834).

V. CONCLUSION

Q. Does this conclude your surrebuttal panel testimony?

A. Yes.