

**STATE OF ILLINOIS**  
**ILLINOIS COMMERCE COMMISSION**

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

Surrebuttal Testimony of

**ALAN C. HEINTZ**

Vice President of  
Brown, Williams, Moorhead & Quinn, Inc.

On Behalf of  
Commonwealth Edison Company

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1 **I. INTRODUCTION OF WITNESS**

2 **Q. What is your name, title and business address?**

3 A. My name is Alan C. Heintz. I am a Vice President of Brown, Williams, Moorhead &  
4 Quinn, Inc. (“BWMQ”). My business address is 1155 15th Street, NW, Suite 400,  
5 Washington, DC 20005.

6 **Q. Have you previously submitted testimony in this proceeding?**

7 A. Yes. I previously submitted Direct Testimony on behalf of Commonwealth Edison  
8 Company (“ComEd”), which testimony (ComEd Ex. 13.0) presented the Company’s  
9 embedded cost of service study (“ECOSS”), ComEd Ex. 13.1 and ComEd Ex. 13.2. I  
10 subsequently submitted Rebuttal Testimony, ComEd Ex. 33.0 and revised ECOSS,  
11 ComEd Exs. 33.1 and 33.2.

12 **II. PURPOSE OF TESTIMONY AND SUMMARY OF CONCLUSIONS**

13 **Q. What is the purpose of your surrebuttal testimony?**

14 A. My surrebuttal testimony addresses in a general manner the various proposals made or  
15 reiterated by some intervenors to revise ComEd’s ECOSS. I then provide some specific  
16 comments on the rebuttal testimony sponsored by the Illinois Industrial Energy  
17 Consumers (“IIEC”) and the City of Chicago (“City”).

18 **Q. Would you please state your general response to intervenors regarding the ECOSS  
19 you prepared on behalf of ComEd?**

20 A. The ECOSS filed by ComEd, as revised in ComEd Ex. 33.1, satisfies the filing  
21 requirements of the Illinois Commerce Commission (“Commission”) and provides the

22 Commission with an appropriate basis for allocating ComEd's total revenue requirement  
23 among the existing customer classes. ComEd's general objectives in constructing the  
24 ECOSS were threefold: (1) to prepare a study that relies to the maximum extent  
25 reasonably feasible on ComEd's booked costs; (2) to prepare a study that allocates those  
26 booked costs to classes based on the principle of cost causation; and (3) to prepare a  
27 study whose methodology does not depart in any substantive manner from prior versions  
28 of the ECOSS that the Commission and its Staff have found acceptable and useful in  
29 allocating ComEd's revenue requirement among the classes. I want to emphasize this  
30 last point, because some of the strident criticism directed at ComEd's ECOSS in this  
31 docket fails to recognize that, based on Commission orders and Staff testimony over  
32 several proceedings, ComEd does not believe that it has any mandate from the  
33 Commission to change substantively the manner in which the ECOSS is constructed.

34 **Q. Would you please summarize and respond to the criticisms that intervenors have**  
35 **made of the methodology underlying ComEd's ECOSS?**

36 A. The intervenors offer what has by now become a familiar menu of criticisms:

37 (1) the ECOSS does not incorporate the concept of Minimum Distribution System  
38 ("MDS"). (*See* IIEC Ex. 7.0, 3:33-34);

39 (2) the ECOSS does not recognize and separately allocate primary and secondary  
40 distribution facilities. (*See id.*, 3:25-28);

41 (3) the ECOSS does not incorporate an Average and Peak ("A&P") concept that  
42 would reallocate certain costs to classes based on annual consumption. (*See* City  
43 Ex. 2.0, 36:897-99);

44 (4) the ECOSS would be improved by ComEd’s conducting “audits” of the facilities  
45 used to serve selected classes and, essentially, using the results to directly assign  
46 those facilities to such classes. (See REACT Ex. 6.0, 17:380-84; City Ex. 2.0,  
47 19:497-99; METRA/CTA Joint Ex. 3.0, 2:22-32); and

48 (5) the ECOSS should be revised in the way it allocates costs to residential classes to  
49 account for a variety of factors that have never before been taken into  
50 consideration, such as population density and alleged “regressive” impacts on  
51 low-income customer groups. (See City Ex. 2.0, 12:308-11; 17:461-18:469).

52 To all of these criticisms and proposals, I reiterate the conclusions of my rebuttal  
53 testimony: the various proposals are all elements of the traditional “tug of war” among  
54 intervenors in their various attempts to re-direct some of ComEd’s revenue requirement  
55 to other classes. MDS and A&P, for example, are likely to have opposite effects on the  
56 residential/non-residential share of the annual revenue requirement. The Commission  
57 should reject the proposals regarding MDS, A&P and accounting for such factors as  
58 “density”, because they have no justification in an ECOSS whose very nature is to  
59 examine and utilize ComEd’s existing, embedded costs, rather than hypothetical cost  
60 concepts.

61 The proposals that ComEd be required to perform special studies and/or audits to fine-  
62 tune the accounting for investments assignable to selected classes should also be rejected.

63 It is understandable that certain customers are seeking to have the Commission order  
64 ComEd to employ direct assignment of costs. Conceivably, ComEd could have  
65 3.7 million different classes, with each class individualized so that ComEd recovers from  
66 each customer an amount that is precisely equal to the costs that customers causes

67 ComEd to incur in providing the customer with electric delivery service. That approach  
68 is not feasible or practical. Even with smaller groups of customers, while direct  
69 assignment might be technically possible, it remains impractical. Such an undertaking  
70 would likely cause ComEd to incur considerable cost. In addition, the costs to service  
71 customers do not remain static. For example, a cost assignment based upon a specific  
72 30 year old transformer in place at a customer's premises becomes understated in the  
73 event the transformer is replaced and new costs are incurred. Moreover, operating and  
74 maintenance expenses for an individual customer in any group can vary dramatically  
75 from customer to customer. Even with direct assignment for the 79 customers with  
76 demands over 10,000 kW and the approximately 70 locations attributable to the Railroad  
77 Delivery Class, unless there are more than 140 individual delivery classes, there will be  
78 intraclass subsidization. Finally, while witnesses in this proceeding suggest that the  
79 customer demand level of 10,000 kW is the appropriate threshold for the employment of  
80 direct assignment, it is not certain that demand level would be ideal in the context of the  
81 requested special studies. ComEd's assignment of costs on the basis of delivery class  
82 attributes for all delivery classes remains the more practical method to employ in  
83 developing the assignment of costs in the ECOSS.

84 The proposed special studies/audits in my view are likely to produce results which I  
85 previously described as "problematic". One of the reasons they may be problematic is,  
86 simply, that they will not actually settle any issues about cost allocation, but, rather will  
87 open up an entirely new arena of controversy in the hearings. Some party or  
88 representative of one or more classes of customer is inevitably going to object to the  
89 results of each special study, and the Commission, Staff, intervenors and ComEd will

90 then spend significant time and resources investigating and debating whether ComEd  
91 properly conducted those studies. The hearings on the results of the special studies are  
92 likely to resemble the hearings that existed when ComEd filed both marginal cost studies  
93 and embedded cost studies. Once the Commission starts down the road that entails  
94 ComEd's preparation of special studies or audits, there is no end to the process.  
95 Furthermore, and most importantly, such special studies are not required in the  
96 construction of an ECOSS from which the Commission can determine a just and  
97 reasonable distribution of the revenue requirement among ComEd's classes.

98 **Q. Please discuss the matter of whether ComEd should be required to conduct the**  
99 **special studies necessary to distinguish its investments in primary and secondary**  
100 **distribution facilities.**

101 A. It is possible that capturing the data to perform a primary/secondary split of distribution  
102 lines may lead to refinement of the ECOSS. However, ComEd does not record its gross  
103 plant or accumulated depreciation on its books in a manner that would facilitate changing  
104 the ECOSS to recognize this distinction. Mr. Stowe has argued that other electric utilities  
105 in the Commission's jurisdiction do keep their books in a manner that readily permits  
106 creating the primary/secondary distinction in their respective ECOSS's. Whether ComEd  
107 should perform a special study to enable the ECOSS to define the primary/secondary  
108 distinction is a policy decision for the Commission. If the Commission is inclined to  
109 require ComEd to go this route, I recommend that the Commission's final order in this  
110 docket direct ComEd to include the primary/secondary split of distribution lines in the  
111 next filed ECOSS. Incorporating the primary/secondary distinction in next ECOSS, to

112 the extent that reduces costs allocated to the largest customers, will correspondingly  
113 increase the residential and small business share of ComEd's revenue requirement.

114 **III. COMMENTS ON THE REBUTTAL TESTIMONY SPONSORED BY THE IIEC**

115 **Q. What comments do you have about Mr. Stowe's rebuttal testimony in his contention**  
116 **that the ECOSS improperly allocates less than 69 kV costs to the High Voltage**  
117 **classes?**

118 A. Mr. Stowe's claim seems to rest on the contention that there is some discrepancy between  
119 the ECOSS and ComEd's distribution line loss study. Mr. Stowe claims that ComEd's  
120 line loss study indicates that "none of the HV subclasses' load passes through the LV  
121 distribution lines or substations...." (See IIEC Ex. 7.0, 32:632-33:642). Mr. Stowe is  
122 incorrect. ComEd's distribution loss study is provided in ComEd Ex. 21.1 attached to the  
123 rebuttal testimony of Mr. Terence R. Donnelley in ComEd Ex. 21.0. On page 2, it  
124 explains that: "The load for the high voltage customer class in this distribution loss  
125 factor determination is for the portion of the load receiving service at 69 kV or higher  
126 voltage. The portions of load receiving service at voltages below 69 kV to customers  
127 with 1,000 kW to 10,000 kW of load and to customers with Over 10,000 kW of load in  
128 the High Voltage Delivery Class are included with the Very Large Load (1,000 kW to  
129 10,000 kW) and the Extra Large Load (Over 10,000 kW) customer classes, respectively."  
130 The loss study does not group losses by class. It groups them by service level, and some  
131 classes have multiple service levels.

132 Mr. Stowe discusses the amounts of low voltage distribution and substation costs  
133 allocated to the HV classes and provides "Figure 2", a graphic that purports to show the

134 “Distribution of Costs Allocated to HV Classes”. (See IIEC Ex. 7.0, p. 32). This graph  
135 was not constructed from the appropriate data from ComEd’s ECOSS, ComEd Ex. 33.1.  
136 Specifically, the amounts in the graph should be as follows (in \$millions): HVESS =  
137 \$9.1, HV Dist. Subs. = \$0.7, LV Dist. Subs. = \$0.1, HV Dist. Lines = \$1.1, and LV Dist.  
138 Lines = \$1.3. (Source: ComEd Ex. 33.1, Sch. 2a, p. 12, Ins. 185-89). As presented by  
139 Mr. Stowe, the graph significantly overstates the LV-related costs allocated to the HV  
140 classes. A revised version of this graph is attached as ComEd Ex. 46.1.

141 Finally, Mr. Stowe claims that there is an error in the CP and/or NCP allocators the  
142 ECOSS employs – specifically that the “CP demand values for the HV classes are greater  
143 than the NCP demand values”. (See IIEC Ex. 7.0, 34:653-54; *id.*, Table 4, p. 33).

144 Mr. Stowe has misinterpreted the information provided in the ECOSS. HV customers’  
145 loads have three components, based on the voltages of electricity entering customers’  
146 premises: (a) above 69 kV, (b) at 69 kV, and (c) below 69 kV. The CP demand that  
147 Mr. Stowe referred to is the allocation factor “CP 69 kV & below”, which is the sum of  
148 portions (b) and (c), above. The NCP demand that Mr. Stowe referred to is the allocation  
149 factor “NCP<69 kV” which includes only the loads represented by portion (c), above.

150 Mr. Stowe misinterpreted the information even though the correct names for the  
151 allocation factors are listed under the Allocator Name column in Table 4 of Mr. Stowe’s  
152 rebuttal testimony. The HV customers’ CP demands are not higher than their NCP  
153 demands when all of their loads are accounted for.

154 **IV. COMMENTS ON THE REBUTTAL TESTIMONY SPONSORED BY THE CITY**  
155 **OF CHICAGO**

156 **Q. What comments do you have concerning the rebuttal testimony sponsored by the**  
157 **City of Chicago with respect to Customer Installation Costs and Customer**  
158 **Information Costs?**

159 A. In his direct and rebuttal testimonies, the witness for the City of Chicago postulated,  
160 without specific evidence, that “customer installations costs” are caused by new rate  
161 payers and ratepayers who move to remote areas. From this incorrect assumption, he  
162 somehow leapt to the conclusion that customer installations costs should be allocated to  
163 customer classes based on energy sales, not the number of existing customers. (*See City*  
164 *Ex. 1.0, 66:1206-67:1214; City Ex. 2.0, 3:76-83*). This conclusion is unsupported either  
165 in logic or fact.

166 The primary costs included in the Customer Installation subfunction of the ECOSS are  
167 recorded in Account 587 – Customer Installations Expenses. (A small portion of the  
168 costs in this account are assigned to the Metering Services subfunction.) The witness for  
169 the City appears to have made certain assumptions about the nature of the costs in this  
170 account based on its title. The costs recorded in Account 587 are described in the  
171 Uniform System of Accounts. A careful reading of the description of Account 587  
172 clearly indicates that many of the activities charged therein are not associated with new  
173 installations, but, rather with the utility’s on-going activities in testing, inspecting and  
174 maintaining equipment, as well as resolving customer-initiated queries about existing  
175 installations. About 76% of ComEd’s expenses recorded in Account 587 in 2006 were  
176 for investigating customer complaints and for investigating unmetered current. These

177 costs are incurred to serve individual customers, regardless of whether they are new,  
178 migrating, or existing customers. Therefore, ComEd has appropriately allocated  
179 customer installation costs based on number of customers. The Commission should  
180 reject the proposal by the City of Chicago to allocate these expenses on energy sales.

181 The witness for the City of Chicago also argued that Customer Information Costs are  
182 associated with ComEd's account representatives and advertising, and suggested that  
183 these should be allocated to customer classes based on energy sales. (*See* City Ex. 1.0,  
184 70:1271-74 and City Ex. 2.0, 6:159-61; City Ex. 1.0, 70:1279-85 and City Ex. 2.0, 6:166-  
185 7:172).

186 The primary costs included in the Customer Information subfunction of the ECOSS are  
187 recorded in Accounts 907 through 910. The costs recorded in these accounts are  
188 described in the Uniform System of Accounts. Of the \$8.4 million customer information  
189 expenses for 2006, about \$7.8 million were recorded in Account 908 – Customer  
190 Assistance Expenses. ComEd's second supplemental response to IIEC 1.07 provided  
191 ComEd's expenses by project and department recorded in Account 908 for 2006 and the  
192 assignment of each cost to residential, nonresidential, or both, based on the nature of the  
193 expense. For example, the program expense for Nature First was assigned to residential;  
194 the program expense for curtailment was assigned to nonresidential; and, the program  
195 expense for data analysis was assigned to both. The summary information was provided  
196 on page 6 of ComEd Ex. 12.20. This information was pointed out to the City of Chicago  
197 in ComEd's response to a data request from the City about the Nature First program.  
198 (*See* response to COC 2.60). The remaining approximately \$0.6 million of customer  
199 information expenses for 2006 were recorded in Account 909 – Informational and

200 Instructional Advertising Expenses. The Uniform System of Accounts describes Account  
201 909 as follows: “This account shall include the cost of labor, materials used and expenses  
202 incurred in activities which primarily convey information as to what the utility urges or  
203 suggests customers should do in utilizing electric service to protect health and safety, to  
204 encourage environmental protection, to utilize their electric equipment safely and  
205 economically, or to conserve electric energy.” The nature of these costs clearly indicates  
206 that they are incurred to serve individual customers, irrespective of the energy use of such  
207 customers. Therefore, ComEd has appropriately allocated customer information costs  
208 based on the customer information weighting factors and number of customers, and the  
209 proposal by the City of Chicago should be rejected.

210 **Q. What comments do you have concerning the City of Chicago’s rebuttal testimony**  
211 **with respect to the ECOSS subfunction “Billing-Computation and Data**  
212 **Management”?**

213 A. The primary costs for this subfunction are recorded in Account 903. (A portion of these  
214 costs are related to the Metering Services, Bill Issuing and Processing and Supply  
215 Administration functions.) On rebuttal, the witness for the City seems to have come to  
216 the correct conclusion that the costs recorded in this account are not related to ratepayer  
217 size or energy use. (*See* City Ex. 2.0, 28:735-29:751). Nevertheless, in the absence of  
218 evidence supporting his initial recommendation, the witness for the City resorts to a fall-  
219 back rational: “ComEd’s method of defaulting to allocation based on the number of  
220 ratepayers is not only regressive, but also is biased against low-income ratepayers. Thus,  
221 it is imperative that the Commission take appropriate steps to halt ComEd’s default  
222 approach of allocating costs based on the number of customers, without regard for any

223 correlation between the magnitude of the cost and customer size.” (*See id.*, 29:55-59).  
224 This characterization of ComEd’s ECOSS is one that the City’s witness has used on a  
225 number of occasions. Nevertheless, these costs are not incurred based on energy  
226 consumption or customer size. ComEd has appropriately allocated billing computation  
227 and data management costs based on the billing-accounting weighting factors and  
228 number of customers, and the proposal by the City of Chicago should be rejected.

229 **Q. What are your comments on the proposal by the City of Chicago with regard to**  
230 **Uncollectible Expenses?**

231 A. The City proposes to re-allocate Uncollectible Expenses among the residential classes.  
232 (*See* City Ex. 2.0, 11:288-95). This recommendation is prefaced by the statement that the  
233 City’s witness does not “take issue with the accuracy of ComEd’s determinations of how  
234 many unpaid bills there were within each customer class.” (*See id.*, 10:263-64).  
235 Currently, ComEd calculates for each residential class the rate (percent) of uncollectibles  
236 actually experienced and (after adjusting for uncollectibles associated with separately-  
237 calculated metering services costs), uses this percentage to calculate uncollectibles  
238 associated with each class’s allocated revenue requirement. For example, in the ECOSS  
239 the Single Family w/o Space Heat class has a rate of uncollectibles of about 0.7%, and a  
240 total uncollectible cost component of about \$5.5 million. (*See* ComEd Ex. 33.1, Sch. 2a,  
241 ln. 184).

242 The City’s proposal is simply to re-allocate uncollectibles among the residential classes,  
243 based on the average rate (about 1.12%) for all the classes. The City’s proposal would  
244 not change the total of uncollectibles charged by ECOSS to all residential customers. It

245 would, however, shift about \$3.5 million away from the multi-family delivery classes  
246 into the single family delivery classes.

247 This proposed change in the allocation of Uncollectible Expenses is an unwarranted  
248 departure from the underlying cost causation methodology of the ECOSS, as well as  
249 simply unfair to single family ratepayers.

250 **Q. Does this conclude your surrebuttal testimony?**

251 A. Yes, it does.