Commonwealth Edison	**)**	
Company Petition for approval	**)**	
of delivery service tariffs and	**)**	
tariff revisions and of residential	**)**	**Doc. No. 07-566**
delivery services implementation	**)**	
plan, and for approval of certain	**)**	
amendments and additions to its	**)**	
rates, terms and conditions	**)**	

SUMMARY OF POSITIONS OF THE UNITED STATES DEPARTMENT OF ENERGY

INTRODUCTION **This summary is structured per the Administrative Law Judges' outline, promulgated herein. It addresses only subjects DOE addressed herein, and addresses them in the outline's format. For that reason, it begins with outline section VI.**

VI. NEW RIDERS - (H.) Rider SEA - Com Ed's proposed Rider SEA single cents-per-kWh charge/credit mechanism would create cost mismatches because most storm damage expense covers restoration of parts of the secondary distribution system, which never serves the largest customers. The Company proposes to merge DOE's and IIEC's proposed alternative mechanisms by using the cost of service study (COSS) to determine the classes' SEA cost/credit responsibilities, and recover or disburse them via class-specific charges/or credits. DOE will accept this, if the Commission adopts an SEA. If it does this, the Commission should state that it is using the COSS for only this limited purpose, and that this usage does not mean that it accepts the COSS or that the COSS's failure to disaggregate costs by voltage does not render it unacceptable for revenue allocation and rate design.

SECTION VIII COST OF SERVICE AND ALLOCATION ISSUES

A. Overview - It costs less per unit to provide electricity to a customer that takes at a higher voltage than a smaller customer at a lower voltage. No portion of any distribution below 69 kV can be allocated to any customer that takes at 69 kV or more, because customers that take at 69 kV or more are not served by and do not "cause" costs of distribution of 34.5kV, 12.5 kV or below. Movement toward cost of service-based rates requires a valid COSS.

C. Cost of Service Study Issues

1. Appropriate Study - The COSS results in: (i) rates of $4.88/kW for Small customers with maximum loads of just 100 kW but $5.08/kW for High Voltage customers with loads up to *100 times greater*; (ii) rates of $4.88/kW for Small customers with loads up to just 100 kW but $5.70/kW for Medium Voltage customers with loads all the way up to 400 kW; (iii) rates of $5.70/kW for Medium customers with loads up to only 400 kW, but $5.74/kW/$5.70/kW for Very Large customers with loads up to 10 *megawatts;* (iv) a 184% greater cost to

provide one kW to customers with loads up to ten *megawatts* than to provide one kW to those with loads only up to 100 *kilowatts;* (v) a 17 % greater cost per kW for customers with loads up to *four* hundred kW than to customers with loads no more than *one* hundred kW; (vi) costs that are virtually the same for distributing a kW to customer with load up to ten *megawatts* and distributing a kW to a customers with load no more than four hundred kilowatts; (vi) High Voltage and Railroad rates 102% and 113% *higher* than the Small users' rate, compared to the extant Small user class rate which is 175%-193% *higher* than the High Voltage/Railroad rates.

2. Primary/Secondary Split

The COSS's *failure to disaggregate distribution costs on the basis of different voltages at which customer classes take service* causes it to attribute significant distribution facility costs to customer classes that do not "cause" them. The Company witness who prepared the study admitted that it is "inevitable" that a cost of service study that fails to distinguish between primary and secondary voltage customers will impose costs of the secondary system on large customers who do not use that secondary system. This is the reason the COSS yields counterintuitive cost allocations, unreasonable rates, and rate shock. (For a detailed explanation of this difficulty, please see DOE Initial Brief, p. 4 *et seq.*)

5. Customer-Specific Cost of Service Study Recommendations - The Commission should direct the Company to correct the COSS in its next distribution rate filing, by breaking down the distribution system below 69 kV into two or possibly three voltage delivery levels: (1) at or above 12.5 kV and below 69 kV; (2) 2.3 kV up to 12.5 kV; (3) below 2300 volts. The study should at least break the system down into: (1) the secondary system, and (2) everything above secondary but below 69 kV.

D. Rate Impact Analysis The Company's proposed distribution facilities charges and increases for the four largest customer classes* would produce rate shock. They are:

Delivery Class	Current Charges	Proposed Charges Based on Cost of Service Study	Proposed Percentage Increase
Extra Large Load	$2.46/kW	$5.95/kW	141.9%
High Voltage (over 10 MW	$1.09/kW	$2.11/kW	93.6%
High Voltage (Other)	$2.22/kW	$4.97/kW	123.9%
Railroad	$2.46/kW	$5.52/kW	124.4%

E. Interclass Allocation Issues 1. Across the Board - Because the COSS is unacceptable, the Commission should direct the Company to distribute any jurisdictional revenue increasezs on an equal percentage across the board basis.

2. Other Rate Moderation/Mitigation Proposals - The Company The Company would cap the increases at 50%, but they would still be 71% for the extra large load class, 47%

for high voltage above 10 mW, and 62% for high voltage with less than 10 mW and the railroad class. This would still produce rate shock. Moreover, Com Ed will seek additional large increases in its next proceeding.

<u>DOE</u> - DOE recommends that, if the Commission adopts the COSS, it order: (1) 33% movement toward unit costs that the COSS implies, and; (2) an adjustment to separate out costs associated with serving High Voltage customers' standard voltage loads. (see section IX. O, *infra*)

DOE respectfully points out that, if the Commission adopts the COSS, together with *any* mitigation adjustment, it will: (1) accept a non-cost based COSS; (2) adopt non-cost-based rates and non-cost-based rate increases; (3) adjust those non-cost based rates and rate increases by a non-cost based percentage. This cannot, except by chance move rates toward cost of service. In fact, no one knows what the Company's cost of service is.

<u>IX. Rate Design</u>

<u>O. Rate Design Issues 2.c. Primary and Secondary Billing Proposal</u>

Some customers who take service at 69 kV or higher also have separately-serviced load that takes at standard voltage. The Company bills such "combined" loads in their entirety at high voltage rates. Obviously, these high voltage rates are lower than the rates at which these customers' separate lower-voltage loads would otherwise be billed. This creates a subsidy from high voltage customers who do not have such separate loads to high voltage customers who do. When DOE raised this matter, the Commission directed the Company to separate out these standard voltage loads and bill them separately. (Order, July 26, 2006, p.44) It then *temporarily* suspended that directive, to enable the Company to get new rates into effect quickly. (Order on Rehearing, Dec. 20, 2006, p. 66) That directive to separate out the standard voltage loads and bill them separately is thus still in effect. The Commission should order the Company to bill each such separate standard voltage load at whatever rate it would fall under if the customer did not also take at high voltage. This change would affect only 28 High Voltage customers, and the Company already does similar separate billing of separate loads.

<u>P. Existing Riders</u>

<u>1. Rider ACT</u> The Com Ed proposed to terminate Rider ACT credits to all customers that have received them for 30 years, and to offer a voluntary termination credit for other customers that own their own transformers but have received the credits for less that 30 years. ComEd has modified this proposal by eliminating its mandatory character but retaining its voluntary aspect, and closing the rider to new customers. DOE endorses this proposal as modified.

<u>RECOMMENDATIONS</u>

The Department recommends that the Commission:

(1) direct the Company (a) not to use the COSS as the basis for rates; (b) to distribute any jurisdictional revenue increase on an equal percentage across the board basis; (c) to adjust its books to break down its distribution system as per DOE's initial brief, Sec. 5.,

p. 12; (d) to correct its study in its next distribution rate filing to break down costs into primary and secondary voltage service, in addition to the extant High Voltage service;

(2) if it decides that the COSS should be the basis for rates, require the Company to: (a) adjust the study as recommended in Exh. 1.0, p. 22 *et seq.*; (b) relieve rate shock by moving 33% toward rates implied by the COSS, adjusted for the High Voltage classes to separate out costs associated with serving standard voltage loads of those customers;

(3) for customers who take service at 69 kV-or-greater and have separate loads that take at levels below-69 kV, require the Company to bill each such separate below-69 kV load at the rate that that load would fall under if it were not attributable to a customer that also takes at high voltage;

(4) (a) adopt the Company's revised Rider ACT proposal, which contains only voluntary termination of transmission ownership credits and closes the Rider to new customers; (b) if it decides that Rider SEA should be implemented, adopt the Company's hybrid rate design for that rider.

Respectfully submitted,

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*** Because the Distribution Facilities Charges comprise most of the distribution revenues that are collected from these large customers, the percentage changes in DFC revenues essentially represent the proposed changes in the total revenue for these classes.**