

DIRECT TESTIMONY

of

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Commonwealth Edison Company

Investigation of Rate Design
Pursuant to Section 9-250 of the Public Utilities Act

Docket No. 08-0532

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1 **Introduction**

2

3 **Q. Please state your name and business address.**

4 A. My name is Peter Lazare. My business address is 527 East Capitol Avenue, Springfield,
5 Illinois 62701.

6

7 **Q. What is your present position?**

8 A. I am a Senior Rate Analyst with the Illinois Commerce Commission (“Commission”). I
9 work in the Financial Analysis Division on rate design and cost-of-service issues.

10

11 **Q. What is your experience in the regulatory field?**

12 A. My experience includes seventeen years of employment at the Commission where I have
13 provided testimony and performed related ratemaking tasks. My testimony has addressed
14 cost-of-service, rate design, load forecasting and demand-side management issues that
15 concern both electric and gas utilities.

16

17 Previously, I served as a Research Associate with the Tellus Institute, an energy and
18 environmental consulting firm in Boston, Massachusetts. I also spent two years with the
19 Minnesota Department of Public Service as a Senior Rate Analyst, addressing rate design
20 issues and evaluating utility-sponsored energy conservation programs.

21

22 **Q. Please discuss your educational background.**

23 A. I received a B.A. in Economics and History from the University of Wisconsin and an
24 M.A. in Economics from the University of Illinois at Springfield in 1996.

25

26 **Q. What is the subject of your testimony in this proceeding?**

27 A. My testimony focuses on cost of service and rate design issues for ComEd. I present a
28 review of the Company's cost of service study (ECOSS) and recommend certain changes.
29 I also present proposals concerning the design of rates based upon the ECOSS results.

30

31 **Q. Please summarize your conclusions.**

32 A. I find that:

- 33 • The Company's proposed approach provides the most reasonable basis available
34 to differentiate primary and secondary costs. However, I do question the
35 assumption on which ComEd classifies transformer costs.
- 36 • The Commission should adopt a coincident peak allocator for costs associated
37 with substations and primary lines.
- 38 • ComEd's allocator for services contains flaws and a revised allocator should be
39 adopted.
- 40 • The Commission should adopt an alternative allocation of the revenue
41 requirement that more fairly recognizes the contribution of customer classes to
42 cost recovery.

43

44

45 **Background**

46

47

48 **Q. Why did the Commission initiate this proceeding?**

49 A. My understanding is that the Commission took action out of concerns about the cost of
50 service study ComEd submitted in its last rate case (Docket No. 07-0566). The
51 Commission decided that the problems with the cost study could not wait until the next
52 rate case but should be addressed promptly in a proceeding for cost of service and rate
53 design issues only.

54

55 **Q. What conclusions did the Commission draw about the Company's proposed ECOSS
56 in its Final Order for Docket No. 07-0566?**

57 A. The Commission found that "the ECOSS fails in several respects to properly allocate
58 significant costs to cost causers and to correctly measure the cost of services to various
59 classes and subclasses." (*Commonwealth Edison Co.*, ICC Docket No. 07-0566 (Order,
60 Sept. 10, 2008), p. 213) The Commission went on to state that, "the substantial
61 deficiencies in specific elements of the ECOSS render it problematic for purposes of rate
62 setting in this docket." (*Id.*, p. 213)

63

64 **Q. How did the Initiating Order define the scope for the current proceeding?**

65 A. The Initiating Order called for a proceeding that would examine "all aspects of the rate
66 design of ComEd, specifically for the rate increases granted in Docket 07-0566". Thus,

67 the case is about the design of rates that recover the revenue requirement approved in
68 Docket No. 07-0566.

69

70 **Q. What specific issues did the Initiating Order focus on?**

71 A. The Order focused on the cost of service study that ComEd submitted for Docket No. 07-
72 0566. The Commission indicated that the study should be changed in at least two ways.
73 One is “to provide an updated cost of service study that (1) differentiates between
74 primary and secondary voltage level”. (ICC Docket No. 08-0532 (Initiating Order, Sept.
75 10, 2008), p. 2) Second, the Commission stated that the ECOSS should adopt an
76 approach for uncollectibles that allocates the costs “across all residential classes”. (*Id.*)

77

78 The Initiating Order also indicated that the Company should reexamine the allocation of
79 a number of other costs. The Commission directed the Company to examine is the
80 relative “cost of providing Customer Care to a customer taking supply from an alternative
81 supplier versus the cost of providing Customer Care to a customer taking supply from
82 ComEd.” (*Id.*) The Commission also sought an examination of “the extent to which usage
83 contributes to customer billing costs, data management costs, installation costs, service
84 drops, and customer information costs and whether factors other than the number of
85 customers in a class should be taken into account in the assignment of these costs to rate
86 classes.” (*Id.*) The Commission also asked the Company to determine whether its ECOSS
87 “takes into account ownership and maintenance responsibilities of street lighting in the
88 City of Chicago and other municipalities and allocates costs accordingly.” (*Id.*)

89

90 **Q. What is the Company's response to the Commission's Initiating Order?**

91 A. The response is contained in the Company filing for this case which presents a new cost
92 study and resulting rates that reflect changes in some, but not all of, the areas where the
93 Commission raised issues.

94

95 **Primary and Secondary Costs**

96

97 **Q. What is the primary and secondary cost issue for this case?**

98 A. That issue involves the proper accounting for primary and secondary service in the cost
99 of service study. The Commission is concerned that ratepayers who receive service at the
100 primary level not be charged for the secondary distribution system as well. The
101 Commission's concerns on this issue were expressed as follows in the Final Order for
102 Docket No. 07-0566:

103 ComEd's network can be divided into primary and secondary service on the basis
104 of voltage. Some customers take electric service at high voltage only. These are
105 primary customers. They comprise .2% of customers, yet they represent 20% of
106 the system's peak demand. Of the \$2 billion projected as ComEd's cost of
107 service, more than \$920 million is due to distribution lines. Installing, operating
108 and maintaining the secondary system takes a large but un-quantified amount of
109 money. ComEd fails to separately allocate these to secondary customers.
110 Intervenors representing primary customers allege that about \$88 million of these
111 costs are allocated in error to primary customers, significantly raising their cost of
112 service. IIEC Ex. 3.0 Corr. at 12-13; CG Ex. 2.0 at 4; DOE Ex. 1.0 at 16. This
113 failure of the ECOSS to separate costs results in customers who only take service
114 at primary voltages paying substantial amounts of secondary distribution costs
115 attributable to other customer classes. (*Commonwealth Edison Co.*, ICC Docket
116 No. 07-0566 (Order, Sept. 10, 2008), p. 206)

117

118 **Q. What do you find noteworthy about this discussion?**

119 A. One is that the Commission expressed a clear preference that the ECOSS distinguish
120 between primary and secondary costs.

121
122 Second, the discussion reveals the Commission's conception of the scope and nature of
123 the primary/secondary allocation issue. The Commission appears to associate primary
124 service with high voltage service and suggests that these customers -- who comprise
125 0.2% of customers but account for 20% of system peak demand -- should not overpay for
126 the distribution lines that account for more than \$920 million of the Company's projected
127 \$2 billion cost of service.

128
129 As I will discuss at a later juncture, the Company defines primary service in much
130 broader terms to include more customers at lower voltages.

131

132 **Q. Has the Company prepared an ECOSS which separates distribution costs into**
133 **primary and secondary components?**

134 A. Yes. ComEd has developed a study which seeks to indentify those components of the
135 distribution system that can be separated into primary and secondary components and
136 estimated the costs for each. The Company also estimates the number of primary and
137 secondary customers so that customers taking service at the primary level are allocated a
138 share of only the primary component of these costs while secondary level customers
139 receive both primary and secondary costs.

140

141 **Q. How does the Company define primary service?**

142 A. ComEd considers primary distribution facilities to be those components used to distribute
143 electricity at voltages ranging from 4 kV to below 69 kV, and secondary distribution
144 facilities to be those components used to distribute electricity at voltages below 4 kV.
145 (ComEd Ex. 1.0, pp. 14-15) ComEd then defines primary service as service where a
146 customer takes service directly from the primary distribution system, and secondary
147 service as service where a customer takes service directly from the secondary distribution
148 system. (*Id.* at 15-16) The Company notes that service at 69 kV or above is already
149 separated out for costing purposes and allocated to the High Voltage Delivery Class.
150 (Company Response to Staff Data Request PL 3.01(b))

151

152 **Q. How does the Company justify 4 kV as the threshold for primary service?**

153 A. The inclusion of 4 kV in the definition of primary service is explained by Company
154 witness Alongi as follows in response to discovery:

155 Mr. Alongi based his definition of primary and secondary voltages for ComEd's
156 analysis of ComEd's primary versus secondary distribution system costs on his
157 nearly 35 years of experience with ComEd and ComEd's definition of primary
158 distribution systems in its General Terms and Conditions. In Mr. Alongi's
159 experience at ComEd, a primary voltage is generally used to distribute electricity
160 along public property, road right-of-way or easements to relatively larger
161 numbers of retail customers over longer distances with fewer electrical energy
162 losses and less voltage drop as compared to what can be achieved with secondary
163 voltages. Conversely, in Mr. Alongi's experience at ComEd, a secondary voltage
164 is generally used to distribute electricity along public property, road right-of-way
165 or easements to relatively fewer retail customers over shorter distances than can
166 be achieved with primary voltages. Additionally, a primary voltage is typically
167 transformed to a lower voltage for utilization by retail customers whereas a
168 secondary voltage is typically not further transformed for utilization by retail
169 customers. (Company Response to Data Request CTA 1.03)

170

171 **Q. What does this discussion indicate about the demarcation between primary and**
172 **secondary service?**

173 A. It indicates there is no hard and fast dividing line between the two. Rather, the
174 demarcation appears to be a judgment based on Mr. Alongi's understanding that primary
175 voltages are distributed over "longer distances" and they are more likely to be
176 transformed to lower voltages than secondary voltages. The fact that ComEd does not
177 cite any general industry standard or principle suggests there is no single correct way of
178 differentiating these costs. So, the issue is whether ComEd has made a reasonable
179 judgment about the dividing line between primary and secondary service.

180

181 **Q. What do you consider the most important evidence regarding the Company's**
182 **judgment on this issue?**

183 A. It is the fact that the Company's definition of primary service existed before this
184 proceeding was initiation. That definition of primary service which includes 4 kV service
185 is embedded in the Company's General Terms and Conditions which clearly were not
186 crafted for the purposes of this case. Thus, unless it can be shown that ComEd has
187 operated in the past under a misguided notion of primary service, the Company's
188 definition should apply in this case.

189

190 **Q. What challenges did the Company encounter in differentiating between primary**
191 **and secondary service costs?**

192 A. The key problem is a lack of data on this issue. ComEd has not previously "recorded on
193 its books gross plant in a manner that distinguishes between the costs of primary and
194 secondary facilities." (ComEd Ex. 1.0, p. 15) Without these records, the Company must
195 devise an alternative means of distinguishing between the two. The alternatives include

196 the use of direct observation to identify primary and secondary components and then
197 extrapolating from those observations to draw conclusions about the system as a whole.
198 Another approach entails the use of informed judgments about how costs are
199 differentiated between primary and secondary components. A third approach could
200 involve some combination of the two to determine how closely informed judgments
201 correlate with direct observations.

202

203 **Q. Did the Company consider the use of direct observation to determine the primary**
204 **and secondary components of system costs?**

205 A. Yes, the Company considered, but rejected, such an approach. The Company indicated
206 that “due to the vast number of facilities on ComEd’s delivery system, and the diversity
207 of the types of facilities and areas served (i.e., overhead, underground, manhole, single
208 family, multi-family, small and large commercial, industrial, etc.), it would be difficult to
209 determine if sampling facilities in selective areas would result in a reasonable weighting
210 factor.” (Company Response to Staff Data Request PL 3.06)

211

212 **Q. What method did ComEd decide upon to distinguish these costs?**

213 A. The Company decided to review existing plant data (as of September 30, 2008) and the
214 use of “engineering judgment” when needed to estimate the primary and secondary
215 components of distribution costs. (ComEd Ex. 1.0, p. 16)

216

217 **Q. How does this method work out in practice?**

218 A. ComEd finds a number of cost items that need to be allocated between primary and
219 secondary voltages. The Company indicates that engineering judgment plays an
220 important role in this allocation process.

221

222 **Q. How does ComEd describe this engineering judgment?**

223 A. ComEd states that this judgment “consists of the consensus view among ComEd’s New
224 Business Engineering department, Capacity Planning department, Retail Rates
225 department, Asset Information and System Policy department, and Plant Accounting
226 department based upon the readily available information and combined experience of the
227 individuals from each department.” (Company Response to Data Request IIEC 2.06)

228

229 **Q. Does this process as described by ComEd create any challenges for your review?**

230 A. Yes. A challenge arises because most of the employees in various Company departments
231 who provided their engineering judgment for the cost analysis are not testifying in the
232 case and, in fact, have yet to be identified. Thus, the regulatory process must rely on the
233 understanding of Mr. Alongi about the evidence that was considered and how that
234 evidence was used to produce the engineering judgments that support the proposed
235 differentiation of primary and secondary costs for the ECOSS.

236

237 **Q. Please begin by explaining what you consider to be the key objective for an analysis
238 of primary and secondary distribution costs.**

239 A. The objective in my opinion is for the study to properly identify the system costs for
240 which primary and secondary customers are responsible. So, for example, if there is a

241 cost incurred at the primary level but that cost can be demonstrated to provide service
242 only to secondary customers, then the cost-causation approach would allocate those costs
243 to secondary customers only. Similarly, a primary cost that only serves primary
244 customers should not be borne by secondary customers even though they utilize primary
245 facilities themselves.

246

247 **Q. What is the first issue for the Company’s analysis of primary and distribution**
248 **costs?**

249 A. The first issue concerns which cost accounts can be separated into primary and secondary
250 components. Company witness Alongi indicated the analysis would be limited to four
251 accounts:

- 252 • 364 – Poles, Towers and Fixtures
- 253 • 365 – Overhead Conductors and Devices
- 254 • 366 – Underground Conduit, and
- 255 • 367 – Underground Conductors and Devices (1.0, p. 16)

256

257 When queried about other costs, the Company simply identified the “other distribution
258 plant that does not include any equipment used to distribute electricity at secondary
259 voltages on a secondary distribution system. (Company Response to Data Request CTA
260 1.08)

261

262 **Q. Has the Company since modified this conclusion?**

263 A. Yes. In response to discovery ComEd found that \$4,723,630 of costs in Account 361,
264 Structures and Improvements, should be classified as secondary costs and it expects to
265 revise its ECOSS accordingly in rebuttal. (ComEd Response to Data Request CTA 2.01)

266

267 **Q. Do you have any additional questions about the Company's analysis of this issue?**

268 A. Yes. I have a question concerning the appropriate classification of transformer costs. The
269 Company's analysis considers all transformer costs to be primary costs. ComEd explains
270 its approach to the issue as follows:

271 ComEd used the simple guiding principle that the assignment of a transformer to
272 primary versus secondary is determined by the voltage of the source-side of the
273 transformer, not the load-side of the transformer. So, for example, a transformer that
274 transforms a source-side voltage of 12,470 volts to a load-side voltage of 120/240
275 volts, is assigned to primary because the source-side voltage of 12,470 volts is a
276 ComEd primary distribution voltage. (Company Response to Staff Data Request PL
277 3.16)
278

279 **Q. Do you consider this response problematic?**

280 A. Yes. Even though the incoming voltage in the example above is primary, it steps down to
281 secondary voltage when it leaves the transformer. Therefore, that transformer only serves
282 secondary customers and it would not be reasonable from a cost causation standpoint to
283 allocate any share of that transformer's costs to primary customers.

284

285 **Q. What do you believe would be the more reasonable way to identify the primary and
286 secondary components of transformer costs?**

287 A. Rather than the incoming voltage of the transformer, the focus should be on the kinds of
288 customers served by the transformer itself. If an individual transformer serves only

289 secondary customers, it is difficult to understand why primary customers would be
290 allocated a share of the costs.

291

292 **Q. Would the breakdown of transformer costs into primary and secondary components**
293 **be a complicated process?**

294 A. Yes. Transformers serve a variety of purposes. While some step down voltages from
295 primary to secondary levels, others reduce voltage from one primary level to another.
296 And while some would appear to be dedicated to secondary customers, there are others
297 that exclusively serve primary customers. Each of these different uses would have to be
298 taken into account to properly allocate transformer costs between primary and secondary
299 customers.

300

301 **Q. Has the Company provided or can it provide such a breakdown of transformer**
302 **costs?**

303 A. The answer is no on both counts. ComEd indicates that an examination of transformers
304 according to whether they serve primary or secondary customers “would require an
305 unduly burdensome and extensive study that ComEd has not performed.” (Company
306 Response to Staff Data Request PL 3.16) The Company goes on to state:

307 Nevertheless, to make such a distinction, ComEd would need to make a number
308 of assumptions in order to estimate the number and cost of transformers that serve
309 ComEd’s secondary distribution systems in order to assign the cost for such
310 transformers to the secondary costs in the Primary/Secondary analysis. In
311 addition, if such a distinction were to be made, ComEd would have to also re-
312 determine the allocation of secondary versus primary costs to customer classes as
313 it relates to transformers in order to reflect such a change in ComEd’s treatment
314 of transformer costs. (Company Response to Staff Data Request PL 3.16)

315

316 **Q. What do you propose for the Company on this issue?**

317 A. I propose that the Company make a further effort in rebuttal to classify transformers
318 between primary and secondary service based on the following three principles. First,
319 transformers which serve only primary customers should be assigned to primary
320 customers only. Second, transformers which only serve secondary customers should be
321 assigned to secondary customers, even if their incoming voltage is at the primary level.
322 Third, transformers that serve both primary and secondary customers should be allocated
323 to both. I believe this approach would more closely follow cost-causation principles.

324

325 Furthermore, if the Company is unable to separate out transformer costs in this manner, it
326 should identify and explain the challenges that cannot be surmounted.

327

328 **Q. Have you made any adjustment to the Company's treatment of transformer costs as**
329 **solely primary level costs at this time?**

330 A. No, I have not. The available information on which to make an independent judgment
331 about the allocation of transformer costs between primary and secondary components is
332 less than optimal; and I hope that the Company can obtain or develop additional
333 information. Therefore, I did not revise the Company's assignment of these costs to
334 primary service at this time, but may develop estimates if additional information is not
335 available.

336

337 **Q. What assumptions did ComEd make to differentiate Account 364 – Poles, Towers**
338 **and Fixtures between the primary and secondary levels?**

339 A. ComEd made a number of assumptions. One is that all steel poles as well as all other
340 poles above 50 feet serve primary voltages only and assigns the associated cost
341 accordingly. The Company assumes that wood poles 50 feet in height or less carry both
342 primary and secondary conduit and must therefore be allocated between the two.

343

344 The method employed by ComEd estimates that 57% of poles 50 feet in height or less
345 carry both primary and secondary service. (ComEd Ex. 1.0, p. 18) This figure is derived
346 by applying four different assumptions in various parts of ComEd's service area about
347 the incidence of secondary service on poles of this height. The assumptions range from
348 90% for some regions to 70%, 40% and 10% for other regions. The application of these
349 percentages to the number of wood poles 50 feet or less in each respective area results in
350 this 57% figure. (ComEd Ex. 1.5, p. 4 of 10)

351

352 The only explanation for the derivation of these percentages of 90, 70, 40 and 10 for the
353 different regions is that they are "based on engineering experience." (*Id.*)

354

355 **Q. How are the costs for these poles that are assumed to contain both primary and**
356 **secondary facilities allocated between the two?**

357 A. the Company divides the cost 50/50 between primary and secondary service. Applying
358 the 50% figure to the 57% of wooden poles 50 feet in height or less assumed to have
359 secondary costs, results in 28.5% of the costs for these wood poles being considered as
360 secondary level costs.

361

362 The Company justifies this allocation on the basis of “engineering judgment”. (ComEd
363 Ex. 1.0, p. 18)

364

365 **Q. Please comment on these cost allocations.**

366 A. The conclusion that 28.5% of these poles are secondary costs is based on two sets of
367 assumptions. First, there are the assumptions about the percentage of poles containing
368 secondary facilities. Second, are the assumptions about how the poles that include
369 secondary facilities should be allocated between primary and secondary service. In each
370 case the Company perfunctorily states that the allocations are based on either
371 “engineering experience” or “engineering judgment”. That is the extent of the reasoning.

372

373 The abbreviated nature of the Company’s discussion makes it difficult to reach a
374 conclusion concerning the reasonableness of its approach. When, for example, the
375 Company employs its “engineering experience” to assume that 90% of the wood poles 50
376 feet or less in the Maywood region contain secondary facilities, it is difficult to
377 independently evaluate whether that figure is too low or too high.

378

379 It is also difficult to assess the Company’s 50/50 allocation of costs for applicable poles
380 to primary and secondary on the basis of “engineering judgment”. Why 50/50 is a better
381 allocation than 55/45 or 60/40 cannot be discerned from the abbreviated discussion of the
382 issue.

383

384 As a result, Staff cannot say whether the assignment of 28.5% of the costs for wood poles
385 50 feet or less to the secondary level is too high or too low based on the evidence
386 provided. Nevertheless, given the Commission requirement to identify the secondary
387 component of distribution costs for this proceeding, Staff considers the Company's
388 approach to be the most reasonable available at this juncture.

389

390 **Q. How did the Company differentiate costs in Account 365 – Overhead Conductors**
391 **and Devices between primary and secondary components?**

392 A. The first step was to identify those costs that could be assigned as either primary or
393 secondary-related. Then, remaining costs were allocated between primary and secondary
394 voltages based on two separate approaches; one for the City of Chicago and another for
395 the remainder of ComEd's service territory.

396

397 Two different approaches were taken to identify these costs for Chicago and elsewhere.
398 In Chicago, the Company has sufficiently detailed records to identify the length of wire
399 devoted to primary and secondary voltages. The data indicates that approximately 26.4%
400 of open wire within the city serves secondary loads. So 73.6% of open wire in Chicago
401 was allocated to primary service. (ComEd Ex. 1.0, pp. 18-19)

402

403 The problem outside Chicago is that plant data is not available to identify secondary
404 wire. Therefore, the Company had to make a judgment about the incidence of secondary
405 wire in this part of its service territory. Company witness Alongi states that "based on the

406 presence of fewer open wire installations, ComEd estimated that 85% of the wire outside
407 the City of Chicago is used for primary facilities. (ComEd Ex. 1.0, p. 19)

408

409 **Q. How do you assess these allocations of Overhead Conductors and Devices between**
410 **primary and secondary voltages?**

411 A. I have more confidence in the figures for Chicago than for the remainder of ComEd's
412 service territory. The Chicago allocations appear reasonable because the plant records
413 provide direct data on the incidence of primary and secondary wire and the relative share
414 of the two provides a basis for identifying primary and secondary costs. The allocation
415 outside Chicago is difficult to assess. The only concrete support for the specific
416 allocation proposed by the Company is Mr. Alongi's understanding of "the presence of
417 fewer open wire installations" outside Chicago. How these general statements translate
418 into a specific allocation of 85% of wire to primary and 15% to secondary outside
419 Chicago is not clear.

420

421 **Q. How were costs for Account 366 – Underground Conduit allocated between primary**
422 **and secondary voltages?**

423 A. The Company took a similar approach as used for Account 365 – Overhead Conductors
424 and Devices to identify the primary and secondary components. For those costs that were
425 allocated rather than assigned, ComEd's plant records indicate that 5.1% of the conduit
426 within Chicago could be identified with secondary facilities. However, comparable data
427 is unavailable outside the City. Therefore, according to Mr. Alongi, "ComEd estimated
428 that 1.0% of the conduit is assigned to secondary outside the City of Chicago because

429 significantly fewer underground secondary distribution systems are in conduit outside the
430 City of Chicago.” (ComEd Ex. 1.0, pp. 19-20)

431

432 **Q. How do you evaluate these allocations?**

433 A. I draw similar conclusions for this account as for Account 365 – Overhead Conductors
434 and Devices. While existing records provide a basis for the allocation of costs within the
435 City, it is not clear how Mr. Alongi’s understanding that “significantly fewer
436 underground secondary distribution system are in conduit” elsewhere translates into
437 specifically assigning 1.0% of that conduit to secondary.

438

439 **Q. Please explain how the Company differentiated costs for Account 367 –**

440 **Underground Conductors and Devices between primary and secondary voltages.**

441 A. The first step was to examine the specific descriptions of individual equipment in this
442 account. Equipment identified as “Bus-Manhole”, Cable-Secondary-Buried” and “Cable-
443 Secondary-In-Duct” was assigned to secondary with virtually the remainder of unitized
444 costs in this account assumed to be primary. Non-unitized costs within the account for a
445 distribution center were assigned to primary and other non-unitized costs were allocated
446 between primary and secondary consistent with previous allocations. (ComEd Ex. 1.0, p.
447 20)

448

449 **Q. What is your view of these allocations?**

450 A. The existence of plant records concerning individual pieces of equipment facilitates an
451 allocation of this account between primary and secondary voltages. However, the process

452 becomes more complicated for those accounts that the Company decided to allocate
453 based upon its engineering judgments.

454

455 **Q. What is your overall assessment of the Company's division of these cost accounts**
456 **into primary and secondary components?**

457 A. As the preceding discussion shows, the Company uses a variety of direct assignments and
458 allocation methodologies to determine the primary and secondary components of these
459 accounts. While some approaches appear straightforward, the basis for others is difficult
460 to assess. This is particularly true for those allocations that depend on engineering
461 judgments. For example, when asked to provide all arguments relied for the estimate that
462 57% of wooden poles 50 feet or less in height contain secondary facilities, the Company
463 stated that, "[p]ole counts by region were extracted from CEGIS, to which engineering
464 judgment was applied to estimate the percentage of poles by region that may have
465 secondary facilities attached thereto." (Company Response to Staff Data Request PL
466 3.02) What that engineering judgment consisted of and whether it was reasonable cannot
467 be determined from the level of information provided.

468

469 In addition, when asked to provide all arguments supporting the 1.0% figure for
470 underground conduit outside Chicago allocated to secondary service, the Company
471 stated, "[t]ypically, ComEd would only install secondary conduit systems in central
472 downtown districts where a secondary network would serve customers in the central
473 district. Outside the City of Chicago there are fewer secondary networks and
474 consequently fewer conduits with just secondary distribution systems, therefore the

475 amount was estimated to be 1.0%.” (Company Response to Staff Data Request PL 3.05)
476 How the Company transitioned from its general conclusion to specific estimate for
477 secondary distribution costs is not explained.

478
479 The above discussion underlines the difficulty of evaluating the Company’s allocations
480 because of a lack of information provided. Yet, despite these deficiencies, Staff has not
481 been able to identify alternative approaches that would produce more reasonable
482 allocations than the Company proposed. Therefore, Staff finds that the Company’s
483 proposed allocation of these four accounts between primary and secondary voltages
484 presents the most reasonable available method of meeting the Commission’s requirement
485 for differentiating these distribution costs.

486

487 **Q. What is the next step in the process of differentiating primary and secondary costs**
488 **in the cost allocation process?**

489 A. The Company must determine the number of primary and secondary customers on its
490 system. This step is necessary because primary customers receive allocations of only
491 primary system costs while secondary customers are allocated both primary and
492 secondary costs. The challenge is that ComEd’s records do not distinguish between
493 primary and secondary customers. So an alternative path must be found to separate
494 customers into these two categories.

495

496 As a first step, ComEd assumes that all customers with demands greater than 400 kW
497 receive service directly from a transformer located on the customer’s property and

498 therefore bypass the secondary distribution system. For remaining customers, ComEd
499 then queried its billing system to determine how many are served from a transformer that
500 is not shared with other accounts. ComEd considers this information meaningful based on
501 the argument that customers receiving service directly from a transformer bypass the
502 secondary distribution system and therefore should be considered primary customers.
503 (ComEd Ex. 1.0, pp. 20-21)

504
505 The Company then sought to identify the number of multifamily residential customers
506 who reside in larger apartment buildings that receive service directly from a transformer
507 and thereby bypass the secondary distribution system. ComEd states that these customers
508 in large multi-family buildings can be identified because they have different meters than
509 other residential customers. Therefore, the Company used the number of these meters in
510 service as a proxy for the number of multi-family customers receiving primary service.
511 (ComEd Ex. 1.0, p. 21)

512
513 ComEd encountered more difficulty in dividing lighting customers between primary and
514 secondary service. The Company notes that most lighting customers are connected to the
515 secondary system but some are directly connected to a transformer and thereby receive
516 primary service. To determine the number of primary and secondary lighting customers,
517 the Company first assumed that all metered dusk to dawn accounts contain sufficient
518 loads to make them primary customers. ComEd then sought to identify additional lighting
519 customers that are served by a transformer and therefore bypass the secondary
520 distribution system. The Company assumed that transformers not specifically assigned to

521 other customers on the system must be directly serving lighting customers. So, this
522 assumption was used to increase the count of lighting customers receiving primary
523 service. (ComEd Ex. 1.0, pp. 21-22)

524

525 **Q. How do you assess the Company's method of identifying primary and secondary**
526 **customers on its system?**

527 A. There appear to be three keys to the Company's methodology. One is the assumption that
528 customers directly associated with a transformer must be receiving service at the primary
529 level. The argument is that the customer's service is coming directly from the transformer
530 and thereby bypassing the secondary distribution system. The difficulty from an
531 evaluation standpoint is to test this assumption and verify that these customers do, in fact,
532 bypass the secondary system.

533

534 A second key is ComEd's method of identifying the number of residential customers in
535 larger apartment buildings receiving primary service by meter type. ComEd argues that
536 "[t]he use of such a [120/208 V, single phase] meter indicates that an account is typically
537 in a large residential multi family building and is directly connected with a service wire
538 to a transformer serving multiple customers in the building instead of to a secondary
539 distribution system." (ComEd Ex. 1.0, p. 21) The accuracy of this assumption is difficult
540 to assess.

541

542 It is also difficult to assess the third key to the Company's approach that transformers not
543 assigned to other customers must, by default, be serving lighting customers. The

544 Company indicates that this is the only possible explanation for these transformers. I do
545 not have any independent evidence to support or disprove this argument.

546

547 **Q. What conclusions do you draw about the Company's method of identifying primary**
548 **and secondary customers?**

549 A. As with the differentiation between primary and secondary costs, I find it difficult to
550 assess the reasonableness of the Company's approach. However, I have not identified any
551 alternative approach that would produce superior results to the company's methodology.
552 Thus, at this time, I consider the Company's method the most reasonable way available
553 in this docket to achieve the Commission's goal of identifying primary and secondary
554 customers on the system.

555

556 **Q. Do you have any additional concerns about the Company's overall method of**
557 **differentiating between primary and secondary service in the allocation of**
558 **distribution costs?**

559 A. Yes, I have two concerns. One is that the Company has not actively reviewed studies of
560 primary and secondary costs prepared by other utilities. According to the Company,
561 "ComEd is aware of and has briefly reviewed some of the primary/secondary analyses
562 performed for the Ameren Utilities. ComEd has not reviewed any other
563 primary/secondary analyses for any other utility for the purposes of performing its
564 primary/secondary analysis." (Company Response to Data Request IIEC 3.03) This
565 presents a problem because a review of existing studies might enable the Company to
566 learn from the experience of other utilities in this area and avoid some of their mistakes.

567 Furthermore a comparison of the Company's method with the approach taken by other
568 utilities would make it easier to determine whether that the Company has adopted the
569 most reasonable method of identifying primary and secondary costs.

570

571 A second concern is that the Company relied solely on engineering judgment for
572 assumptions about primary and secondary costs and made no physical inspections of
573 facilities to verify the reasonableness of those assumptions. Certainly, the Company
574 could not be expected to visually inspect its entire system for its primary and secondary
575 cost analysis. However, it would be reasonable for the Company to perform a limited
576 number of follow-up inspections to test the validity of certain engineering assumptions
577 that drive the cost analysis.

578

579 **Q. What is your overall assessment of how the Company has differentiated primary**
580 **and secondary costs in its ECOSS?**

581 A. While I have identified a number of problems with the Company's approach, I cannot
582 recommend any specific change to the study that would improve the accuracy of the
583 results. Nevertheless, I do believe that the Company incorrectly assumes that all
584 transformer costs should be considered primary because the voltages enter at the primary
585 level. Whether a change in this assumption would lead to meaningful changes in the
586 Company's analysis remains to be determined.

587

588 **Q. How does the analysis prepared by ComEd compare with the Commission's**
589 **understanding of the primary/secondary issue?**

590 A. It should be remembered that the Commission in its Final Order for Docket No. 07-0566
591 had this to say about the definition of primary service:

592

593 Some customers take electric service at high voltage only. These are primary
594 customers. They comprise .2% of customers, yet they represent 20% of the
595 system's peak demand.
596

597 As the previous discussion shows, the Company presents a much broader definition of
598 primary service that reaches down to 4 kV of service and includes customers in all
599 classes, even the residential class. The approach is based on the Company's definition of
600 primary service which existed before this case began. Thus, when the Commission's
601 Initiating Order requested that the Company differentiate between primary and secondary
602 costs, ComEd performed its analysis using the definition of primary service already in
603 place. This appears to be reasonable since the Company did not appear to alter its
604 definition to suit the purposes of this proceeding. Thus, the Company's approach based
605 upon this definition of primary service appears to be responsive to the Commission Order
606 in this case and should be employed unless evidence is presented to demonstrate why an
607 alternative definition is more reasonable.

608

609

610 **Uncollectibles Costs**

611

612 **Q. Please discuss the second change to ComEd's ECOSS required by the Commission.**

613 A. The second change pertains to the allocation of uncollectibles costs. As previously noted,
614 the Commission stated that the ECOSS should allocate uncollectibles “across all
615 residential classes”. The Company interpreted this to mean that the existing method
616 which identifies historical uncollectibles costs for each class and then assigns them
617 accordingly should be replaced by an equal percentage of revenues allocator for all
618 classes.

619
620 To see how this would work, assume that uncollectibles account for 1.5% of revenues for
621 the single family non-heating class, but for 2% of revenues for all four residential classes
622 collectively. Under the previous approach, the single family non-heating class share of
623 uncollectibles would be based on the 1.5% figure for the individual class. However, the
624 new approach requested by the Commission would base uncollectibles for the single
625 family non-heating class on that 2% level of uncollectibles incurred by all four residential
626 classes.

627

628 **Q. Do you believe the Company has correctly interpreted the Commission directive?**

629 A. Yes. The current approach seeks to identify the uncollectibles costs incurred by
630 individual residential rate classes. The Commission’s request that these costs be allocated
631 across all residential classes would indicate that the uncollectibles for each class be based
632 on the total for all four classes and the equal percent of revenues allocator proposed by
633 the Company appears to be the most reasonable allocator for these costs. (ComEd Ex.
634 3.0, pp. 9-10)

635

636 **Q. How would you assess this allocation from a cost standpoint?**

637 A. Cost causation is based on the concept of charging customers for those costs they cause
638 the utility to incur. If the contribution of each residential rate class to uncollectibles can
639 be identified, then those contributions would provide the foundation for a cost-based
640 allocation. If uncollectibles allocations differ from these contributions, they will deviate
641 from cost-causation principles. The Commission directive to allocate uncollectibles
642 across all residential classes would clearly deviate from those contributions and thereby
643 stray from cost-causation principles.

644

645 **Cost Issues to Analyze**

646

647 **Q. What is the first issue that the Commission's Initiating Order asked the Company**
648 **to analyze?**

649 A. The Company was asked to assess the relative cost of providing Customer Care to
650 customers who receive supply from ComEd or an alternative provider.

651

652 **Q. How did ComEd examine this issue?**

653 A. ComEd witness Meehan states that the Company reviewed the various components of its
654 O&M costs pertaining to customer service that were in excess of \$100,000. The
655 Company then sought to determine the magnitude of those costs under three scenarios in
656 which 1%, 10% and 100% of customers choose alternative suppliers. The degree to
657 which the cost varies under the different scenarios is ComEd's measure of the relative
658 cost of providing customer care to these two different customer groups.

659

660 **Q. What did the Company find about billing and payment processing costs under these**
661 **three scenarios?**

662 A. ComEd concluded that that these customer costs would be the same regardless of how
663 many customers switched to alternative supply because the Company would have to
664 complete all billing tasks for a customer regardless of who was supplying the power.
665 Therefore, the Company decided these costs would be the same for ComEd or an
666 alternative supplier. (ComEd Ex. 2.0, p. 10)

667

668 ComEd reached the same conclusion with respect to payment processing costs. Again,
669 the Company maintains that the same costs would be incurred whether the customer
670 received bundled or unbundled service. (ComEd Ex. 2.0, pp. 11-12)

671

672 **Q. What did the Company find for other customer service costs?**

673 A. For revenue management which focuses on credit and collection policies, the Company
674 also concluded that the costs would remain constant under the three scenarios. For
675 example, the Company maintains that disconnections would proceed as before regardless
676 of who supplies the power. (ComEd Ex. 2.0, p. 13)

677

678 The Company did conclude that some costs associated with the Customer Contact Center
679 would vary with the number of customers that gravitate to alternative service. The
680 Company finds that about 65% of calls are storm and emergency-related and therefore
681 independent of the number of customers receiving alternative supply. However, the

682 Company estimates that some of the remaining calls are related to supply matters and
683 therefore would decline as more customers switch to alternative service. As a result, the
684 Company anticipates labor cost savings of \$46,850 and \$468,602 if 10% and 100%,
685 respectively of bundled customers switched to alternative service. (ComEd Ex. 2.0, pp.
686 15-16)

687
688 Another customer service function is provided by the Electric Supplier Services
689 Department (ESSD) which interacts with the alternative suppliers that serve unbundled
690 customers. If the share of customers served by alternative suppliers were to increase to
691 10%, the Company expects that the level of activity for the department would increase
692 resulting in \$102,855 of additional labor costs. Furthermore, the Company states that a
693 level of switching above 10% would necessitate significant capital expenditures to
694 automate the process. Furthermore, the Company estimated it would incur an additional
695 \$334,278 in labor costs to facilitate the movement of all customers to alternative service.
696 (ComEd Ex. 2.0, pp. 17-18)

697
698 ComEd also indicated that it might incur some additional Information Technology costs
699 if more than 10% of customers switched to alternative suppliers. At 100% switching, the
700 Company estimates increasing costs of \$2,170,000 per year as well to pay an outside
701 vendor for the overflow. That would be in addition to unspecified start-up costs. (ComEd
702 Ex. 2.0, pp. 20-21)

703

704 **Q. What conclusions do you draw from this analysis?**

705 A. It does not appear that the Company has identified significant cost differences in
706 customer service costs for bundled and unbundled customers. If customer switching were
707 to increase ten-fold from the current 1% to 10%, ComEd identifies only a few hundred
708 thousand dollars in additional costs that would be expended or saved as a result. Only if
709 more significant numbers migrated to alternative supply would the impact run into the
710 millions of dollars. Thus, this does not appear to be a significant cost issue for ComEd
711 ratepayers.

712

713 **Q. How did the Company address the Commission directive to examine whether usage**
714 **and other non-customer factors contribute to “customer billing costs, data**
715 **management costs, installation costs, service drops, and customer information**
716 **costs”?**

717 A. The Company reviewed each of these costs to assess whether or not they are customer-
718 related. For example, billing and data management was found to consist largely of fixed
719 costs that vary with the number of customers. (ComEd Ex. 2.0, pp. 24-25)

720

721 The Company also found that customer installation costs are prompted by customer
722 reports of non-outage related problems such as “momentary interruptions of service,
723 power quality, power surges, flickering lights, arcing wires, cut for safety, tree on wire
724 and low hanging service.” (ComEd Ex. 2.0, p. 26) The Company determined that
725 customer usage levels had no bearing on the reporting and resolution of these problems.

726 (*Id.*)

727

728 The Company also indicates that costs associated with investigating unmetered service
729 are unrelated to usage. Rather, it reflects the cost of addressing the problem which the
730 Company indicates is based on the number of customers with this problem. (ComEd Ex.
731 2.0, pp. 26-27)

732

733 For the costs of providing temporary, relocation and revision services, the Company finds
734 the volume of requests and nature of work to be the driver. ComEd considers this to be
735 customer, rather than usage, related. (ComEd Ex. 2.0, p. 27)

736

737 The Company examined service drops and found these costs are customer-related.
738 Furthermore, the Company indicated that they are directly assigned to customer classes
739 in the Company's ECOSS. (ComEd Ex. 2.0, p. 28)

740

741 The Company also concluded that customer information costs which consist of market
742 research, demand management and advertising are customer-related and, in fact, directly
743 assigned to rate classes in ComEd's ECOSS. (ComEd Ex. 2.0, p. 28)

744

745 **Q. Please comment on the Company's analysis of usage and customer costs.**

746 A. It appears to be generally reasonable. For most of the costs identified the Company
747 provides a reasonable explanation of why customers, rather than usage or some other
748 factor, provides the best allocation approach.

749

750 It should be remembered that the allocations of these costs on a customer basis have been
751 presented and reviewed in previous rate cases and found to be reasonable from a cost
752 standpoint. This lends further support to the Company's general conclusions on these
753 costs.

754

755 **Q. Do you take exception to any of the Company's explanations for these costs?**

756 A. Yes. I do have some concerns with the Company's explanation of how service drops are
757 determined. Mr. Meehan states that "these costs are direct-assigned to customer classes"
758 in the Company's ECOSS. Direct assignment assumes that costs incurred for each
759 customer class can be separately indentified and, thereby, assigned directly to the
760 applicable class. My understanding is that services costs are, instead, allocated among
761 customer classes based upon a set of assumptions about the costs of installing services for
762 each class on the ComEd system. Furthermore, the range of assumptions indicates that
763 services allocations reflect other factors than simply the number of customers in each
764 class. In fact, I will discuss the allocation of service costs in more detail at a later juncture
765 of my testimony.

766

767 **Q. Please explain how the Company addressed the Commission's concern about**
768 **whether the ECOSS "takes into account ownership and maintenance responsibilities**
769 **of street lighting in the City of Chicago and other municipalities and allocates costs**
770 **accordingly."**

771 A. ComEd witness Heintz discussed the process by which ComEd's ECOSS allocates costs
772 to the lighting class. He indicates that all lighting customers use the various components

773 of the distribution system to receive electricity. The only difference for lighting
774 customers, according to Mr. Heintz, is that the cost of fixtures is allocated to the
775 “Fixture-included” class. Thus, Mr. Heintz indicates that appropriate costs are allocated
776 to the lighting class. (ComEd Ex. 3.0, pp. 11-12)

777

778 **Q. Does Mr. Heintz also discuss the allocation of distribution costs to lighting and other**
779 **classes?**

780 A. Yes. He indicates that distribution substations and primary lines are allocated to classes
781 based on the noncoincident peak (NCP) of each class. The NCP is composed of the peak
782 demands for all rate classes without regard to how those peaks coincide with the peak for
783 the system as a whole. In contrast, the Coincident Peak (CP) allocators measures the
784 demands for each rate class at the time that demand by the system as a whole is at a peak.

785

786 In support of an NCP allocation, Mr. Heintz cites the statement from the Commission
787 Order in Docket No. 07-0566 that, “[t]he records shows that distribution facilities must
788 be planned and built to meet customers’ maximum loads regardless of when those may
789 occur.” (ComEd Ex. 3.0, p. 12)

790

791 **Q. What do you consider to be the primary cost allocation issue for the lighting class?**

792 A. I believe it to be whether NCP is the appropriate allocator for distribution substations and
793 primary lines. The NCP penalizes the lighting class which uses most of its electricity
794 during off-peak, evening hours. Distribution substations and primary lines serve not just
795 the lighting class, but other classes as well and the level of demands they serve can be

796 expected to rise and fall with overall system demands rather than with any individual
797 class. When coincident demands are at their peak, it would be reasonable to assume that
798 demands for distribution substations and primary lines will peak as well. However, when
799 the system is peaking, lighting demands are low because lighting does not peak until
800 evening hours. In other words, lighting customers use less when capacity is tight and
801 more when spare capacity is available. This is a clear benefit to the system from a cost
802 standpoint.

803

804 Nevertheless, these benefits are not recognized in ComEd allocation methodology for
805 distribution substations and primary lines. ComEd allocates these costs according to the
806 NCP which uses the peak demand for each class regardless of when it occurs. So the
807 lighting class receives no credit in the ECOSS for its off-peak demands despite the
808 benefits to the system that result.

809

810 **Q. How should this cost inequity be addressed?**

811 A. The Company should allocate distribution substations and primary lines by class
812 contributions to coincident peak demands. This would recognize that the size of these
813 facilities is more clearly driven by system peak demands than by the demands of
814 individual rate classes.

815

816 **Services Costs**

817

818 **Q. Have you examined the Company's method of allocating services in this**
819 **proceeding?**

820 A. Yes. I have performed a review which combines both discovery questions and direct
821 discussions with the ComEd staff who prepared the allocator. I have examined the
822 assumptions and calculations underlying the allocator.

823

824 **Q. What are the results of this review?**

825 A. The review has identified some errors in the analysis. The Company has fixed these
826 errors and as a result the services allocations for individual rate classes have changed.
827 This, in turn, changes the overall allocation of system costs to ComEd's customer classes.

828

829 **Q. Please begin your discussion of the issue by describing how ComEd develops its**
830 **allocator for services costs.**

831 A. The Company develops its allocator by first determining the typical cost of a new service
832 for a customer in each class and then multiplying that typical cost by the number of
833 customers in that class.

834

835 **Q. What problems have were identified with the allocation of services to residential**
836 **customers?**

837 A. The first problem is that the allocator overstated the percentage of residential services on
838 the ComEd system that are underground. The allocator assumes that 94% of single family
839 services are underground because that has been the trend of recent years. However, a
840 follow-up query of the Company's CEGIS/Passport and CIMS systems found that only

841 36% of all single family services are underground and 64% are overhead. Because the
842 cost of underground services is higher, the Company's allocator overstates both the
843 typical service cost for residential customers and their share of these costs. (ComEd
844 Response to Staff Data Request PL 1.04 Supplemental)

845
846 Another problem is that the cost of connecting services to poles was inappropriately
847 calculated on a per-foot, rather than a per-customer, basis. Furthermore, lug and
848 connection costs failed to properly account for three-conductor installations on
849 residential services.

850
851 The Company responded to these shortcomings by (1) employing the actual percentages
852 of underground and overhead services on the system; (2) determining connection costs on
853 a per-customer basis; and (3) more accurately accounting for three-conductor
854 installations in lug and connection costs (ComEd Response to Staff Data Request PL 1.04
855 Supplemental)

856

857 **Q. Were changes made to non-residential services?**

858 A. Yes, the adjustments include the further distribution of the Small Load Delivery Class
859 into single-phase and three-phase services based on the distribution of meter types
860 installed for customers in that class (42.6% single-phase, 57.4% three-phase). ComEd
861 also estimated the number of customers per service connection for the Watt-hour and
862 Small Load delivery classes by reviewing the premises address for accounts in those
863 classes and determining an approximate number of accounts per address. For the Extra

864 Large Load delivery class the average load per service was lowered to remove accounts
865 over 10 MW. (ComEd Response to Staff Data Request PL 1.04 Supplemental)

866

867 **Q. How did these changes alter the allocation of services for retail classes?**

868 A. The before and after allocations for individual classes are presented in the attached
869 Schedule 1.01.

870

871 **Q. What is your opinion of the Company's proposed revisions to its services allocator?**

872 A. The revisions represent a step in the right direction. For example, the Company
873 appropriately revised the calculation of residential services costs to reflect the
874 distribution of underground and overhead services for all customers, rather than for new
875 customers with recently installed services. Also, it is sensible for the Company to base
876 connection costs clearly on the number of customers, rather than the length of a service
877 line.

878

879 For non-residential customers, the Company revised its estimates of single and three
880 phase service as well as the number of customers per connection to more closely align
881 costs with actual experience. The Company also removed accounts over 10 MW from the
882 Extra Large Load delivery class for its proposed allocator. These changes should more
883 closely align services allocations with cost causation and, therefore, also improve upon
884 the current approach.

885

886 **Q. Should any other revisions to the Company's cost study be considered in this**
887 **docket?**

888 A. Yes. As previously noted, the Company has identified in response to discovery the
889 amount of \$4,723,630 in Account 361 that it finds to be related to the secondary
890 distribution system. Those costs should be factored into the ECOSS that is approved by
891 the Commission for ratemaking in this case.

892

893 **Class Revenue Allocations**

894

895 **Q. Do you have any concerns with how the Company proposes to allocate revenues**
896 **among customer classes in this docket?**

897 A. Yes, I have two concerns. One concern is with the cost of service results on which the
898 allocations are based. The cost foundation presented in ComEd's direct filing should be
899 replaced by a cost study that includes the revised services allocator I discussed in my
900 testimony; the identification of \$4,723,630 of secondary distribution costs for account
901 361; the allocation of substation and distribution lines according to coincident, rather
902 than non-coincident, peak demands; and a revised classification of Account 368,
903 transformers between primary and secondary service.

904

905 **Q. What is your second concern with the Company's proposed allocation of the**
906 **revenue requirement?**

907 A. I have concerns about adopting any of the class revenue allocations that are based upon
908 the mitigation method employed by the Commission in Docket No. 07-0566. According

909 to ComEd Ex. 1.2A which is attached to Mr. Alongi’s testimony, the employment of this
 910 approach would lead to rate reductions for those customer classes who are most deficient
 911 in recovering their associated cost of service. Following are the current revenues and the
 912 percent of the percent of the associated cost of service recovered by the Extra Large
 913 Load; Railroad; and High Voltage delivery classes under existing rates:

914		Current Revenues	% of Costs
915	Extra Large Load	28,796,175	57.8%
916	Railroad	4,972,802	60.3%
917	High Voltage	12,237,182	69.3%
918	(ComEd Ex. 1.1A, pp. 2-3)		
919			

920 In the event the Commission were to adopt ComEd’s mitigated rate design with the
 921 primary and secondary split and allocation of uncollectibles across all residential rate
 922 classes, the resulting revenues and percentage cost recovery for each of the classes would
 923 be:

924		Mitigated Revenues	% of Costs
925	Extra Large Load	27,758,095	60.5%
926	Railroad	4,788,524	64.1%
927	High Voltage	12,044,405	69.1%
928	(ComEd Ex. 1.2A, pp. 2-3)		
929			

930 The result is that revenues would go down for each of these classes. The declines are as
 931 follows:

932		Current Revenues	Mitigated Revenues	Difference
933	Extra Large Load	28,796,175	27,758,095	-1,038,080
934	Railroad	4,972,802	4,788,524	-184,278
935	High Voltage	12,237,182	12,044,405	-192,777
936				

937 Thus, the three classes on the ComEd system that have been most deficient in recovering
938 their cost of service would, nevertheless, enjoy rate decreases based on the mitigated
939 revenue allocation presented in ComEd Ex. 12A. That result would clearly conflict with
940 cost causation principles.

941

942 **Q. How do you therefore propose that revenues be allocated among ComEd's rate**
943 **classes?**

944 A. In the event the Commission determines that class revenue allocations and rates should
945 be updated to reflect its requested changes to ComEd's ECOSS, I recommend that
946 revenues for all rate classes be moved by an equal percent from current rates to rates that
947 fully recover their applicable cost of service.

948

949 The attached Schedule 1.02 presents a set of class revenue allocations that move 10, 20
950 and 50% toward costs based upon the cost study presented by the Company in this
951 proceeding. If ComEd updates its cost study in rebuttal, I will present an update of
952 Schedule 1.02 in my Rebuttal to reflect the revised ECOSS results.

953

954 **Q. Do you recommend any changes to the Company's rate design at this time?**

955 A. No, I do not. It should be remembered that the Company's rate case concluded in
956 September of last year so the rates have only been in effect for less than a year. While the
957 Commission has stated any desire to examine cost of service issues, it has not expressed
958 an interest in changing ComEd's rate design. Thus, it would be reasonable to assume that
959 the Commission remains satisfied with the rate design approach it adopted in Docket No.

960 07-0566. As a result, I do not believe it would be a useful endeavor to propose rate
961 design changes in this docket.

962

963 **Q. Does this complete your direct testimony?**

964 A. Yes, it does.

Commonwealth Edison Company
Standard Service Connection and CTs and PTs Costs by Delivery Class

	<u>Current 1/</u>	<u>Revised 2/</u>	<u>Difference</u>
<u>Residential</u>			
1 Single Family Without Space Heat	83.84%	82.33%	-1.51%
2 Multi Family Without Space Heat	7.52%	8.11%	0.59%
3 Single Family With Space Heat	1.32%	1.30%	-0.02%
4 Multi Family With Space Heat	1.18%	1.27%	0.09%
	0.00%	0.00%	0.00%
	0.00%	0.00%	0.00%
<u>Nonresidential</u>			
5 Watt-Hour	0.83%	0.86%	0.03%
6 Small Load (0 to 100 kW)	3.45%	3.76%	0.31%
7 Medium Load (Over 100 to 400 kW)	0.48%	0.62%	0.14%
8 Large Load (Over 400 to 1000 kW)	0.17%	0.22%	0.05%
9 Very Large Load (Over 1,000 to 10,000 kW)	0.26%	0.30%	0.04%
10 Extra Large Load (Over 10,000 kW)	0.02%	0.03%	0.01%
	0.00%	0.00%	0.00%
11 High Voltage (Up to 10,000 kW)	0.02%	0.03%	0.01%
12 High Voltage (Over 10,000 kW)	0.02%	0.03%	0.01%
	0.00%	0.00%	0.00%
13 Fixture-Included Lighting ⁽¹⁾	0.56%	0.73%	0.16%
14 Dusk to Dawn Lighting	0.29%	0.38%	0.08%
15 General Lighting	0.03%	0.04%	0.01%
16 Railroad ⁽²⁾	0.00%	0.00%	0.00%
Total Residential and Nonresidential	100.00%	100.00%	

1/ Company Response to PL 1.04, Attachment 1.

2/ Company Supplemental Response to PL 1.04.

Commonwealth Edison Company
Proposed Class Revenue Allocation
10% Movement to Cost

	Current 1/	Fully Cost-Based 2/	Difference	Revenue 10% Move to Cost	Increase	% Increase
<u>Residential</u>						
Single Family Without Space Heat	778,560,321	811,751,120	33,190,799	781,879,401	3,319,080	0.43%
Multi Family Without Space Heat	208,767,336	210,039,063	1,271,727	208,894,509	127,173	0.06%
Single Family With Space Heat	21,292,005	21,458,685	166,680	21,308,673	16,668	0.08%
Multi Family With Space Heat	51,544,550	53,095,683	1,551,133	51,699,663	155,113	0.30%
Subtotal - Residential	1,060,164,212	1,096,344,551		1,096,344,551		
<u>Nonresidential</u>						
Watt-Hour	20,988,253	20,764,508	(223,745)	20,965,879	(22,375)	-0.11%
Small Load (0 to 100 kW)	229,865,970	229,067,980	(797,990)	229,786,171	(79,799)	-0.03%
Medium Load (Over 100 to 400 kW)	177,334,899	160,682,673	(16,652,226)	175,669,676	(1,665,223)	-0.94%
Large Load (Over 400 to 1000 kW)	150,001,992	133,315,585	(16,686,407)	148,333,351	(1,668,641)	-1.11%
Very Large Load (Over 1,000 to 10,000 kW)	248,043,055	220,796,269	(27,246,786)	245,318,376	(2,724,679)	-1.10%
Extra Large Load (Over 10,000 kW)	28,796,175	45,859,655	17,063,480	30,502,523	1,706,348	5.93%
High Voltage	12,237,182	17,431,732	5,194,550	12,756,637	519,455	4.24%
Railroad ⁽²⁾	4,972,802	7,474,494	2,501,692	5,222,971	250,169	5.03%
Subtotal - Nonresidential	872,240,328	835,392,896		835,392,896		
Fixture-Included Lighting ⁽¹⁾	20,648,198	20,780,357	132,159	20,661,414	13,216	0.06%
Dusk to Dawn Lighting	7,283,868	7,786,546	502,678	7,334,136	50,268	0.69%
General Lighting	728,394	760,648	32,254	731,619	3,225	0.44%
Subtotal - Lighting	28,660,460	29,327,551		29,327,551		
Total Residential and Nonresidential	1,961,065,000	1,961,064,998		1,961,064,998		

1/ ComEd Ex. 1.1A.

2/ ComEd Ex. 1.2A.

Commonwealth Edison Company
Proposed Class Revenue Allocation
20% Movement to Cost

	<u>Current</u>	<u>Fully Cost-Based</u>	<u>Difference</u>	<u>Revenue 10% Move to Cost</u>	<u>Increase</u>	<u>% Increase</u>
<u>Residential</u>						
Single Family Without Space Heat	778,560,321	811,751,120	33,190,799	785,198,481	6,638,160	0.85%
Multi Family Without Space Heat	208,767,336	210,039,063	1,271,727	209,021,681	254,345	0.12%
Single Family With Space Heat	21,292,005	21,458,685	166,680	21,325,341	33,336	0.16%
Multi Family With Space Heat	51,544,550	53,095,683	1,551,133	51,854,777	310,227	0.60%
Subtotal - Residential	1,060,164,212	1,096,344,551		1,096,344,551		
<u>Nonresidential</u>						
Watt-Hour	20,988,253	20,764,508	(223,745)	20,943,504	(44,749)	-0.21%
Small Load (0 to 100 kW)	229,865,970	229,067,980	(797,990)	229,706,372	(159,598)	-0.07%
Medium Load (Over 100 to 400 kW)	177,334,899	160,682,673	(16,652,226)	174,004,454	(3,330,445)	-1.88%
Large Load (Over 400 to 1000 kW)	150,001,992	133,315,585	(16,686,407)	146,664,711	(3,337,281)	-2.22%
Very Large Load (Over 1,000 to 10,000 kW)	248,043,055	220,796,269	(27,246,786)	242,593,698	(5,449,357)	-2.20%
Extra Large Load (Over 10,000 kW)	28,796,175	45,859,655	17,063,480	32,208,871	3,412,696	11.85%
High Voltage	12,237,182	17,431,732	5,194,550	13,276,092	1,038,910	8.49%
Railroad ⁽²⁾	4,972,802	7,474,494	2,501,692	5,473,140	500,338	10.06%
Subtotal - Nonresidential	872,240,328	835,392,896		835,392,896		
Fixture-Included Lighting ⁽¹⁾	20,648,198	20,780,357	132,159	20,674,630	26,432	0.13%
Dusk to Dawn Lighting	7,283,868	7,786,546	502,678	7,384,404	100,536	1.38%
General Lighting	728,394	760,648	32,254	734,845	6,451	0.89%
Subtotal - Lighting	28,660,460	29,327,551		29,327,551		
Total Residential and Nonresidential	1,961,065,000	1,961,064,998		1,961,064,998		

1/ ComEd Ex. 1.1A.

2/ ComEd Ex. 1.2A.

**Commonwealth Edison Company
Proposed Class Revenue Allocation
50% Movement to Cost**

	<u>Current</u>	<u>Fully Cost-Based</u>	<u>Difference</u>	<u>Revenue 10% Move to Cost</u>	<u>Increase</u>	<u>% Increase</u>
<u>Residential</u>						
Single Family Without Space Heat	778,560,321	811,751,120	33,190,799	795,155,721	16,595,400	2.13%
Multi Family Without Space Heat	208,767,336	210,039,063	1,271,727	209,403,200	635,864	0.30%
Single Family With Space Heat	21,292,005	21,458,685	166,680	21,375,345	83,340	0.39%
Multi Family With Space Heat	51,544,550	53,095,683	1,551,133	52,320,117	775,567	1.50%
Subtotal - Residential	1,060,164,212	1,096,344,551		1,096,344,551		
<u>Nonresidential</u>						
Watt-Hour	20,988,253	20,764,508	(223,745)	20,876,381	(111,873)	-0.53%
Small Load (0 to 100 kW)	229,865,970	229,067,980	(797,990)	229,466,975	(398,995)	-0.17%
Medium Load (Over 100 to 400 kW)	177,334,899	160,682,673	(16,652,226)	169,008,786	(8,326,113)	-4.70%
Large Load (Over 400 to 1000 kW)	150,001,992	133,315,585	(16,686,407)	141,658,789	(8,343,204)	-5.56%
Very Large Load (Over 1,000 to 10,000 kW)	248,043,055	220,796,269	(27,246,786)	234,419,662	(13,623,393)	-5.49%
Extra Large Load (Over 10,000 kW)	28,796,175	45,859,655	17,063,480	37,327,915	8,531,740	29.63%
High Voltage	12,237,182	17,431,732	5,194,550	14,834,457	2,597,275	21.22%
Railroad ⁽²⁾	4,972,802	7,474,494	2,501,692	6,223,648	1,250,846	25.15%
Subtotal - Nonresidential	872,240,328	835,392,896		835,392,896		
Fixture-Included Lighting ⁽¹⁾	20,648,198	20,780,357	132,159	20,714,278	66,080	0.32%
Dusk to Dawn Lighting	7,283,868	7,786,546	502,678	7,535,207	251,339	3.45%
General Lighting	728,394	760,648	32,254	744,521	16,127	2.21%
Subtotal - Lighting	28,660,460	29,327,551		29,327,551		
Total Residential and Nonresidential	1,961,065,000	1,961,064,998		1,961,064,998		

1/ ComEd Ex. 1.1A.

2/ ComEd Ex. 1.2A.