

**STATE OF ILLINOIS**

**ILLINOIS COMMERCE COMMISSION**

<b>ILLINOIS COMMERCE COMMISSION</b>	)	
<b>ON ITS OWN MOTION</b>	)	
	)	
<b>VS.</b>	)	
	)	<b>Docket No. 08-0532</b>
<b>COMMONWEALTH EDISON COMPANY</b>	)	
<b>INVESTIGATION OF RATE DESIGN</b>	)	
<b>PURSUANT TO SECTION 9-250 OF THE</b>	)	
<b>PUBLIC UTILITIES ACT</b>	)	

**REBUTTAL TESTIMONY OF**

**RICHARD A. BAUDINO**

**ON BEHALF OF THE COMMERCIAL GROUP**

**J. KENNEDY AND ASSOCIATES, INC.**

**October 2, 2009**

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

2 A. My name is Richard A. Baudino. My business address is J. Kennedy and Associates, Inc.  
3 ("Kennedy and Associates"), 570 Colonial Park Drive, Suite 305, Roswell, Georgia  
4 30075.

5 **Q. What is your occupation and by whom are you employed?**

6 A. I am a consultant to Kennedy and Associates.

7 **Q. Did you submit Direct Testimony in the proceeding?**

8 A. Yes. I submitted Direct Testimony on behalf of the Commercial Group.

9 **Q. What is the purpose of your Rebuttal Testimony?**

10 A. The purpose of my testimony is to respond to certain portions of the Rebuttal Testimony  
11 filed by Commonwealth Edison Company ("ComEd" or "Company") and Direct  
12 Testimony filed by the Staff of the Illinois Commerce Commission ("ICC", or  
13 "Commission"). Specifically, I will respond to the Rebuttal Testimony filed by Mr. Alan  
14 Heinz. I will also respond to the Direct Testimony filed by Staff witness Mr. Peter  
15 Lazare.

16 Finally, although I did not respond to the other testimony filed in this proceeding it  
17 should not be construed that I necessarily agree with or approve of the positions of these  
18 other witnesses.

19 **ComEd Witness Heinz**

20 **Q. Did the Company revise the embedded class cost of service study ("ECOSS") that it**  
21 **originally filed in this proceeding?**

22 A. Yes. In response to certain intervenor Direct Testimony, ComEd filed a revised ECOSS.  
23 The revisions are summarized on pages 14 and 15 of Mr. Heinz's Rebuttal Testimony.

24

25 These changes are:

- 26
- 27
- 28
- Identification of Account No 361 (Structures and Improvements) as having both primary and secondary facilities. This includes an updating of the allocation factor "NCP-SEC".
- 29
- A revision to the weighting factors employed to calculate the Services allocator.
- 30
- A reallocation of uncollectible expenses.

31 ComEd Exhibit 7.2 shows the effects of the changes I just described. For example, one

32 result is to reduce the costs allocated to the Residential classes. The ECOSS that the

33 Company filed in its Direct Testimony showed a revenue requirement shift to the

34 residential customers of \$38.1 million but the Company's revised ECOSS reduces that

35 amount to \$36.7 million. CG Table 1 below shows the revised class revenue

36 requirements compared to the Company's ECOSS filed in Docket No. 07-0566.

(1)	(2)	(3)	(4)
	Original ECOSS (07-0566 Ex. 33.1)	Revised ECOSS (Ex. 7.2)	<u>Difference</u>
Total Residential	\$ 1,104,263,818	\$ 1,140,977,238	\$ 36,713,420
Watt-Hour	\$ 21,089,971	\$ 21,904,475	\$ 814,505
Small Load	\$ 230,846,635	\$ 238,600,809	\$ 7,754,174
Medium Load	\$ 178,020,923	\$ 167,750,267	\$ (10,270,655)
Large Load	\$ 150,680,621	\$ 139,004,197	\$ (11,676,424)
Very Large Load	\$ 249,241,990	\$ 230,451,630	\$ (18,790,361)
Extra Large Load	\$ 51,935,170	\$ 47,832,169	\$ (4,103,001)
High Voltage	\$ 18,362,199	\$ 18,195,565	\$ (166,634)
Fixt. Incl. Lighting	\$ 21,514,236	\$ 21,783,493	\$ 269,257
Dusk to Dawn	\$ 7,590,183	\$ 8,173,533	\$ 583,351
General Lighting	\$ 759,418	\$ 799,407	\$ 39,989
Railroads	\$ 8,588,836	\$ 7,796,635	\$ (792,200)
Total	\$ 2,042,894,000	\$ 2,043,269,419	\$ 375,419

37

38

39 **Q. Mr. Baudino, Table 2 in your Direct Testimony showed the subsidies that still**  
40 **remain in current rates from the Commission's last rate order. How has the**  
41 **subsidy situation changed with respect to the Company's revised ECOSS?**

42 A. The subsidies that are being supported by the Medium, Large, and Very Large Load  
43 customer classes are still quite large. The shift in cost responsibility for these classes was  
44 reduced slightly in the revised ECOSS (to \$40.7 million) but still shows that the subsidies  
45 are even greater in this case than those shown in Docket No. 07-0566.

46 **Q. Did you review the Company's revised ECOSS?**

47 A. Yes. I reviewed the Company's revised ECOSS and the associated work papers. In my  
48 opinion, the Company's revised ECOSS is still an improvement over the study that it  
49 presented in Docket No. 07-0566 and should be used for setting rates in this proceeding.

50 **Response to Staff Witness Lazare**

51 **Q. On page 35 of his Direct Testimony, Staff witness Lazare recommended that the**  
52 **Company allocate distribution substations and primary lines using a coincident**  
53 **peak ("CP") allocator, rather than a non-coincident peak ("NCP") allocator. Please**  
54 **respond to Mr. Lazare's recommendation.**

55 A. Using a CP allocator for distribution substations and primary lines is inappropriate and  
56 should be rejected.

57 The proper factor to use when allocating the demand portion of distribution costs is based  
58 on the non-coincident class demands. This is because load diversity at the distribution  
59 level is the factor responsible for the sizing of and investment in distribution equipment,  
60 not system coincident demands.

61 The propriety of using the NCP allocator is clearly explained in *Electric Utility Cost*  
62 *Allocation Manual*, January 1992, published by the National Association of Regulatory  
63 Utility Commissioners (“NARUC”). This manual states the following on page 97 with  
64 respect to the allocation of distribution demand costs:

65 Local area loads are the major factors in sizing distribution equipment.  
66 Consequently, customer-class noncoincident demands (NCPs) and individual  
67 customer maximum demand are the load characteristics that are normally used to  
68 allocate the demand component of distribution facilities. The customer-class load  
69 characteristic used to allocate the demand component of distribution plant  
70 (whether customer class NCPs or the summation of individual customer  
71 maximum demands) depends on the load diversity that is present at the equipment  
72 to be allocated. *The load diversity at distribution substations and primary feeders*  
73 *is usually high. For this reason, customer-class peaks are normally used for the*  
74 *allocation of these facilities.* (emphasis added)

75 Also, as Mr. Heinz pointed out in his Rebuttal Testimony, this Commission has approved  
76 the use of the NCP allocation factor in past cases. I recommend that the Company’s use  
77 of the NCP allocator for distribution substations and primary lines continue to be  
78 approved by the Commission. Mr. Lazare failed to provide any load or cost data that  
79 supports a change to a CP allocator.

80 **Q. Does this conclude your testimony?**

81 A. Yes.

82