

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Commonwealth Edison Company :
 :
Proposed Tariff Revisions to comply with Section :
16-111.8 of the Public Utilities Act : Docket No. 09-0433
 :
 :
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Rebuttal Testimony of
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1 **I. INTRODUCTION**

2 **A. IDENTIFICATION OF WITNESS**

3 **Q. Please state your name.**

4 A. Lawrence S. Alongi.

5 **Q. Are you the same Lawrence S. Alongi who submitted direct testimony in this**
6 **proceeding?**

7 A. Yes. My direct testimony is ComEd Ex. 1.0.

8 **B. PURPOSE OF REBUTTAL TESTIMONY**

9 **Q. What is the purpose of your rebuttal testimony?**

10 A. The purpose of my rebuttal testimony is to respond to certain issues raised by the Staff of
11 the Illinois Commerce Commission (“Staff”) in its direct testimony, including (1) noting
12 that the fundamental disagreement between ComEd and Staff with respect to the
13 interpretation of Section 16-111.8 of the Public Utilities Act (“Section 16-111.8”) will be
14 addressed by ComEd in its briefs, (2) addressing the administration and uniformity
15 changes proposed by Staff witness Steven R. Knepler, and (3), in the event the Illinois
16 Commerce Commission (“ICC” or “Commission”) were to adopt the methodology to
17 determine the incremental distribution uncollectible cost factors (“IDUFs”) proposed by
18 Staff witness Bonita A. Pearce, presenting and explaining the revisions to Rider UF –
19 Uncollectibles Factors (“Rider UF”) that would need to be made in order to properly
20 implement that methodology.

21 **C. SUMMARY**

22 **Q. In summary, how do you respond to the direct testimony presented by the Staff**
23 **witnesses?**

24 A. With respect to Staff's interpretation of Section 16-111.8, counsel has advised me that
25 statutory interpretation is a legal issue more appropriately addressed in briefs.
26 Therefore, I defer to counsel and note that ComEd will present its arguments in support
27 of its interpretation of Section 16-111.8 in its initial brief.

28 Concerning Mr. Knepler's proposed administration and uniformity changes, as I explain
29 in this rebuttal testimony, ComEd is willing to accept certain proposed changes either as
30 proposed or with modification, and in some instances its proposed tariff revisions already
31 reflected Mr. Knepler's proposed changes.

32 In the event that the Commission ultimately approves the methodology to determine the
33 IDUFs proposed by Ms. Pearce and the uniformity provisions proposed by Mr. Knepler,
34 ComEd identified changes that must be made to the tariff revisions proposed by Staff to
35 correct certain errors, inconsistencies, and ambiguities. The Commission should adopt
36 these changes, which are reflected in ComEd Ex. 2.1, if it adopts the methodology
37 proposed by Staff to determine the IDUFs and Staff's proposed uniformity provisions.

38 **D. ATTACHMENTS TO REBUTTAL TESTIMONY**

39 **Q. What are the exhibits attached to your rebuttal testimony?**

40 A. The following is a list of the exhibits attached to my rebuttal testimony and a brief
41 description of each:

- 42 1. **ComEd Ex. 2.1** presents the tariff sheets for Rider UF that ComEd proposes to
43 file with the ICC in the event that the methodology to determine the IDUFs
44 proposed by Ms. Pearce and the uniformity provisions proposed by Mr. Knepler
45 are adopted by the Commission.
- 46 2. **ComEd Ex. 2.2** presents redline versions of the tariff sheets provided in ComEd
47 Ex. 2.1. These redlined tariff sheets utilize ComEd Ex. 1.1 attached to my direct
48 testimony in this proceeding as the basis for showing the redline changes. It is
49 important to note that due to limitations in the document comparison tool used to
50 develop the redline versions, changes made to equations are not shown as redline
51 changes.

52 **II. THE INTERPRETATION OF SECTION 16-111.8 OF THE PUBLIC UTILITIES**
53 **ACT**

54 **Q. In her direct testimony, Ms. Pearce states that she “disagree[s] with ComEd’s**
55 **proposed tariff language that indicates its method of determining the uncollectibles**
56 **amount included in rates.” (ICC Staff Ex. 1.0, p. 5.) Specifically, Ms. Pearce claims**
57 **that Section 16-111.8 “must refer to the uncollectibles amount recovered through**
58 **2008 revenues and not to the test year uncollectibles expense” (*id.*, p. 6), and Messrs.**
59 **Knepler and Beyer take similar positions. How do you respond to Ms. Pearce’s and**
60 **Messrs. Knepler’s and Beyer’s interpretation?**

61 A. I understand from counsel that arguments concerning the proper interpretation of a statute
62 present a legal question, and therefore I defer to my lawyers on the correct interpretation
63 of Section 16-111.8. Counsel has advised me that the methodology reflected in ComEd’s
64 filing is consistent with the statute, and that Staff’s approach is inconsistent with Section
65 16-111.8. On the advice of counsel, I note that ComEd will present its arguments in
66 support of its interpretation of Section 16-111.8 in its initial brief.

67 **III. RIDER UF REVISIONS TO ACCOMMODATE STAFF'S PROPOSAL FOR**
68 **UNIFORMITY AMONG THE UTILITIES' PROPOSALS**

69 **Q. What is your overall response to the administration and uniformity changes**
70 **proposed by Mr. Knepler?**

71 A. ComEd agrees with several of Mr. Knepler's suggestions, and, in fact, ComEd's
72 originally proposed tariff revisions filed on September 8, 2009, already contained some
73 of the suggestions proposed by Mr. Knepler. It is important to note, however, that Mr.
74 Knepler's well-intentioned effort to promote uniformity across all utilities' uncollectibles
75 tariffs must be balanced with a sensitivity to maintaining consistency within each utility's
76 overall Schedule of Rates and recognizing that each utility's tariffs reflect a unique
77 ratemaking history.

78 **Q. In making his proposal for uniformity in tariff provisions, Mr. Knepler**
79 **recommends that informational filings of the incremental uncollectible cost factors**
80 **should be filed no later than the 20th of every month. Is his recommendation**
81 **appropriate?**

82 A. Not entirely. As an initial matter, ComEd does not expect to file the factors every month.
83 With that qualifier, generally in those instances where ComEd will be filing factors, it
84 proposes to do so by the 20th of the preceding month.

85 As initially proposed by ComEd, the first set of factors that are associated with
86 uncollectible costs incurred in 2008 are expected to be filed on or before March 20, 2010,
87 and those factors are expected to be applicable for bills issued during the April 2010
88 through December 2010 monthly billing periods. The second set of factors that are
89 associated with uncollectible costs incurred in 2009 are expected to be filed on or before

90 May 20, 2010, and those factors are expected to be applicable for bills issued during the
91 June 2010 through May 2011 monthly billing periods.

92 Thereafter, ComEd generally expects to make only two or three informational filings of
93 the factors each year. That is, ComEd expects to make a filing on or before May 20 of
94 each year for factors that will be effective beginning with the June monthly billing
95 period. To the extent those factors require balancing, ComEd's proposed revisions to
96 Rider UF have provisions to file adjusted factors on or before August 20 of that year for
97 application beginning with the September monthly billing period. Rider UF also has
98 provisions for filing adjusted factors in the event that the Commission orders ComEd to
99 incorporate an adjustment to the factors following the annual reconciliation process.

100 Finally, separate from the generally expected filing provisions, Rider UF has proposed
101 terms that address the filing of adjusted factors in the event that the factors change as the
102 result of an order in a rate case which might require a compliance filing that cannot
103 adhere to the 20th day of the month filing date recommended by Mr. Knepler.

104 In summary, although ComEd agrees that factors to be filed on a general basis should be
105 filed on or before the 20th day of the preceding month, it is not appropriate to require that
106 informational filings of the incremental uncollectible cost factors must be filed no later
107 than the 20th of every month given that the factors will not change every month.

108 **Q. Does ComEd agree with Mr. Knepler's recommendation that ComEd must file a**
109 **petition with the Commission no later than August 31 of each year to initiate a**
110 **reconciliation proceeding that addresses the recovery of uncollectible costs?**

111 A. Yes. In fact, those provisions were set forth in ComEd's original proposed revisions to
112 Rider UF that were filed with the Commission on September 8, 2009. Those provisions
113 remain unchanged in ComEd Ex. 2.1.

114 **Q. Mr. Knepler proposes that certain annual audit provisions should be incorporated**
115 **into each utility's uncollectibles tariff. Do you agree with his proposed provisions?**

116 A. Although I do not disagree with the overall internal audit requirement, I note that certain
117 language proposed by Staff is redundant with language that is already in the originally
118 proposed Annual Reconciliation section of Rider UF. The tariff provisions set forth in
119 ComEd Ex. 2.1 on Sheets 267.15 and 267.16, therefore, remove provisions that are
120 redundant. In addition, ComEd's proposed tariff revisions state that the results of its
121 internal audit of uncollectible costs and their recovery are to be provided not only to the
122 Manager of Staff's Accounting Department, but also to the Director of Staff's Financial
123 Analysis Division. Finally, ComEd's proposed revisions to Rider UF require ComEd to
124 provide the results of that audit in a report that accompanies the petition ComEd must file
125 by August 31 of each year to initiate a review and reconciliation of ComEd's
126 uncollectible costs and their recovery.

127 **Q. How would you expect to incorporate tariff revisions to Rider UF in the event that**
128 **the Commission accepts only Staff's uniformity proposal and adopts ComEd's**
129 **methodology to determine IDUFs?**

130 A. I would expect to file Rider UF in compliance with the Commission's order using
131 language presented in ComEd Ex. 2.1 to the extent applicable. For example, such filing
132 would include the Annual Audit section as presented in ComEd Ex. 2.1. I would then
133 expect to work with Staff during its review of the compliance filing to ensure that

134 appropriate tariff language is incorporated into Rider UF to reflect Mr. Knepler's
135 uniformity proposals, as appropriate.

136 **IV. RIDER UF REVISIONS TO ACCOMMODATE STAFF'S PROPOSED**
137 **METHODOLOGY TO DETERMINE IDUFS IN THE EVENT IT IS ADOPTED**

138 **Q. If the Commission were to adopt the methodology proposed by Staff to determine**
139 **IDUFs, would it be appropriate for the Commission to also adopt the changes to**
140 **Rider UF proposed by Staff as reflected in Attachment A to Ms. Pearce's direct**
141 **testimony?**

142 A. No, it would not. As I explain in this rebuttal testimony, there are a number of instances
143 where the language proposed by Staff requires correction, clarification and revision.
144 Adopting Staff's proposed changes as-is would produce an inappropriate result not
145 intended by Staff. The changes provided in ComEd Ex. 2.1 provide the tariff provisions
146 that would produce the results Staff intends to achieve.

147 **Q. Based upon Mr. Knepler's proposals for uniformity, if Staff's proposed**
148 **methodology were adopted should there be changes made to the Base Uncollectible**
149 **Cost Factors section of Rider UF?**

150 A. Yes. As part of his proposal for uniformity, Mr. Knepler suggests the use of two terms,
151 the Supply Uncollectibles Factor ("SUF") and the Delivery Uncollectibles Factor
152 ("DUF"), and Ms. Pearce utilizes the DUF in her testimony. Based upon the manner in
153 which Ms. Pearce uses the term, DUF, it is also appropriate to make the revisions to the
154 Base Uncollectible Cost Factors section of Rider UF that are shown on Sheet No. 267 in
155 ComEd Ex. 2.1, which incorporates the uniformity provisions to use SUF and DUF
156 proposed by Mr. Knepler.

157 **Q. Do you have concerns with respect to the changes proposed by Staff for the 2008**
158 **Incremental Distribution Uncollectible Cost Factors section and the Incremental**
159 **Distribution Uncollectible Cost Factors section of Rider UF?**

160 A. Yes. Although Staff's tariff revisions incorporate its proposed methodology to determine
161 the IDUFs, they do not remove the conflicting tariff provisions that incorporated
162 ComEd's methodology to determine the IDUFs. Put another way, Staff proposes to
163 incorporate a DUF that is either explicitly identified by the Commission or determined
164 using the ratio DUC_{Yc} / RR_{Yc} , but inconsistently retained the original ratio proposed by
165 ComEd for use in determining the IDUFs. ComEd Ex. 2.1 presents the corrected
166 equations and tariff language that properly incorporate Staff's proposed methodology
167 while fully removing provisions that incorporated the methodology proposed by ComEd.
168 These changes appear in the 2008 Incremental Distribution Uncollectible Cost Factors
169 section on Sheets 267.1 and 267.2 and in the Incremental Distribution Uncollectible Cost
170 Factors section on Sheets 267.5 through 267.8 in ComEd Ex. 2.1.

171 **Q. Do you have any other concerns with the changes proposed by Staff to those two**
172 **sections of Rider UF?**

173 A. Yes. The definition proposed for the Delivery Uncollectible Revenue ("DUR") is
174 incomplete. Although Staff's proposed tariff language provides that the DURs reflect the
175 amount of uncollectible costs included in rates associated with delivery services, Staff's
176 proposed equations to determine the DURs additionally incorporate amounts for
177 uncollectible costs associated with the application of the Energy Efficiency and Demand
178 Response Adjustment ("EDA"). In ComEd Ex. 2.1, ComEd has clarified the definitions
179 for DUR_{C8} and DUR_{CY} appearing on Sheets 267.1 and 267.6, respectively, so that they

180 correctly identify that the DURs include amounts associated with the recovery of
181 uncollectible costs accrued through the application of the EDA in accordance with the
182 provisions of Rider EDA - Energy Efficiency and Demand Response Adjustment ("Rider
183 EDA") in addition to amounts associated with the recovery of uncollectible costs accrued
184 through rates associated with delivery services.

185 **Q. Did you identify any concerns with how Staff's proposed changes incorporate the**
186 **amounts associated with the recovery of the uncollectible costs accrued through the**
187 **application of the EDAs?**

188 A. Yes. ComEd originally proposed to address amounts associated with the recovery of
189 uncollectible costs accrued through the application of the EDA in the computation of the
190 first Distribution Balancing Factors ("DBF_{CS}"), specifically in the determination of the
191 Recovered Distribution Uncollectible Costs ("RUC_{DS}") factors that are used to determine
192 the DBF_{CS}. Staff's proposed tariff revisions, in essence, change the timing of when those
193 amounts are addressed. However, while Staff's proposed changes incorporate the
194 amounts associated with the recovery of uncollectible costs accrued through the
195 application of the EDA upfront in the determination of the DURs, they also retained the
196 language pertaining to the manner in which ComEd originally proposed to address these
197 amounts. To address this concern, the reference to these amounts is appropriately
198 removed from the definition of RUC_D provided on Sheet No. 267.8 in ComEd Ex. 2.1
199 because they are now addressed in the determination of DUR_{C8} and DUR_{CY} on Sheets
200 267.1 and 267.6, respectively.

201 In addition, ComEd includes in ComEd Ex. 2.1 a more appropriate matching acronym for
202 these amounts. Specifically, ComEd proposes the acronym EDAUR (*see* ComEd Ex. 2.1

203 on Sheets 267.1, 267.2, and 267.6), which is designed to make clear that these amounts
204 are associated with the recovery of uncollectible costs accrued through the application of
205 the EDA.

206 **Q. Did ComEd identify any other tariff revisions proposed by Staff with which it had**
207 **concerns?**

208 A. Yes. The following list describes additional instances where language needs to be
209 corrected or clarified in the event Staff's proposed methodology is adopted:

- 210 ➤ On Sheet 267.1 of Staff's proposed tariff revision, the proposed language provides
211 that "If two different base rates were in effect during a reporting year, the DUR
212 amounts for each period shall be independently calculated according to the above
213 formula and summed for the IDUA calculation." (Staff Ex. 1.0 Attachment A, Sheet
214 267.1.) This passage, however, is not necessary because ComEd's equations already
215 include summation provisions (" Σ "). Moreover, the passage references two terms
216 that do not appear in ComEd's proposed tariffs – "IDUA" and "reporting year".
217 ComEd notes that the Ameren utilities' proposed tariffs (*see* Docket No. 09-0399) use
218 the term IDUA (and may use the term reporting year). It appears this passage was
219 inadvertently included in Staff's revisions to ComEd's tariff, and it should be deleted.
- 220 ➤ ComEd proposes revisions to the definitions for and equations associated with
221 DUF_{C8P} and DUF_{CYP} in ComEd Ex. 2.1 on Sheets 267.2 and 267.7, respectively, to
222 strengthen the clarity and precision of these definitions and equations.
- 223 ➤ Staff's proposed revisions use the generic term year ("Y") in the 2008 Incremental
224 Distribution Uncollectible Cost Factors section, which is limited to the recovery of

225 IDUFs associated with the bad debt expense for the year 2008 only. Moreover, the
226 term Y is not defined until it is used later in the Incremental Distribution
227 Uncollectible Cost Factors section of the rider. The revisions in ComEd Ex. 2.1 on
228 Sheets 267.1 and 267.2 appropriately use 8 instead of Y for applicable tariff
229 provisions in the 2008 Incremental Distribution Uncollectible Cost Factors section.

230 ➤ In order for the provisions of Rider UF to incorporate Staff's methodology to
231 determine IDUFs and allow it to be implemented in accordance with Staff's
232 intentions, the equations that determine the DBF_C need to be revised. The equations
233 provided on Sheets 267.7 and 267.8 in ComEd Ex. 2.1 incorporate the necessary
234 revisions in order to allow Staff's methodology to be employed correctly.

235 ➤ In all the equations in the Incremental Supply Uncollectible Cost Factors section of
236 Rider UF in Staff Ex. 1.0 Attachment A, the "BSUR" term was not changed to the
237 "SUR" term as proposed by Mr. Knepler. In accordance with Mr. Knepler's proposal,
238 "SUR" replaces "BSUR" in the equations on Sheets 267.9 through 267.11 in ComEd
239 Ex. 2.1.

240 ➤ ComEd Ex. 2.1 also presents other minor revisions to the changes suggested by Staff
241 in Rider UF to ensure they are consistent with ComEd's overall Schedule of Rates.
242 For example, throughout ComEd's Schedule of Rates all references to the Illinois
243 Commerce Commission, including those in ComEd's Rider UF, appear as "ICC" in
244 conformance with the Definitions provided in ComEd's General Terms and
245 Conditions.

246 ➤ Staff's proposed revisions to Rider UF delete the phrase "each $IDUF_C$ must be greater
247 than or equal to zero (0)" in the Miscellaneous General Provisions section of the rider

248 while also retaining the phrase “each $ISUF_C$ must be greater than or equal to zero (0)”
249 in that same section. This proposed revision introduces an inconsistency and is
250 incorrect. $IDUF_{CS}$ may be equal to values that are between zero and one which would
251 result in the determination of $IDUF_{CS}$ that essentially apply credits associated with
252 uncollectible cost recovery, or they may be equal to values greater than one which
253 would result in the determination of $IDUF_{CS}$ that essentially apply charges associated
254 with uncollectible cost recovery. However, $IDUF_{CS}$ cannot be less than zero as
255 properly expressed by the phrase in the Miscellaneous General Provisions section of
256 Rider UF. The provisions on Sheet 267.16 in ComEd Ex. 2.1 therefore appropriately
257 include this phrase.

258 **Q. Does this conclude your rebuttal testimony?**

259 A. Yes.