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1 I. Introduction and Purpose

2 A. Identification of Witness

3 Q. What is your name and business address?

4 A. Robert Garcia, Commonwealth Edison Company (“ComEd”), 440 South LaSalle Street,  
5 Suite 3300, Chicago, Illinois 60605.

6 Q. By whom are you employed and in what capacity?

7 A. I am employed by ComEd as its Manager, Regulatory Strategies and Solutions.

8 B. Purpose of Testimony

9 Q. What is the purpose of your direct testimony?

10 A. The purpose of my direct testimony is to identify and support the tariff changes needed to  
11 both properly implement ComEd’s On-Bill Financing Program (“Program”) and allow  
12 for the related cost recovery in order to fulfill the requirements of subsections (c)(4),  
13 (c)(6), and (f) of Section 16-111.7 of the Public Utilities Act (“Act”). In so doing, I  
14 address ComEd’s proposed modifications to its Schedule of Rates, ILL. C. C. No. 10,  
15 submitted for the approval of the Illinois Commerce Commission (“Commission” or  
16 “ICC”) in this proceeding. Those modifications include revisions to ComEd’s General  
17 Terms and Conditions, Rider EDA – Energy Efficiency and Demand Response  
18 Adjustment (“Rider EDA”), and Rider UF – Uncollectible Factors (“Rider UF”).

19 C. Summary of Conclusions

20 Q. In summary, what are the conclusions of your direct testimony?

21 A. I conclude the following:

- 22           1.       ComEd’s General Terms and Conditions should be modified in order to  
23 describe a separate line item (charge) on the bills of customers who are  
24 participating in the Program and to provide that ComEd may disconnect  
25 the electric service of participants that default on the payment of Program  
26 charges included on their electric service bills. ComEd’s proposed  
27 revisions to its General Terms and Conditions provide appropriate terms  
28 and conditions related to the Program, are consistent with the provisions of  
29 subsections (c)(4) and (c)(6) of Section 16-111.7 of the Act, and should be  
30 approved by the Commission.
- 31           2.       Rider EDA is the appropriate tariff mechanism for recovery of the costs  
32 ComEd incurs with respect to Program start-up, administration, and  
33 evaluation. ComEd’s proposed revisions to Rider EDA properly provide  
34 for the recovery of Program related costs incurred by ComEd, are  
35 consistent with the provisions of subsection (f) of Section 16-111.7 of the  
36 Act, and should be approved by the Commission.
- 37           3.       Rider UF is the appropriate tariff mechanism for ComEd to recover all  
38 costs related to Program participants’ nonpayment of Program charges  
39 included on their electric service bills. ComEd’s proposed revisions to  
40 Rider UF appropriately provide for the recovery of uncollectible costs  
41 incurred by ComEd related to Program participant nonpayment, are  
42 consistent with the provisions of subsection (c)(6) of Section 16-111.7 of  
43 the Act, and should be approved by the Commission.

44 D. Identification of Exhibits

45 Q. What attachments are provided with your direct testimony?

46 A. The following exhibits are attached to my direct testimony:

47 ComEd Exhibit 2.1: Exemplar tariff revisions to ComEd's General Terms and  
48 Conditions in redline format.

49 ComEd Exhibit 2.2: Exemplar tariff revisions to Rider EDA in redline format.

50 ComEd Exhibit 2.3: Exemplar tariff revisions to Rider UF in redline format.

51 E. Background and Experience

52 Q. What are your duties and responsibilities in your current position?

53 A. I have served in my current position since March 2008. I am responsible for managing  
54 the activities of the Regulatory Strategies and Solutions Department of ComEd. My  
55 department is responsible for the analysis and development of strategic policy for  
56 ComEd's distribution business. These responsibilities give me a central role in the  
57 development of many of ComEd's new tariffs, as well as the development of new  
58 regulated proposals such as the Program.

59 Q. What is your educational background and professional experience?

60 A. I have an Artium Baccalaureus (or Bachelor of Arts) degree in Political Science and  
61 French from Wabash College (Crawfordsville, IN) and a Master of Public Administration  
62 degree from the School of Public and Environmental Affairs at Indiana University  
63 (Bloomington, IN) with concentrations in Policy (Quantitative) Analysis and  
64 International Affairs. I also obtained a Certificat De Langue Et Civilisation Française  
65 from the Université de Paris – Sorbonne (Paris, France) and, as part of my graduate

66 studies, studied French and European government at the École Nationale  
67 D'Administration (Paris, France).

68 I have been employed by ComEd since April 2001. I began my employment with  
69 ComEd in the Regulatory Department as a Regulatory Specialist and moved on to the  
70 position of Senior Regulatory Specialist before holding my current position.

71 Prior to joining ComEd, I worked for nearly nine years at the ICC, beginning in  
72 1992 as an intern in the then Office of Policy and Planning in the Springfield office and  
73 ending in 2001 as the senior policy advisor to a Commissioner in the Chicago office. I  
74 initially joined the Commission Staff through the James H. Dunn Memorial Fellowship  
75 program, a one-year program sponsored by the Office of the Governor.

76 II. Implementation and Cost-Recovery Tariff Mechanisms

77 A. Overview of Statutory Requirements

78 Q. What are the relevant statutory provisions concerning recovery of costs associated with  
79 the Program?

80 A. Section 16-111.7 of the Act provides, in relevant part:

81 • Subsection (c)(4): “Following the lender’s approval of  
82 financing and the participant’s purchase of the measure or  
83 measures, the lender shall forward payment information to  
84 the electric utility, and the utility shall add as a separate line  
85 item on the participant’s utility bill a charge showing the  
86 amount due under the program each month.”

87 • Subsection (c)(6): “In the event a participant defaults on  
88 payment of its electric utility bill, the electric utility shall  
89 continue to remit all payments due under the program to the  
90 lender, and the utility shall be entitled to recover all costs  
91 related to a participant’s nonpayment through the automatic

92 adjustment clause tariff established pursuant to Section 16-  
93 111.8 of this Act.”

94 • Subsection (c)(6): “In addition, the electric utility shall  
95 retain a security interest in the measure or measures  
96 purchased under the program, and the utility retains its right  
97 to disconnect a participant that defaults on the payment of  
98 its utility bill.”

99 • Subsection (f): “An electric utility shall recover all of the  
100 prudently incurred costs of offering a program approved by  
101 the Commission pursuant to this Section, including, but not  
102 limited to, all start-up and administrative costs and the costs  
103 for program evaluation. All prudently incurred costs under  
104 this Section shall be recovered from the residential and  
105 small commercial retail customer classes eligible to  
106 participate in the program through the automatic  
107 adjustment clause tariff established pursuant to Section 8-  
108 103 of this Act.”

109 Q. From a ratemaking perspective, what guidance do these provisions of the Act provide  
110 ComEd in implementing the Program and designing cost-recovery mechanisms?

111 A. Based on the advice of legal counsel, it is my understanding that Section 16-111.7  
112 explicitly provides for the recovery of costs outside of a general rate case through  
113 automatic adjustment clause tariffs established under Sections 8-103 and 16-111.8 of the  
114 Act. Therefore, from a ratemaking perspective, the only matter at issue is the manner in  
115 which the provisions of Section 16-111.7 are implemented in the relevant tariffs. As  
116 discussed later in my direct testimony, ComEd proposes to build upon previously  
117 approved rider mechanisms for the recovery of Program related expenditures and any  
118 associated uncollectible costs.

119 B. Proposed Revisions to General Terms and Conditions

120 Q. What are ComEd’s General Terms and Conditions?

121 A. ComEd's General Terms and Conditions are tariff provisions generally applicable to all  
122 tariffs included in ComEd's Schedule of Rates, to electric service provided by ComEd,  
123 and to retail customers located in ComEd's service territory.

124 Q. Are modifications to General Terms and Conditions appropriate for implementing the  
125 Program?

126 A. Yes. General Terms and Conditions should be modified to conform with ComEd's  
127 authority under the law, which allows ComEd to place applicable charges on the electric  
128 service bills of customers who are participating in the Program and disconnect electric  
129 service to participants that default on the payment of those charges. Of course, electric  
130 service disconnection would only be undertaken in conformance with the relevant  
131 provisions of Part 280 of the Commission's rules and the Act. The proposed  
132 modifications to General Terms and Conditions are provided in ComEd Ex. 2.1 attached  
133 to my direct testimony. Such modifications are in accordance with subsections (c)(4) and  
134 (c)(6) of Section 16-111.7 of the Act and should be approved by the ICC.

135 Q. Will the charges applied to the electric service bills of a participating customer in order to  
136 repay the loans taken through the Program be reflected on a separate line item?

137 A. Yes. Such charges will be reflected on a separate line item, apart from other applicable  
138 charges.

139 Q. How will the charges applicable to participating customers be determined?

140 A. The principal and interest payments reflected in the charges will be determined by the  
141 financial institution that is selected through the joint request for proposals ("RFP")  
142 process as described by ComEd Witness Timothy Melloch (ComEd Ex. 1.0).

143 C. Proposed Revisions to Rider EDA – Energy Efficiency and Demand  
144 Response Adjustment

145 Q. What is Rider EDA?

146 A. Rider EDA is a cost recovery and tracking tariff that was approved by the Commission in  
147 Docket No. 07-0540 to fulfill the cost recovery provisions of Section 12-103 of the Act,  
148 which were subsequently moved to Section 8-103 of the Act.

149 Q. How does Rider EDA operate?

150 A. Currently, Rider EDA provides for the recovery of all incremental costs incurred by  
151 ComEd and the Department of Commerce and Economic Opportunity (“DCEO”) associated with energy efficiency and demand response plans approved by the  
152 Commission and implemented by ComEd and DCEO, including both capital investments and operating and maintenance (“O&M”) expenses. Under Rider EDA, three separate  
153 charges (or adjustments) are determined periodically, which are respectively applied to  
154 the kilowatt-hours (“kWhs”) delivered to customers in three broad customer groupings  
155 established thereunder. Generally speaking, the three customer groups are segmented as  
156 follows: (1) residential; (2) lighting and non-residential with demands that do not exceed  
157 one megawatt (“MW”); and (3) non-residential with demands that exceed one MW. The  
158 adjustment applicable to the kWhs delivered to the customers in each group under Rider  
159 EDA generally reflects an allocation of the costs incurred under the energy efficiency and  
160 demand response plan based on the amounts expended on each group, in accordance with  
161 cost causation principles. Furthermore, the costs allocated to each group annually reflect  
162 the revenue requirement equivalent of the return on and of capital investments and a  
163 three-year amortization of the legal and consultative costs associated with development  
164  
165

166 of the energy efficiency and demand response plan, which is consistent with the  
167 amortization of rate case expenses.

168 Rider EDA also establishes an annual reconciliation process to review the  
169 prudence of expenditures incurred and to review the automatic true-up of the actual costs  
170 incurred with the revenues obtained through the application of the Energy Efficiency and  
171 Demand Response Adjustment (“EDA”). The annual review process begins in August of  
172 each year with the filing of a report by ComEd, which includes the results of an internal  
173 audit verified by a ComEd officer. The EDAs are filed in May of each year and are  
174 generally in effect from the June monthly billing period through the May monthly period  
175 of the following year, barring any changes that would warrant a mid-term adjustment.

176 Q. What are the proposed modifications to Rider EDA that provide for recovery of Program-  
177 related costs?

178 A. As shown in ComEd Ex. 2.2, ComEd proposes to modify Rider EDA to extend all the  
179 key features of that cost recovery and tracking mechanism to costs incurred under the  
180 Program. The revisions to the definition of “Incremental Costs” in the Definitions  
181 section of Rider EDA describe the costs of the Program that ComEd seeks to recover  
182 through the rider. The revisions mirror how recoverable costs are defined for energy  
183 efficiency and demand response programs. The revisions to the “EDA Computation and  
184 Application” section reflect that the cost to develop, implement, administer, and evaluate  
185 the Program will be recovered only from residential customers. This revision is proposed  
186 because, at least initially, the Program will be available only to residential customers.  
187 Finally, the revisions to the “Annual Reporting” section expand the scope of the required  
188 internal audit examination to include the Program costs. Such modifications are in

189 accordance with subsection (f) of Section 16-111.7 of the Act and should be approved by  
190 the Commission.

191 Q. Does ComEd expect any additional sources of revenues, other than revenues derived  
192 through application of EDAs, which could be used to offset the Program costs recovered  
193 under Rider EDA?

194 A. No. Unlike the energy efficiency and demand response plan, under which revenues were  
195 expected to result from the sale of demand response to the PJM Interconnection, L.L.C.  
196 (“PJM”), there are no extraneous revenue sources that can be used to offset costs incurred  
197 under the Program. Therefore, ComEd did not revise the terms included in the formula set  
198 forth in the “EDA Computation and Application” section to provide for such an offset.

199 Q. Would recovering Program costs through Rider EDA enable ComEd to double-recover  
200 its costs?

201 A. No. None of the Program’s Incremental Costs that ComEd intends to recover through  
202 Rider EDA are currently reflected in ComEd’s base rates. Further, the proposed  
203 revisions to Rider EDA modify the scope of the internal audit included in Rider EDA  
204 specifically to include an examination that ensures Program costs recovered through the  
205 application of Rider EDA are not also recovered under tariffs other than Rider EDA.

206 Q. What Program costs does ComEd intend to recover through Rider EDA?

207 A. Mr. Melloch (ComEd Ex. 1.0) describes the types of start-up, administrative, and  
208 evaluation costs associated with the Program that ComEd intends to recover through the  
209 application of Rider EDA.

210 Q. Would the Program costs recovered through Rider EDA have an impact on the overall  
211 portfolio budget set by subsection (d) of Section 8-103 of the Act for ComEd's energy  
212 efficiency and demand response plan?

213 A. No. It is ComEd's legal interpretation that the Program costs are separate from those for  
214 the energy efficiency and demand response plan and should not be counted toward the  
215 budget set by subsection (d) of Section 8-103 of the Act.

216 Q. Is the \$2.5 million in eligible Program financing described in subsection (c)(7) of Section  
217 16-111.7 of the Act part of the overall portfolio budget within ComEd's energy efficiency  
218 and demand response plan?

219 A. No. The \$2.5 million in eligible Program financing, as discussed by Mr. Melloch  
220 (ComEd Ex. 1.0), is to be supplied by a financial institution and is not a part of the  
221 overall portfolio budget set for ComEd's energy efficiency and demand response plan.

222 Q. Why does ComEd Ex. 2.2 not reflect changes to the currently effective Rider EDA?

223 A. Although proposed revisions to Rider EDA were approved on February 2, 2010 by the  
224 ICC in Docket No. 09-0433, ComEd has not yet made the compliance filing in  
225 accordance with the Order entered in that proceeding. Sheet No. 247 of Rider EDA, as  
226 approved in that proceeding, is expected to be effective by March 9, 2010, and Rider  
227 EDA with that expected modification is, therefore, used as the base document to present  
228 the revisions that ComEd is proposing in this proceeding.

229 D. Proposed Revisions to Rider UF – Uncollectible Factors

230 Q. What is Rider UF?

231 A. Rider UF is a tariff that allows ComEd to recover uncollectible costs. Currently, it is  
232 applicable only to customers for which ComEd provides electric power and energy  
233 supply. However, in accordance with the provisions of Section 16-111.8 of the Act,  
234 ComEd proposed revisions to Rider UF which will result, in part, in the tariff being  
235 applicable to all retail customers. The proposed revisions to Rider UF have been  
236 addressed and further modified in Docket No. 09-0433, and were approved on February  
237 2, 2010.

238 Q. How does Rider UF operate?

239 A. As approved in Docket No. 09-0433, Rider UF will implement the mechanism to allow  
240 ComEd to recover its bad debt expense, as identified in Account 904 of the Uniform  
241 System of Accounts filed in its annual Federal Energy Regulatory Commission (“FERC”)  
242 Form 1: Annual Report of Major Electric Utilities, Licensees, and Others (“Form 1”).  
243 The tariff will provide for supply-related uncollectible costs to be identified and  
244 recovered separately from distribution-related uncollectible costs. Within each of those  
245 two functional groupings, it provides for uncollectible costs to be identified and  
246 recovered from distinct customer groupings. Specifically, all bad debt expense  
247 associated with the provision of electric power and energy supply will be recovered  
248 through Rider UF, while with respect to uncollectible costs associated with distribution  
249 service, the difference between the bad debt expense amount associated with distribution  
250 service in FERC Account 904 and uncollectible costs included in base rates will be  
251 recovered through Rider UF.

252 Q. Is ComEd seeking to recover uncollectible costs associated with the Program, as  
253 permitted under subsection (c)(6) of Section 16-111.7 of the Act?

254 A. Yes.

255 Q. Are modifications to Rider UF appropriate to effectuate the recovery of uncollectible  
256 costs associated with the Program through that rider?

257 A. Yes. ComEd is proposing clarifying revisions to Rider UF to remove ambiguity  
258 regarding the recovery of uncollectible costs incurred by ComEd related to the Program  
259 through Rider UF. The revisions shown in ComEd Ex. 2.3 provide those clarifications,  
260 are in accordance with subsection (c)(6) of Section 16-111.7 of the Act, and should be  
261 approved by the Commission.

262 Q. Why does ComEd Ex. 2.3 not reflect changes from the currently effective Rider UF?

263 A. Although proposed revisions to Rider UF were approved on February 2, 2010 by the ICC  
264 in Docket No. 09-0433, ComEd has not yet made its compliance filing in accordance  
265 with the Order entered in that proceeding. Rider UF, as approved in that proceeding, is  
266 expected to be effective by March 9, 2010, and that modified Rider UF is, therefore, used  
267 as the base document to show the clarifying revisions that allow ComEd to recover  
268 uncollectible costs associated with the Program.

269 Q. From what customer group will ComEd recover the uncollectible costs it incurs that are  
270 associated with the Program?

271 A. ComEd will recover uncollectible costs it incurs that are associated with the Program  
272 from residential customers because only residential customers will initially be eligible to  
273 participate in the Program.

274 Q. How will ComEd track the recovery of uncollectible costs related to the Program and  
275 recovered through Rider UF?

276 A. ComEd will track the recovery of uncollectible costs associated with the Program  
277 together with the distribution-related uncollectible costs ComEd incurs that are associated  
278 with residential customers.

279 Q. Will a separate line item appear on residential customer bills to recover uncollectible  
280 costs associated with the Program?

281 A. No. As it is expected to be administered at the conclusion of Docket No. 09-0433,  
282 distribution-related uncollectible costs associated with residential customers will be  
283 incorporated into the customer charge, standard metering service charge, and distribution  
284 facilities charge line items applicable to residential customers. Because the uncollectible  
285 costs associated with the Program will be tracked together with distribution-related  
286 uncollectible costs, they will also be incorporated into the customer charge, standard  
287 metering service charge, and distribution facilities charge line items applicable to  
288 residential customers.

289 Q. With respect to the tariff changes that you addressed in this testimony, do you have a  
290 recommendation for the timing of ComEd's compliance tariff filing?

291 A. Yes. ComEd recommends that its compliance tariff filing should be made within 30 days  
292 after the date the Order is entered.

293 Q. Does this complete your direct testimony?

294 A. Yes.