



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

2 A. David F. Vite. My business address is 19 S. LaSalle St., Suite 300, Chicago, IL 60603.

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

4 A. I am the President and CEO of the Illinois Retail Merchants Association (“IRMA”). My  
5 resume is attached as CG Exhibit 2.1.

6 **Q. On whose behalf are you testifying?**

7 A. The Commercial Group, which is an ad hoc association that includes the Best Buy Co,  
8 Inc., J.C. Penney Corporation, Inc., Macy’s, Inc., Safeway Inc., Sam’s West, Inc., Target,  
9 Inc., and Wal-Mart Stores, Inc. The group also includes the Illinois Retail Merchants  
10 Association.

11 **Q. Please describe the Illinois Retail Merchants Association.**

12 A. The Illinois Retail Merchants Association is an Illinois not-for-profit trade association  
13 which is recognized as the spokesman for Illinois retailing. Within its membership are  
14 retailers in all merchandise lines located throughout this State. Direct membership  
15 includes approximately 10,000 food and non-food retailers ranging in size from small  
16 “mom and Pop” businesses to national chains. Subscribing memberships held by local  
17 chambers of commerce, retail committees, and shopping center organizations raise  
18 IRMA’s membership to over 23,000 Illinois retailers which account for approximately 85  
19 percent of all retail sales in Illinois.

20 **Q. Have you testified in prior proceedings before the Illinois Commerce Commission?**

21 A. Yes. As the convener of the Procurement Working Group I presented the findings of the  
22 Group prior to the initial Auction process. Additionally, I appeared before the  
23 Commission in connection with the “De-Regulation” Act of 1997 as the facilitator of the  
24 negotiations which led to the Act. I also provided testimony in ComEd’s 2007 rate case.  
25 Finally, I was a witness before the Commission during its fact-finding inquiry in the  
26 process of making a report to the General Assembly regarding the Tenaska project.

27 **Q. What is the purpose of your testimony?**

28 A. I am responding to direct testimony of ComEd Witnesses Hemphill and Alongi. On  
29 behalf of the Commercial Group, I am providing the general response to this testimony  
30 from the perspective of the Illinois Retail Merchants Association while Mr. Richard  
31 Baudino (CG Ex. 1.0) is providing the technical response to this testimony.

32 **Q. Please summarize your testimony.**

33 A. In short, I urge the Commission to set rates for the various classes of ComEd customers  
34 based upon the cost of serving each class and eliminate subsidies. These class subsidies  
35 have continued for years now, and Illinois retailers have been weighed down for too long  
36 by the burden of the subsidies. In this current economic environment, retailers can bear  
37 this burden no longer.

38 **Q. Please describe the impact retail companies have in Illinois.**

39 A. These commercial customers of ComEd have a significant positive economic impact on  
40 the State of Illinois. Illinois retailers employ one of every five working Illinoisans and  
41 generate nearly one-third of the revenues that fund State government. Typically, local

42 governments rely on 50 percent of their revenues coming from the sales tax revenues  
43 generated in their communities by retailers. The commercial sector pays nearly 25  
44 percent of all property taxes levied in this State and funds local governments through  
45 Personal Property Tax Replacement Income Tax payments. In addition, the group  
46 supports thousands of other Illinois businesses as well by purchasing tens of billions of  
47 dollars each year of services and supplies from Illinois businesses. Of course, rising  
48 energy costs are a significant cost component for the operations of members of our group.

49 **Q. Please describe any changes to the retail environment that have occurred since you**  
50 **testified in ComEd's last rate case.**

51 A. Needless to say, the economy has caused retail sales to suffer without a corresponding  
52 decrease in operating costs. Many retailers have decreased payrolls, closed stores,  
53 reduced inventories and limited new capital expenditures. Each of these actions affect  
54 employees and customers' shopping experience. Customers have traded down in their  
55 buying patterns and are shopping for fewer items to conserve cash.

56 **Q. What have ComEd witnesses stated in this proceeding about on-going subsidies?**

57 A. ComEd witnesses have generally opposed rate subsidies. For example, the first  
58 recommendation in Ross Hemphill's List of Issues and Major Recommendations (ComEd  
59 Ex. 14.0 Revised) is "ComEd's delivery revenue requirement should be fairly allocated to  
60 classes in accordance with the shares of ComEd's distribution costs that they cause."  
61 This is the correct philosophy. In his direct and supplemental testimony, Mr. Alongi  
62 seems to agree with this approach, although he mentions that ComEd has proposed to  
63 move rates for the largest size load classes only 33 percent of the way to cost '[i]n

64 recognition of the Commissions directive” in the 2007 rate case. Alongi Direct (Ex. 16.0  
65 Rev.), p. 12, ln. 255.

66 **Q. Do you agree with this approach?**

67 A. I agree with ComEd’s general philosophy that rates should reflect costs. I disagree that  
68 subsidies should be continued. As ComEd witness Crumrine pointed out in the last  
69 ComEd rate case, large interclass subsidies have existed at least since a settlement  
70 agreement on interclass revenue allocations imposed large subsidies in the 2001 rate case  
71 (Docket No. 01-0423). In addition, ComEd has presented numerous sets of proposed and  
72 exemplar rates, and many cost of service and rate design issues are at play in this  
73 proceeding. So also, ComEd has presented alternative regulation costs in Docket 10-  
74 0527. However, once these issues are resolved, the actual rates implemented should be  
75 based on the class cost of service the Commission adopts in this proceeding.

76 **Q. Is it good public policy for rate subsidies to continue?**

77 A. No. Just because commercial companies may not have been as active as other customer  
78 groups in Illinois in prior rate cases is no reason for these customer classes to continue to  
79 pay above-cost rates so as to subsidize other customer classes. Members of these classes  
80 paying above-cost rates include not only retail establishments but schools, churches and  
81 homeless shelters, among others. Further, these customers have been subsidizing other  
82 customers for many years so if anything, it would be fair for the smaller non-residential  
83 classes to pay below-cost rates for awhile. At a minimum, the Commission should set  
84 on-going rates at cost thereby eliminating the unfair rate subsidies.

85 **Q. What impact would continuing rate subsidies have on Illinois retail companies?**

86 A. It would have a decidedly negative impact. Energy costs are one of the top variable costs  
87 that the retail community faces. As retailers are faced with increased costs in electricity  
88 they will be unable to absorb increasing costs in other areas such as higher transportation  
89 costs of food, pharmacy and other consumer goods. They will not be able to absorb  
90 rising product costs for meat, poultry, milk and produce and will be required to pass those  
91 increases to Illinois consumers in the form of higher prices to feed Illinois families. The  
92 proposal to continue the cross-subsidization of other rate payers will only add to the  
93 burden of Illinois families.

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

95 A. Yes.