

**DIRECT TESTIMONY**

**of**

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Commonwealth Edison Company

Proposed General Increase in Electric Rates

Docket No. 10-0467

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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,  
5        Springfield, Illinois 62701.  
6

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

8   A.    I am a Senior Rate Analyst with the Illinois Commerce Commission  
9        ("Commission"). I work in the Financial Analysis Division on rate design and cost-  
10       of-service issues.  
11

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

13   A.    My experience includes eighteen years of employment at the Commission where  
14        I have provided testimony and performed related ratemaking tasks. My testimony  
15        has addressed cost-of-service, rate design, load forecasting and demand-side  
16        management issues that concern both electric and gas utilities.  
17

18        Previously, I served as a Research Associate with the Tellus Institute, an energy  
19        and environmental consulting firm in Boston, Massachusetts. I also spent two  
20        years with the Minnesota Department of Public Service as a Senior Rate Analyst,  
21        addressing rate design issues and evaluating utility-sponsored energy  
22        conservation programs.  
23

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

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

27

28 **Q. Please begin by introducing the Staff witnesses who will provide testimony**  
29 **on cost of service and rate design issues in this case.**

30 A. The Staff witnesses and the subject of their testimony are as follows:

31 -I will discuss the Company's proposed and exemplar rates; the analysis of  
32 primary and secondary costs; nonresidential rate design; and the issue of  
33 conforming rates to the revenue requirement approved by the Commission.

34 -Cheri Harden will address the Company's miscellaneous charges.

35 -Philip Rukosuev will address all other cost of service issues.

36 -Christopher Boggs will discuss the allocation of revenues among rate classes as  
37 well as residential rate design.

38 -Eric Schlaf will discuss customer charge issues for customers under the RRTP  
39 tariff.

40 -Torsten Clausen will discuss supply charges for bundled customers.

41

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

43 A. My testimony focuses on both cost of service and rate design issues. With  
44 respect to the cost of service, I address Commonwealth Edison Company's  
45 ("ComEd" or "Company") proposed allocation of costs between primary and

46 secondary customers. My rate design testimony focuses on the Company's  
47 proposed non-residential rates.

48

49 **Q. Please summarize your conclusions.**

50 A. I conclude as follows:

- 51 • By supplanting the rate and cost proposals in its original filing with  
52 exemplar updates in a supplemental filing that it does not propose,  
53 ComEd creates confusion about its positions and undermines its own  
54 credibility on these issues. Where two choices exist, Staff will focus its  
55 attention on the exemplar rate or study presented in ComEd's  
56 Supplemental Direct Testimony ("Supplemental Filing") because it is  
57 consistent with the Commission's Order in Docket No. 08-0532 ("08-0532  
58 Order") while the corresponding proposal in the Company's Initial Filing on  
59 June 30, 2010 ("Initial Filing") is not.<sup>1</sup>
- 60 • The Company's analysis of the primary/secondary cost issue in its  
61 Supplemental Filing is more consistent with the Commission's 08-0532  
62 Order than the analysis provided in ComEd's Initial Filing. However, that  
63 primary/secondary study falls short in complying with Commission  
64 directives in two areas: (1) the use of direct observation; and (2) the  
65 analysis of primary/secondary studies conducted by other utilities. The  
66 Company should be required to address these two issues in a more  
67 complete and responsive manner.

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<sup>1</sup> Docket 08-0532 was the proceeding initiated by the Commission to investigate the rate design of ComEd pursuant to Sec. 9-250 of the Public Utilities Act.

- 68           • The Company’s exemplar primary class is flawed because it fails to  
69           incorporate cost differences based on customer size. The alternative  
70           primary rate design I propose should be adopted instead.

71

72           **Initial Filing Rates vs. Supplemental Direct Testimony Rates**

73

74   **Q. Do you find it necessary to address an issue arising from the different rate**  
75   **designs presented in the Company’s Initial Filing and Supplemental Filing?**

76   A. Yes. The issue concerns which of these different rate designs the Company is  
77   actually proposing in this case.

78

79   **Q. Please explain.**

80   A. The Company created confusion in its Initial Filing by stating that it did not have  
81   sufficient time to prepare a set of rates that were consistent with the  
82   Commission’s 08-0532 Order. ComEd witness Hemphill discussed the issue as  
83   follows in his direct testimony:

84           Q. How has ComEd taken into account the Commission’s April 21, 2010  
85           decision in *Illinois Commerce Comm’n v. Commonwealth Edison Co.*, ICC  
86           Docket No. 08-0532 (the “Rate Design Investigation”) in developing its  
87           rate proposal?

88

89           A. ComEd made every practical effort to file compliant tariffs from the  
90           outset...However, after the final order in the Rate Design Investigation  
91           was issued there was insufficient time to change the filing to reflect all of  
92           that order’s decisions. (ComEd Ex. 14.0 Revised, pp. 7-8)

93

94 In this passage, Mr. Hemphill clearly states that the Company intended to make  
95 its proposed rates fully compliant with the Commission Order but was unable to  
96 because of a lack of time.

97

98 **Q. How did the Company plan to address this deficiency?**

99 A. As Mr. Hemphill subsequently states, “ComEd intends to request permission to  
100 file supplemental direct testimony to address those remaining directives. Our  
101 target for doing so is 60 days hence.” (ComEd Ex. 14.0 Revised, p. 8)

102

103 **Q. What do you conclude from this discussion?**

104 A. Since the rates which were to be filed in 60 days would have met the Company’s  
105 stated intention to propose a fully compliant set of rates, the clear implication of  
106 Mr. Hemphill’s discussion is that the supplemental rates will become part of the  
107 Company proposal. The fact that there is no other discussion in the Initial Filing  
108 to suggest otherwise reinforces this conclusion. (ComEd Response to Staff Data  
109 Request PL 8.01(b))

110

111 **Q. Did the subsequent Supplemental Filing confuse the issue of what the  
112 Company would be proposing in this case?**

113 A. Yes. The Company confused the issue by identifying the compliant rates filed in  
114 its Supplemental Filing 40 days later as “exemplar” rates.<sup>2</sup> (ComEd Response to  
115 Staff Data Request PL 8.01(b)) The only explanation of the purpose of these

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<sup>2</sup> ComEd defines “exemplar” to be illustrative (ComEd Response to Staff Data Request PL 8.01(e)).

116 exemplar rates in the Company's Supplemental Filing is the statement by ComEd  
117 witness Alongi that one purpose of his testimony is to "provide an exemplar rate  
118 design and exemplar tariff revisions that would be implemented in the event the  
119 Commission directs ComEd to utilize the primary/secondary analyses presented  
120 in this testimony and the ECOSS in ComEd Ex. 22.1 for rate making purposes."  
121 (ComEd Response to Staff Data Request PL 8.01(c)) The Company interprets  
122 this passage to mean that these exemplar rates "would be used for rate making  
123 purposes only if the Commission ordered ComEd to use them for such  
124 purposes." (Id.)

125

126 Noticeably absent from the Supplemental Filing is a clear, direct statement about  
127 whether the exemplar rates would be part of the Company rate design proposals  
128 in this case. This is particularly problematic because as previously noted Mr.  
129 Hemphill implies in ComEd's Initial Filing that they would.

130

131 **Q. Has the Company subsequently clarified what its rate design proposals are**  
132 **in this case?**

133 A. Yes. The Company did so in response to discovery where it stated:

134 Please note that ComEd is not proposing that the exemplar rate design  
135 and structure presented in its supplemental direct testimony (ComEd Ex.  
136 21.0 Revised) should be adopted. ComEd's proposed rate design and  
137 structure is presented in ComEd's direct testimony (ComEd Ex. 16.0  
138 Revised). (ComEd Response to Commercial Group Data Request CG-  
139 2.10)

140

141 That request was served on October 11, more than three months after the June

142 30<sup>th</sup> filing.

143

144 **Q. Did ComEd subsequently indicate why it is not proposing the exemplar**  
145 **rates presented in its Supplemental Filing?**

146 A. Yes. In response to discovery, ComEd indicates that it is not proposing the  
147 adoption of the exemplar Supplemental Filing rates because of differences with  
148 the Commission's conclusion in the 08-0532 Order concerning the allocation of  
149 transformers, the creation of the Primary Class and other issues. (ComEd  
150 Response to Staff Data Request PL 8.01(d))

151

152 That response was served on October 25.

153

154 **Q. Do you find an inconsistency in the Company's discussion of this issue?**

155 A. Yes. Originally, Mr. Hemphill states that the Company planned to propose a  
156 compliant set of rates but could not due to lack of time. However, by October 25,  
157 the Company states that it does not propose fully compliant rates because of  
158 policy differences with the Commission Order.

159

160 **Q. Does this inconsistency and confusion create problems for Staff and**  
161 **Intervenors?**

162 A. Yes. It makes it difficult to identify the Company rate design proposals that need  
163 to be addressed in direct testimony. It was not clear until October 11 that the  
164 Company's rate design and ECOSSE proposals would be limited to its Initial Filing.

165

166 **Q. What course of action will Staff pursue in its review of ComEd’s evidence**  
167 **in this case?**

168 A. Staff will adopt a two-fold approach. For those proposals from the Initial Filing  
169 that were also addressed in the Supplemental Filing, Staff will address the  
170 “exemplar” rates and associated analyses presented in the Supplemental Filing.  
171 However, for those proposals from the Initial Filing that were not revised in the  
172 Supplemental Filing, Staff will address those proposals from ComEd’s Initial  
173 Filing.

174  
175 **Q. Why will Staff address the exemplar proposals in the Supplemental Filing**  
176 **rather than the corresponding proposals in the Company’s Initial Filing?**

177 A. The reason is that the exemplar proposals in the Supplemental Filing are  
178 consistent with the Commission’s 08-0532 Order while the corresponding  
179 proposals in the Company’s Initial Filing are not. Thus, Staff does not consider  
180 those Initial Filing proposals to be consistent with the Commission’s perspectives  
181 on these issues.

182  
183 **Q. Please provide an example of a Company proposal from the Initial Filing**  
184 **that Staff will address in direct testimony.**

185 A. An example is the proposal for a phased-in Straight-Fixed Variable (SFV) rate  
186 design. While the specific SFV rates developed may vary between the Initial  
187 Filing and Supplemental Filing rates, the arguments and support for that rate  
188 design concept are presented in the Initial Filing. Therefore, Staff will address the

189 Company's SFV proposal as presented in its Initial Filing in discussing this rate  
190 design concept.

191

192 **Q. Please provide an example of a component of the Company's filing where**  
193 **Staff will address the alternative presented in ComEd's Supplemental**  
194 **Filing.**

195 A. An example is the analysis of primary and secondary costs used to develop the  
196 Company's embedded cost of service study ("ECOSS") and rate design. The  
197 proposed rates in the Company's Initial Filing incorporate the results of the  
198 analysis of primary and secondary costs presented in ComEd Ex. 16.5. The  
199 Company explains the relationship of this study to the study it presented in  
200 Docket No. 08-0532 as follows:

201 The primary/secondary analysis provided as ComEd Ex. 16.5 attached to  
202 ComEd Ex. 16.0 is the same analysis provided in the Rate Design  
203 Investigation proceeding in that the costs in each plant account are  
204 assigned as primary or secondary costs using the same assumptions and  
205 allocations provided in the Rate Design Investigation proceeding. The only  
206 change to the analysis provided in ComEd Ex. 16.5 from the analysis  
207 provided in the Rate Design Investigation proceeding is that the plant  
208 costs are updated to be the plant costs as of December 31, 2009. (ComEd  
209 Response to Staff Data Request PL 6.11)

210

211 **Q. Why will Staff not address the Initial Filing's analysis of primary and**  
212 **secondary costs in its direct testimony?**

213 A. The Commission already examined this analysis and directed that it be changed  
214 in the 08-0532 Order issued on April 21, 2010 (See Order at 84-85). By  
215 proposing virtually the same study in the Initial Filing, the Company is ignoring

216 the Commission's directives from that case. It would be wasteful and inefficient to  
217 address proposals that the Commission recently rejected.

218

219 **Q. What approach will Staff therefore take concerning the analysis of primary  
220 and secondary costs?**

221 A. Staff will address the analysis of primary and secondary costs presented in the  
222 Company's Supplemental Filing (ComEd Ex. 21.5). That analysis is responsive to  
223 the 08-0532 Order and reflects the Commission's directives on these issues.  
224 Thus, ComEd Ex. 21.5 seeks to be consistent with that Order while ComEd Ex.  
225 16.5 does not. For this reason, Staff finds it more useful to focus on the analysis  
226 of primary and secondary costs in the Company's Supplemental Filing than the  
227 analysis presented in the Initial Filing which supports the Company's proposed  
228 rates.

229

230 **Q. Will Staff be prepared to change course in rebuttal and also discuss  
231 proposals from ComEd's Initial Filing that correspond to exemplar rates  
232 presented in the Company's Supplemental Filing?**

233 A. Yes. By placing two sets of positions on the record in its Initial and Supplemental  
234 Filings, the Company has placed the onus on Staff and other parties to decide,  
235 when faced with two choices, whether to address the Initial Filing proposal, the  
236 Supplemental Filing exemplar alternative, or both.

237

238 If the Company continues to support the proposals in its Initial Filing or other  
239 parties decide to focus their attention on those proposals rather than the  
240 alternatives presented in the Supplemental Filing, Staff may find it necessary to  
241 respond to the applicable arguments in its rebuttal testimony.

242

## 243 **Primary and Secondary Costs**

244

245 **Q. Please begin by discussing the background of the primary and secondary**  
246 **cost issue for ComEd.**

247 A. This is an issue that began in ComEd's previous general rate case (Docket No.  
248 07-0566) where the Commission criticized the cost of service study submitted by  
249 ComEd for failing to break down system costs into primary and secondary  
250 service components. The Commission decided that the problems with the cost  
251 study could not wait until the next rate case, so it initiated a proceeding for  
252 ComEd (Docket No. 08-0532) to address cost of service and rate design issues  
253 only.

254

255 **Q. Please summarize the primary and secondary cost analysis proposed by**  
256 **the Company in Docket No. 08-0532.**

257 A. ComEd presented an analysis for that case that broke down costs into primary  
258 and secondary service components and estimated the number of primary and  
259 secondary customers. Those customers considered primary were only allocated

260 a share of primary costs while secondary level customers were allocated shares  
261 of both primary and secondary costs.

262

263 **Q. How did the Company divide costs into primary and secondary service**  
264 **components?**

265 A. The Company considered all plant that provided electric service at voltages  
266 ranging from 4 kV to below 69 kV to be primary, and remaining plant providing  
267 electric service at voltages below 4 kV was considered secondary. (ComEd Ex.  
268 1.0, pp. 14-15)

269

270 One element of the Company study that proved controversial was the  
271 classification of transformers that step down voltages from primary to secondary  
272 levels as primary. ComEd justified this approach on the basis that voltages enter  
273 transformers at the primary level. Intervenors responded to this proposal by  
274 arguing that transformers are secondary costs because the outgoing voltage is  
275 secondary and, therefore, the equipment only serves secondary customers.

276

277 **Q. How did the Company divide customers between primary and secondary**  
278 **service?**

279 A. The determining factor for ComEd was whether customers made use of the  
280 secondary distribution network. So, for example, secondary level customers that  
281 take service directly from a transformer and thereby bypass the secondary

282 system were considered primary customers. Remaining customers taking service  
283 from the secondary network were considered secondary.

284

285 **Q. What do you consider the Commission's two key conclusions concerning**  
286 **the Company's primary and secondary cost analysis for Docket 08-0532?**

287 A. First, the Commission rejected the Company's proposed classification of  
288 transformers as primary costs, stating, "we find that ComEd's current method of  
289 allocating transformer costs is not appropriate." The Commission went on to  
290 explain that "[w]hen the exiting voltage of the transformer is secondary, the  
291 transformer can only serve secondary customers and should be allocated as a  
292 secondary cost." (Final Order, Docket No. 08-0532, April 21, 2010, p. 38)

293

294 Second, the Commission rejected ComEd's definition of primary service. The  
295 Commission explained:

296 In addition to the 300 primary only customers, other customers, including  
297 multifamily residential customers, receive secondary voltage directly from  
298 line transformers fed by primary voltage circuits. ComEd presently  
299 considers these customers to be primary service customers. According to  
300 our reading of ComEd's tariffs, they should be considered secondary  
301 service customers. We find that the rates charged to these customers  
302 should reflect their use of transformers and some use of the secondary  
303 distribution system. (*Id.*, p. 39)

304

305 The Commission went on to specify in the Order that only customers receiving  
306 service at 4 kV and higher should be considered primary system customers. (*Id.*,  
307 p. 84)

308

309 **Q. Did the Commission require the Company to take any additional steps in its**  
310 **analysis of primary and secondary costs?**

311 A. Yes. The Commission directed the Company to take five additional steps in its  
312 analysis of primary and secondary costs that focus on:

313 1) direct observation or sampling and estimation techniques of ComEd's  
314 system to develop more accurate and transparent differentiation of  
315 primary and secondary costs;

316 2) other utilities' methods of differentiating primary and secondary costs;

318 3) function based definitions of service voltages for facilities other than the  
319 line transformers already addressed;

320 4) an analysis of which customer groups are served by which system  
321 service components; and

323 5) consideration of redefining rate classes on the basis of voltage or  
324 equipment usage to better reflect the cost of service.

325  
326 (*Id.*, p. 40)

328  
329

330 **Q. Did the Commission indicate when these changes to the cost of service**  
331 **study should be made?**

332 A. Yes. The Commission stated that "in its next rate filing, ComEd should provide an  
333 updated ECOSS consistent with this Order for consideration in that proceeding."

334 (*Id.*, p. 84)

335

336 **Q. Did the Company provide an updated study in its Initial Filing for this case?**

337 A. No, it did not. The cost of service changes ordered by the Commission were not  
338 provided by the Company until its Supplemental Filing which came 40 days after  
339 its Initial Filing.

340

341 **Q. Please describe the ECOSS submitted in ComEd's Supplemental Filing.**

342 A. The study responds to the Commission's 08-0532 Order by revising some of the  
343 precepts on which the ECOSS is based. For example, in response to the  
344 Commission's directives to consider redefining classes on the basis of voltage or  
345 equipment usage and limiting primary customers to those receiving power at 4  
346 kV or above, ComEd established a primary voltage rate class for customers  
347 receiving service at 4 kV or above. (ComEd Ex. 16.0 Rev., p. 15)

348

349 **Q. Does the Supplemental Filing ECOSS address the Commission Order's**  
350 **directives concerning function based definitions of service voltages for**  
351 **facilities and redefining rate classes on the basis of voltage or equipment**  
352 **usage?**

353 A. Yes, ComEd appears to address these directives through the revised allocation  
354 based on a revised definition of primary service that reflects the actual voltage at  
355 which service is received.

356

357 **Q. How does ComEd's definition of primary service in its Supplemental Filing**  
358 **impact customers it previously defined as primary in Docket No. 08-0532?**

359 A. It relegates the large majority of customers considered primary for the  
360 Company's ECOSS in Docket No. 08-0532 to classification as secondary  
361 customers. Those secondary customers taking power directly from a transformer  
362 considered primary in ComEd's analysis for Docket No. 08-0532 are now lumped

363 in with other secondary customers in the Supplemental Filing analysis. (ComEd  
364 Response to Staff Data Request PL 7.04)

365

366 **Q. How does this new definition affect the number of primary customers on**  
367 **the ComEd system?**

368 A. It reduces the number significantly. The Company now indicates there are only  
369 925 customers that qualify under its new definition which limits primary service to  
370 4 kV and above. (ComEd Ex. 16.0 Rev., p. 19) This is a significant decline from a  
371 previous estimate of more than 110,000 primary customers on the system based  
372 on the approach in Docket No. 08-0532. (ComEd Ex. 1.6, Docket No. 08-0532)

373

374 **Q. How does the Company allocate costs to conform to these definitions of**  
375 **primary and secondary service?**

376 A. ComEd breaks costs down into three categories: (1) costs to serve primary  
377 customers; (2) costs for secondary customers; and (3) costs shared between the  
378 two. (ComEd Ex. 21.5, pp. 1-2)

379

380 **Q. Does the Supplemental Filing's analysis present a new method of**  
381 **allocating transformer costs between primary and secondary service from**  
382 **Docket No. 08-0532?**

383 A. Yes, ComEd has fundamentally revised the allocator. Rather than maintaining  
384 the previous assumption that all transformer costs should be considered primary,

385 ComEd now considers only 1.9% of transformer costs as primary and allocates  
386 the remaining 98.1% to secondary service. (ComEd Ex. 16.0 Rev., p. 21)

387

388 **Q. What is your opinion of these changes to the definition of primary service**  
389 **and classification of transformer costs?**

390 A. I find them reasonable because they are consistent with the Commission's  
391 directives from its 08-0532 Order.

392

393 **Q. How did these changes affect the Company's proposed allocations to**  
394 **primary and secondary service for individual FERC accounts?**

395 A. The revised approach to transformers shifted the allocation of Account 362  
396 Distribution Equipment and Account 368 Distribution Line Transformers from  
397 primary to secondary service. It also impacted the allocation of Account 364  
398 Poles, Towers and Fixtures because certain poles carrying line transformers  
399 were reallocated from primary to a combination of shared and secondary costs.  
400 (ComEd Ex. 16.0 Rev., p. 22) With respect to Account 365 Overhead Conductors  
401 and Devices, additional costs associated with weather resistant wire and copper  
402 wire were reallocated to secondary because they are directly related to  
403 transformers that are now considered secondary in the Company's ECOSS.  
404 (ComEd Ex. 16.0 Rev., p. 22)

405

406 **Q. Did the Company also respond to the additional five directives in the**  
407 **Commission's 08-0532 Order?**

408 A. Yes, the Company's response is reflected in the Supplemental Direct Testimony  
409 of ComEd witness Alongi.

410

411 **Q. Please explain how the Company addresses the Commission directive**  
412 **concerning direct observation or sampling and estimation techniques and**  
413 **the directive to perform an analysis of which customer groups are served**  
414 **by which system service components.**

415 A. ComEd witness Alongi presents an overlapping discussion of these two  
416 directives. He begins by contending that ComEd's revised allocation of  
417 transformer costs that assigns the preponderance of these costs to secondary  
418 service is a response to the Commission directive to analyze which customer  
419 groups are served by which system components. (ComEd Ex. 16.0 Rev., p. 28)

420

421 Mr. Alongi turns to the issue of direct observation or sampling and estimation and  
422 states that the Company used actual data from its electronic systems, when  
423 available, along with manual reviews of its distribution system to confirm  
424 engineering assumptions about its distribution system. (ComEd Ex. 16.0 Rev., p.  
425 28)

426

427 Mr. Alongi then returns to the Commission directive concerning the analysis of  
428 which customer groups are served by which system components. He states that  
429 ComEd employed sampling techniques to assess whether individual  
430 underground distribution circuits serve primary or secondary customers. Mr.

431 Alongi indicates that analysis was unable to identify components of distribution  
432 circuits that are designed to serve secondary voltages only. According to Mr.  
433 Alongi, that is because ComEd's circuits are designed to be flexible and can be  
434 switched to serve different customers depending on its operating needs.

435

436 To support this conclusion, Mr. Alongi discusses four different primary circuits  
437 that deliver power through both overhead and underground facilities to primary  
438 and secondary customers. With interconnection points for various customers  
439 spread throughout those circuits, Mr. Alongi contends it would be "arbitrary and  
440 unnecessarily complicated" to identify the relative responsibility of primary and  
441 secondary customers for the associated plant costs. (ComEd Ex. 16.0 Rev., p.  
442 30) Thus, the Company allocates the cost of these circuits to primary and  
443 secondary customers alike.

444

445 **Q. In responding to Mr. Alongi's arguments, please begin by discussing the**  
446 **Company's use of direct observation or sampling and estimation to analyze**  
447 **primary and secondary costs.**

448 A. I am concerned that the Company incorrectly claims to have used direct  
449 observation of its system in preparing its analysis of primary and secondary  
450 costs. ComEd states as follows:

451 Direct observation was used to develop an approximation for the number  
452 of poles with secondary wire attached as provided on page 13 of 21 of  
453 ComEd Ex. 21.5. ComEd personnel performed a manual review of ComEd  
454 maps to determine if a random sample of pole numbers had secondary  
455 wire attached to such poles. (ComEd Response to Staff Data Request PL  
456 7.01)

457  
458 The Company also considers “a manual review and measurement of ComEd  
459 maps to determine the footage of conduit outside the City of Chicago to be direct  
460 observation.” (ComEd Response to Staff Data Request PL 7.01) No other  
461 instance of direct observation was cited by ComEd for its analysis of primary and  
462 secondary costs.

463

464 **Q. What concerns you about the Company’s discussion of direct observation?**

465 A. I take issue with ComEd’s definition of direct observation. I believe the concept  
466 means directly observing the system itself out in the field, not a map of the  
467 system.

468

469 **Q. Please explain.**

470 A. The information on a map reflects an interpretation by the mapmaker of what is  
471 essential information for a physical area. However, what the mapmaker regards  
472 as essential information for the purpose of creating the map may or may not be  
473 sufficient for other purposes such as the analysis of primary and secondary  
474 costs. Thus, direct observation is necessary to determine whether additional  
475 relevant information exists for the analysis of primary and secondary costs that  
476 may not have been included in the map.

477

478 There is a fundamental difference between directly observing the system and  
479 looking at a map of the system. The fact that the Company looked only at maps  
480 would indicate that it did not use direct observation in its analysis.

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**Q. Does this failure to employ direct observation in the analysis of primary and secondary costs appear to conflict with the Commission’s stated intent?**

A. Yes, it appears to conflict with the following conclusion from the Commission’s 08-0532 Order:

The record shows that when ComEd’s engineering estimates were compared to a very small number of system inspections they were found to be very inaccurate. While the Company could not be expected to inspect its entire system, some visual analyses would enable ComEd to conform the engineering assumptions that drive its analysis of primary and secondary costs to reality. We direct ComEd to conform the engineering assumptions that drive its analysis of primary and secondary costs through the implementation of sampling methods for physical inspections to confirm engineering judgments and to provide this supporting documentation in its cost of service testimony in subsequent rate proceedings before this Commission. (Final Order, Docket No. 08-0532, April 21, 2010, p. 38)

Given the Commission’s concerns that the Company’s engineering estimates were “very inaccurate” it is incumbent on ComEd to use all available tools to improve the accuracy of its analysis.

**Q. Are there any aspects of the Company’s analysis where direct observation may play a useful role in improving the accuracy of the results?**

A. Yes, direct observation may prove useful for determining the primary and secondary components of a number of system costs.

**Q. How might direct observation be used for FERC Account 364, Poles, Towers and Fixtures?**

511 A. It might be used to gather useful information in two areas related to this account.  
512 For example, ComEd indicates that it “does not have data readily available”  
513 necessary “to determine the exact number of poles” in its system with primary  
514 and secondary facilities or either primary or secondary facilities only. (ComEd Ex.  
515 21.5, p. 5) ComEd did prepare an estimate based on: (1) “limited pole and wire  
516 information” from its electronic mapping software (“CEGIS”); (2) applying “the  
517 results from ComEd’s field and map reviews of sample data” from Docket No. 08-  
518 0532 to identify the percentage of poles by region with secondary facilities  
519 attached (); and (3) estimating the number of poles with secondary transformers.  
520 (*Id.*) As a result, the Company estimated that 51.6% of wood poles 50 feet or less  
521 in its system have secondary facilities. (*Id.*)

522  
523 Direct observation of a sample of wooden poles above 50 feet could be  
524 employed to test ComEd’s assumption that none contain secondary facilities.

525 The Company could also observe a sample of poles 50 feet or lower to test the  
526 reasonableness of its estimate that 51.6% contain secondary facilities.

527  
528 Direct observation may also be useful to test ComEd’s assumption that the cost  
529 of poles which contain both primary and secondary facilities should be allocated  
530 between primary and secondary on a 50/50 basis. (*Id.*) ComEd justified this  
531 50/50 allocation on the basis of “engineering judgment” in Docket No. 08-0532  
532 (Docket 08-0532, ComEd Ex. 1.0, p. 18) and did not revisit that assumption in the  
533 present case.

534

535 The question is whether this 50/50 allocator accurately reflects the distribution of  
536 primary and secondary facilities on these poles. Again, direct observation of a  
537 sample of poles could confirm or undermine the reasonableness of ComEd's  
538 assumption about these costs.

539

540 **Q. Does the absence of direct observations make it difficult to craft an**  
541 **alternative to the Company's analysis of primary and secondary costs for**  
542 **Account 364?**

543 A. Yes. For example, when the Company employs a 50/50 allocation of costs on the  
544 basis of "engineering judgment" and fails to provide a further explanation for this  
545 approach, that results in a lack of evidence on which to either assess the  
546 reasonableness of this method or to develop an alternative allocation.

547

548 **Q. What is the direct observation issue for Account 365, Overhead**  
549 **Conductors and Wires?**

550 A. ComEd indicates it cannot find a basis for estimating the relative shares of  
551 weather resistant wire used for primary and secondary service. Without specific  
552 evidence, the Company argues that "the majority of the wire was generally used  
553 for wiring transformers and for secondary distribution" and, as a result, allocates  
554 the associated costs 70% to secondary and 30% to primary. (ComEd Ex. 21.5, p.  
555 6) Direct observation might be useful to evaluate the accuracy of this estimate.

556

557 **Q. How might direct observation be useful for Account 366, Underground**  
558 **Conduit?**

559 A. It could be used to shed light on the Company's estimate of the amount of  
560 underground conduit outside the City of Chicago that should be considered  
561 secondary. (ComEd Ex. 21.5, p. 7) ComEd estimates that 1.0% of these costs  
562 should be considered secondary based on field and map reviews conducted  
563 during the course of Docket No. 08-0532. Direct observation could be a useful  
564 tool to review this estimate.

565

566 **Q. Are you arguing that direct observation must necessarily be used in each**  
567 **of these cases?**

568 A. No. There is no guarantee that direct observation would provide useful  
569 information for determining the primary and secondary components of these  
570 costs. If direct observation is too difficult or too costly, then it may not prove  
571 beneficial. However, it is essential that the Company examine whether direct  
572 observation would be a viable option in these areas. If ComEd finds it is not  
573 viable, it should explain why.

574

575 ComEd should be required to pursue direct observation in the manner discussed  
576 above because of its reluctance to carry out this directive. If specific  
577 requirements are placed on the Company with regard to direct observation, that  
578 will increase the pressure on ComEd to satisfactorily implement this directive.

579

580 **Q. Can you identify any area where the Company did use direct observations**  
581 **in its analysis of primary and secondary costs?**

582 A. Yes. When it came to determining which customers should be considered  
583 primary customers receiving service at 4 kV or above, the Company indicates  
584 that it relied on “ComEd maps, billing records, and in many instances field  
585 reviews.” (ComEd Ex. 16.0 Rev., p. 18) These field reviews consisted of “a  
586 manual review of all 2,800 meter points with PTs.” Furthermore, ComEd  
587 estimated that “[t]his review would take about two hours to complete per  
588 customer account, or 2,800 labor-hours...to complete the entire review.”  
589 (Affidavit of Ross C. Hemphill, October 15, 2010)

590

591 **Q. What was the result of this analysis?**

592 A. The Company found that the number of customers receiving service at 4 kV and  
593 above is much larger than previously estimated in Docket No. 08-0532. The  
594 previous estimate was there were approximately such 300 primary customers on  
595 the system. (Docket No. 08-0532, ComEd Ex. 6.0, p. 21) However, the in-depth  
596 review conducted for this case identified a total of 935 primary customers on the  
597 system, more than three times the previous estimate. (ComEd Ex. 21.0, Revised,  
598 p. 19)

599

600 **Q. What do these different figures for primary customers illustrate?**

601 A. They show that direct observation can play an essential role in testing the  
602 accuracy of estimates. As the two figures for the number of customers receiving

603 service at 4 kV and above show, estimates and actual counts based on direct  
604 observation can produce quite different results. Thus, direct observation is an  
605 indispensable tool for producing more accurate results.

606

607 **Q. Does ComEd respond to the Commission’s directive to examine whether**  
608 **sampling techniques could be employed to identify primary level circuits**  
609 **that only serve secondary customers?**

610 A. Yes. ComEd witness Alongi states that it reviewed “available circuit data” and  
611 determined that “a majority of its primary voltage circuits...deliver electricity  
612 across both overhead and underground facilities” and serve various “residential,  
613 nonresidential and lighting” customers. (ComEd Ex. 16.0 Rev., p. 29) He goes on  
614 to contend that circuits and facilities are interconnected so that one circuit can  
615 back up another when relief is required. Based on this level of integration and  
616 operating flexibility, Mr. Alongi argues that seeking to identify an underground  
617 circuit that serves only secondary customers would not be a “productive effort.”  
618 (*Id.*)

619

620 **Q. What support does Mr. Alongi provide for his argument?**

621 A. He presents a table that describes four primary circuits which employ both  
622 overhead and underground lines to serve various primary and secondary  
623 customers that are “scattered” throughout the area being served. Based on this  
624 example, he finds that it would be “arbitrary and unnecessarily complicated” to  
625 identify which portions of these circuits serve primary customers and which serve

626 secondary customers. Thus, Mr. Alongi considers it unreasonable to expect the  
627 Company to break down these circuits into primary and secondary components.  
628 (*Id.*, p. 30)

629

630 **Q. Does this argument by Mr. Alongi raise any issues?**

631 A. Yes. Mr. Alongi says that the argument about the interconnectedness of the  
632 distribution system discussion applies to “a majority of its primary voltage  
633 circuits.” Thus, it is not clear from his discussion whether the argument can be  
634 applied to all circuits or whether a minority may be governed by a different set of  
635 rules. Thus, the kind of general conclusions that can be drawn from this  
636 argument is not clear at this time.

637

638 A second issue pertains to the evidence provided by Mr. Alongi in support of his  
639 argument. Mr. Alongi’s conclusion that it is too difficult to break the associated  
640 costs down into primary and secondary components is based on evidence from  
641 only four out of almost 6,400 primary distribution circuits on the system. (*Id.*, pp.  
642 29-30) Furthermore, he fails to demonstrate that these four circuits are  
643 representative of the larger population. This makes it difficult to extrapolate the  
644 conclusions from the analysis to the remaining circuits on the system.

645

646 **Q. What do you conclude about the sampling techniques used by the**  
647 **Company to examine whether the cost of these circuits can be broken**  
648 **down into primary and secondary components?**

649 A. I believe it is premature for Mr. Alongi to draw a broad conclusion about the  
650 nearly 6,400 distribution circuits based on these four examples. A larger sample  
651 should be examined before drawing conclusions about the full set of distribution  
652 circuits on the system. The Commission should direct the Company to perform  
653 such an analysis and incorporate the results contemporaneously with the initial  
654 filing of its next rate case.

655

656 **Q. Does ComEd contend that it satisfied the Commission directive to examine**  
657 **“other utilities’ methods of differentiating primary and secondary costs”?**

658 A. Yes. ComEd witness Alongi states that the Company examined 35 other utilities  
659 “to consider how they differentiate and allocate primary and secondary systems  
660 and costs.” He goes on to note that the Company also reviewed their “tariffs,  
661 rates and categorizations of customers.” (ComEd Ex. 21.0 Revised, p. 31)

662

663 **Q. How does Mr. Alongi describe the cost information that ComEd was able to**  
664 **collect from these other utilities?**

665 A. He indicates that information was received from employees of other companies  
666 through phone conversations and emails. However, Mr. Alongi cautions that “it is  
667 not clear if ComEd obtained all pertinent information regarding these utilities’  
668 practices.” Mr. Alongi then went on to declare that generalizations could not be  
669 made about the methodologies employed by these companies. (*Id.*, p. 32) Mr.  
670 Alongi does not indicate that any useful evidence could be gleaned from a review  
671 of those analyses.

672

673 **Q. What is the next step in Mr. Alongi's discussion of this directive?**

674 A. He presents a more detailed discussion of how these utilities set their tariffs and  
675 rates and how they categorize customers. Mr. Alongi describes the relevant  
676 practices for a number of different utilities. (*Id.*, pp. 33-37)

677

678 **Q. Do you find this discussion problematic in any respect?**

679 A. Yes. While focusing attention on rates, tariffs and customer classifications, Mr.  
680 Alongi fails to present a similar detailed analysis of the underlying  
681 primary/secondary cost analyses prepared by the utilities that he surveyed. Mr.  
682 Alongi alludes to shortcomings in the data that was gathered but fails to explicitly  
683 state whether those shortcomings prevented the Company from presenting a  
684 more in-depth discussion of costing methods.

685

686 **Q. Does Mr. Alongi indicate whether the Company factored the results of this  
687 survey into its analysis of primary and secondary costs?**

688 A. No, he does not. Mr. Alongi only describes the various approaches taken by the  
689 utilities surveyed.

690

691 **Q. Why is this a problem?**

692 A. The purpose of this exercise should not be just to describe the alternative  
693 approaches taken, but to determine whether any of the methods adopted by  
694 others could be used to improve ComEd's analysis. In his discussion, Mr. Alongi

695 fails to explain whether any of the alternative approaches identified are  
696 reasonable and whether they should be considered for adoption by ComEd.  
697 Conversely, if Mr. Alongi finds that the various alternatives identified are not  
698 appropriate for ComEd, he should explain why he reached that conclusion.  
699 Without that explanation, it is not clear whether the survey conducted by ComEd  
700 would serve any purpose.

701

702 **Q. What is your specific proposal on this matter?**

703 A. I propose that the Company provide an explanation in its rebuttal testimony  
704 indicating whether any of the alternative approaches it identified should or should  
705 not be considered for adoption by ComEd . If ComEd fails to do so, I recommend  
706 that the Commission order it to present this explanation contemporaneously with  
707 the initial filing of its next rate case.

708

709 **Q. Please summarize your findings concerning the analysis of primary and**  
710 **secondary costs presented in the Company's Supplemental Filing.**

711 A. I find that the analysis presented by ComEd reflects progress in some areas but  
712 problems elsewhere. The creation of a new voltage-based rate class and the  
713 revised allocation of transformers make the analysis more consistent with the  
714 Commission's 08-0532 Order. However, the Company's efforts in the areas of  
715 direct observation, analyzing which customer groups are served by which system  
716 service components, and examining the analyses of these issues conducted by  
717 other utilities have fallen short.

718

719 **Q. Can you identify any aspects of the Company's Supplemental Filing**  
720 **analysis of primary and secondary costs that are clearly flawed and need to**  
721 **be revised?**

722 A. No, I can not. Again, the lack of further information as noted above limits the  
723 available evidence on which to assess the reasonableness of ComEd's analysis  
724 and to craft an alternative approach. I will, nevertheless, examine any alternative  
725 proposals submitted by other parties on this issue and will be prepared to weigh-  
726 in on the reasonableness of any alternative presented.

727

## 728 **Nonresidential Rates**

729

730 **Q. What aspects of the Company's nonresidential rates will you address in**  
731 **your testimony?**

732 A. I will discuss the exemplar primary rate class that was presented in ComEd's  
733 supplemental direct testimony. This exemplar primary class would apply to  
734 customers receiving service from 4 kV up to, but not including, 69 kV service.

735

736 **Q. How many ComEd customers qualify for this primary class?**

737 A. A total of 925 ComEd customers qualify according to ComEd witness Alongi.  
738 (ComEd, Ex. 21.0 Revised, p. 19) Some of these customers receive ComEd-  
739 supplied transformation down to a lower primary level while others have  
740 additional service points at either a high voltage or secondary level.

741

742 **Q. What charges does the Company present for the class?**

743 A. The exemplar charges for primary service consist of a single customer charge of  
744 \$297.11 and a standard metering charge of \$20.02. The demand or DFC charge  
745 for primary voltage would be \$4.53 per kW. These customers who, in many  
746 instances also receive service at a secondary level would pay a secondary DFC  
747 of \$6.63/kW. (ComEd Ex. 21.1)

748

749 **Q. How do you assess this rate proposal?**

750 A. I find it problematic in one key respect. The Company has lumped all  
751 nonresidential primary customers, large and small, into a single rate class. The  
752 customers in this class vary considerably in size, as shown in the attached  
753 Schedule 1, ranging from Small Load (up to 100 kW) up to Extra Large Load  
754 (over 10,000 kW). Nevertheless, all of these customers would face the same  
755 customer, meter and DFC charges under ComEd's exemplar rate design.

756

757 **Q. Is this "one-size-fits all" approach for primary customers consistent with**  
758 **the Company's proposed rate design for secondary or high voltage**  
759 **customers?**

760 A. No, it is not. Both the secondary and high voltage classes feature different rates  
761 for customers depending on their size. There are six different rate classes for  
762 secondary service differentiated by customer usage levels and demands. (ILL.  
763 C.C. No. 10, Original Sheet Nos. 136-137, Filed 12/16, 2008) High voltage class

764 customers face different demand charges depending on whether or not their  
765 maximum demand exceeds 10,000 kW. Thus, the Company appears to consider  
766 rate differences based on size appropriate for the exemplar secondary and high  
767 voltage classes but not for the exemplar primary class.

768

769 **Q. Does the Company provide support for its proposal to place all primary**  
770 **customers on the same set of rates?**

771 A. No, it does not. ComEd fails to explain what is different about primary service to  
772 justify setting a single set of charges for all customers in the class.

773

774 **Q. What is your conclusion concerning the Company's exemplar primary**  
775 **class?**

776 A. I consider it flawed because: (1) it rests upon an unsupported assumption that all  
777 primary customers should pay the same rate; and (2) the assumption for the  
778 primary class conflicts with the assumptions for secondary and high voltage  
779 service that the cost of service customers varies by size.

780

781 **Q. Based on the preceding discussion, what alternative rate structure should**  
782 **be adopted for the primary class?**

783 A. Rates should be established that reflect the different cost of serving primary  
784 customers based on their size.

785

786 **Q. What kinds of customer and standard metering charges would be**  
787 **appropriate for the primary class?**

788 A. The results derived for secondary customers would suggest that customer and  
789 metering charges for primary customers should also vary by size. Before primary  
790 customers were moved into their own class, their cost information was used  
791 along with information from secondary customers to support significant variations  
792 in customer and metering charges according to size. Now, that they are in a  
793 separate class it is not clear why size differences are not considered meaningful  
794 in setting primary service customer and metering charges.

795

796 If the Company cannot cost justify a single customer and metering charge for  
797 Primary class customers, then it should present a set of charges for the class  
798 that are reflective of costs. At a minimum, ComEd should explain whether or not  
799 the different customer and metering charges that apply to secondary customers  
800 based on their size would be reasonable proxies to apply to different sized  
801 primary customers.

802

803 **Q. Does a similar issue arise for the DFCs presented in ComEd's exemplar**  
804 **primary class rates?**

805 A. Yes. While ComEd's exemplar primary class customers face a single primary  
806 and secondary DFC, similar-sized customers in secondary classes face a range  
807 of secondary DFCs depending on their maximum demands. ComEd has not  
808 explained why it adopted a different approach for the exemplar primary class

809 than for secondary customers and the question arises whether this one-size-fits-  
810 all approach for either primary or secondary level DFCs is cost-based.

811

812 **Q. What further information should the Company provide with respect to the**  
813 **DFCs for the primary class?**

814 A. ComEd should address the issue of why the exemplar primary class DFCs are  
815 structured differently from the DFCs for the secondary nonresidential classes.

816 The Company should either explain why the current exemplar primary structure  
817 is cost-based or provide a sized-based alternative structure that does reflect  
818 costs.

819

820 **Q. What would be the problem of not satisfactorily addressing these**  
821 **inconsistencies in the exemplar rate structures for the primary and**  
822 **secondary nonresidential classes?**

823 A. The Commission could face the prospect of implementing rate structures for  
824 these two groups of customers based on conflicting cost causation principles.

825 The principle for secondary customers is that the size of the customer drives the  
826 cost of being served while the principle for primary level customers is that it does  
827 not. If there is evidence to support these two different approaches then the  
828 Company should present that evidence in this case. Otherwise, rates should be  
829 adjusted to place primary and secondary customers on a consistent cost  
830 foundation.

831

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

833 A. Yes, it does.

**Identification of Primary Class Billing Units by Size**

NONRESIDENTIAL DELIVERY CLASSES	Test Year	Test Year	
	Billing Units	Billing Units	
	ComEd	ComEd	
	Proposed	Exemplar	Primary Billing Units
<b>WATT-HOUR</b>			
Customer Charge	1,160,212	1,160,212	0
Standard Metering Service Charge	1,160,212	1,160,212	0
DFC (kWh) (4)	542,706,055	542,706,055	0
IEDT (kWh) (5)	542,706,055	542,706,055	0
Total			
<b>SMALL LOAD (≤ 100 kW)</b>			
Customer Charge	2,852,927	2,851,703	1,224
Standard Metering Service Charge	2,852,927	2,851,703	1,224
DFC (kW) (4)	38,803,477	38,759,551	43,926
IEDT (kWh) (5)	11,606,537,029	11,591,251,556	15,285,473
Total			
<b>MEDIUM LOAD (Over 100 kW ≤ 400 kW)</b>			
Customer Charge	210,347	207,647	2,700
Standard Metering Service Charge	210,347	207,647	2,700
DFC (kW) (4)	29,164,381	28,720,873	443,508
IEDT (kWh) (5)	10,595,044,514	10,467,820,513	127,224,001
Total			
<b>LARGE LOAD (Over 400 kW ≤ 1,000 kW)</b>			
Customer Charge	51,518	49,766	1,752
Standard Metering Service Charge	51,518	49,766	1,752
DFC (kW) (4)	23,131,866	22,260,344	871,522
IEDT (kWh) (5)	9,732,125,962	9,375,946,887	356,179,075
Total			
<b>VERY LARGE LOAD (Over 1,000 kW ≤ 10,000 kW)</b>			
Customer Charge	22,825	18,097	4,728
Standard Metering Service Charge	22,825	18,097	4,728
DFC (kW) (4)	39,417,978	28,488,618	10,929,360
IEDT (kWh) (5)	18,088,071,837	13,049,985,794	5,038,086,043
Total			
<b>EXTRA LARGE LOAD (Over 10,000 kW)</b>			
Customer Charge	644	152	492
Standard Metering Service Charge	644	152	492
DFC (kW) (4)	7,605,641	1,459,047	6,146,594
IEDT (kWh) (5)	3,844,588,206	777,874,032	3,066,714,174
Total			

Sources: ComEd Exs. 16.2; 21.1.