

**STATE OF ILLINOIS**  
**ILLINOIS COMMERCE COMMISSION**

COMMONWEALTH EDISON COMPANY :  
 :  
Proposed general increase in electric rates : No. 10-\_\_\_\_\_

Direct Testimony of  
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Commonwealth Edison Company

## List of Issues & Major Conclusions

### Rate Case Overview

- Despite extensive cost control efforts that have led to over \$85 million in cost reductions, ComEd needs a \$396 million rate increase to recover its delivery services costs. Nearly two-thirds of this need is driven by the need to invest in its system and by increases in the costs of pensions and other employee benefits.
- The resulting increase in the delivery bill of an average residential customer will be less than \$6 per month. Lower electricity prices in 2011 should reduce that impact significantly. ComEd also provides customers with a number of efficiency and related programs that allow them to more than offset the entire increase. Moreover, ComEd proposes continuing, through an alternative regulation plan, significant low income customer assistance.
- Since the 2007 Rate Order, ComEd has continued to invest in important infrastructure projects to maintain and improve reliability and to develop and implement innovative technologies. The total cost of required capital projects and of operating and maintaining ComEd's system exceeds \$2 billion annually. This spending and investment is not only necessary for ComEd to maintain the reliability and safety of its service, but is also an important economic driver with significant ripple effects on the state's economy.
- The U.S. electric utility industry generally shares the same cost challenges as ComEd, and has responded by filing for rate increases across the nation. Most proposed rate increases far exceed that requested by ComEd. Even after ComEd's requested increase, its rates will be below the average of the ten largest U.S. metropolitan areas. Finally, even with the full increase, ComEd's rates will have increased far less since the late '90s than the price of many other important goods and services – and far less than inflation. In real dollars, ComEd's total rates have decreased.

### ~~Alternative Regulation~~

- ~~ComEd will introduce an alternative regulation pilot. We believe that, at least for certain types of initiatives, the traditional ratemaking process is flawed. By its very nature, it is both retrospective and unduly litigious. This, in turn, creates regulatory uncertainty and discourages long term investment planning. Traditional ratemaking also does not maximize~~

~~utilities' incentives to become more efficient. We believe that this alternative regulation pilot will bring stakeholders together to begin to develop a framework that reduces regulatory uncertainty and increases capital investment, while at the same time increasing efficiency and improving ratepayer protections.~~

- ~~• The proposed pilot, which meets all of the requirements of Section 9-244 of the Public Utilities Act, is intended to test how an alternative might work without putting customers at risk. ComEd will show that the proposed plan is better for customers than the traditional rate case process.~~
- ~~• ComEd proposes to test this alternative in the context of several different kinds of projects. Those projects will include an electric vehicle pilot, accelerated reinvestment in urban underground facilities, and a low income customer assistance program. The alternative regulation pilot will also provide a mechanism for timely implementation of Commission approved smart technology investments.~~
- ~~• The plan is discussed in testimony in this case and we expect to file the plan itself 60 days after this filing.~~

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1 **I. Introduction and Background**

2 **A. Identification**

3 Q. **What is your name and business address?**

4 A. My name is Michael Guerra. My business address is 440 S. LaSalle, Suite 3300,  
5 Chicago, Illinois 60605.

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

7 A. I am employed by Commonwealth Edison Company (“ComEd”) as its Vice President,  
8 Regulatory Policy & Strategy.

9 **B. Purpose of Testimony**

10 Q. **What is the main purpose of your direct testimony?**

11 A. I provide the Illinois Commerce Commission (“ICC” or “Commission”) with an  
12 overview of the rate case and explain why we need a delivery service rate increase. ~~I also~~  
~~13 outline an alternative regulation pilot that ComEd plans to file under Section 9-244 of the~~  
~~14 Public Utilities Act, as a companion to this rate case.~~ Finally, I identify the other  
15 witnesses providing direct testimony for ComEd, and briefly summarize the subjects on  
16 which they testify.

17 **C. Background and Qualifications**

18 Q. **What are your duties and responsibilities at ComEd?**

19 A. I am responsible for developing and coordinating ComEd’s regulatory policies, and for  
20 developing regulatory strategy, policies, and positions in revenue requirement matters. I  
21 have executive responsibility for ComEd’s Regulatory, Revenue Policy, and Rates  
22 organizations.

23 Q. **What was your professional experience prior to assuming your duties with ComEd?**

24 A. The vast majority of my professional career has been spent in the energy and utility  
25 industries. Prior to becoming a Vice President of ComEd, I was a partner in the Chicago,  
26 Illinois law firms of Sonnenschein Nath & Rosenthal LLP and Hopkins & Sutter. At  
27 both, I practiced energy and telecommunications law and advised clients on regulatory  
28 matters. Before entering the private practice of law, I served as an Administrative Law  
29 Judge of the Commission.

30 Q. **What is your personal and educational background?**

31 A. I am a lifelong resident of northern Illinois. Like many ComEd executives, managers,  
32 and workers, I am a graduate of area schools, in my case the Chicago Public Schools. I  
33 also attended Loyola University of Chicago, where I received a Bachelor of Business  
34 Administration degree in Public Accounting. In 1988, I earned a J.D. from the John  
35 Marshall Law School, where I was a member of the school's Law Review. Like all  
36 ComEd executives, I serve on at least one board of a non-for-profit entity. In my case, I  
37 serve on the Board of Northlight Theatre in Skokie, Illinois.

38 **II. Overview of ComEd's Rate Case Filing**

39 Q. **Why does ComEd need to increase its distribution rates?**

40 A. Current rates do not recover our costs. We need rate relief to recover our costs and to  
41 stay on the path of being a top performer in reliability, modernization, and commitment  
42 to the communities we serve. Since our 2007 Rate Case,<sup>1</sup> we have achieved first quartile  
43 service reliability and record levels of safety. We continually look for ways to improve

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<sup>1</sup> *Commonwealth Edison Co.*, ICC Docket No. 07-0566 (Sept. 10, 2008) ("2007 Rate Case").

44 further. ComEd has deployed modern, technologically advanced distribution systems  
45 such as Mobile Dispatch and, with Commission approval, began the largest pilot of  
46 advanced metering and related customer applications in the nation. We are also a  
47 national leader in energy efficiency and demand management, and strongly support the  
48 communities that we serve and our low income customers. Our capital investment and  
49 operating and maintenance (“O&M”) spending contributes greatly to the regional  
50 economy and is associated with thousands of quality jobs. ComEd is on the right path  
51 and expects to continue on it. But, we need to recover our costs to do so.

52 Investing in our system and honoring our commitments to employees and retirees  
53 should not be controversial. Moreover, as ComEd CFO Joseph Trpik testifies (ComEd  
54 Ex. 4.0), ComEd has cut costs aggressively. These efforts held total O&M essentially  
55 flat, allowed ComEd to go an additional year without filing a rate case, and reduced our  
56 test year expenses – and our rate request – by approximately \$85 million from 2008.  
57 Almost two-thirds of our rate request reflects the costs of necessary capital investments  
58 and of our pensions and benefits:

- 59 • **Investment in the Distribution System:** Electric delivery is a capital intensive  
60 industry. We must invest to replace infrastructure nearing the end of its life, to  
61 maintain reliable service, and to modernize the system to meet customer needs.  
62 The cost of our infrastructure investment alone accounts for \$179 million of our  
63 rate request. Thus, *nearly half* of our requested increase is directly attributable to  
64 ComEd’s investment since the last case in a system that delivers top quartile  
65 reliability to customers.
- 66 • **Pension / Medical Benefits:** A large portion of the remaining cost increase is  
67 driven by increases in our pension and retiree medical costs. ComEd faces the

68 same struggle with these costs as do other companies and the State of Illinois  
69 itself. ComEd took action, including funding more of its pension trust, to limit  
70 those costs. But, they continue to increase and the decline in the investment  
71 markets added to our costs. Another \$55 million of our requested increase is  
72 needed to meet these obligations to employees and retirees.

73 **Q. Have any other factors made it more difficult for ComEd to recover its costs without**  
74 **a rate increase?**

75 A. Yes. Historically, growing load increased utility revenues. This helped offset growing  
76 costs and delayed the need to reset rates. In the last few years, however, ComEd's load  
77 has decreased due to the poor economy and also to our commitment to energy efficiency.  
78 When its load declines, ComEd not only receives no added revenues but our ability to  
79 recover ComEd's previously approved revenue requirement is undermined. This hastens  
80 the need for a rate adjustment. The drop in load from that on which our current rates are  
81 based increases our revenue deficiency by another \$40 million. Taken together,  
82 investment, pension, and OPEB costs, and the load decline account for \$275 million, or  
83 about 70% of the rate increase.

84 **Q. Why is it important that ComEd continue on its current path?**

85 A. ComEd's current path is good for customers and the communities we serve. Continued  
86 investment is important for many reasons. Without it, we would not long maintain our  
87 quality and reliability of service. Indeed, we need continued investment just to keep the  
88 system working. As Messrs. Donnelly and McMahan (ComEd Exs. 8.0 and 9.0) explain,  
89 equipment of all types must be maintained, replaced, and upgraded to meet customer  
90 needs. Reliability directly improves the lives of our customers. Fewer outages mean less

91 cost, less inconvenience, and fewer lifestyle interruptions for our customers. It also  
92 makes northern Illinois a more attractive place to live and locate and grow businesses.

93 Investment also modernizes our system to meet the evolving needs of our  
94 customers. Twenty years ago, the largest customer on our system was a steel mill.  
95 Today, ComEd's largest customer is a recently built data center. In fact over the last  
96 decade, nearly 40 data centers have been built in ComEd's service territory. This new  
97 breed of business demands high levels of reliability and power quality that only new  
98 technologies can deliver efficiently. These data centers create revenues and stimulate the  
99 economy. A strong and smart distribution system is a foundation of tomorrow's  
100 economy. New technologies that are becoming a part of our everyday personal and work  
101 lives require it.

102 ComEd also believes it is essential that it continue on the path of delivering value  
103 to our customers. We believe that we must continue to explore how a smart grid can save  
104 customers money and offer them new options. We believe it is critical to maintain our  
105 nationally recognized energy efficiency portfolio, our low income programs, and our  
106 contributions to our communities.

107 ComEd's investment is also a major contributor to the economic stability and,  
108 hopefully, growth of the region. We will have invested more than \$2 billion in new  
109 distribution infrastructure between the test years in this case and the 2007 Rate Case, and  
110 in total spent more than \$1.6 billion a year on distribution construction and operations in  
111 our service territory. An analysis done by the University of Illinois' Regional Economic  
112 Applications Laboratory shows that, because of the multiplier or "ripple" effect,  
113 ComEd's capital investment and spending has a much greater overall effect on the

114 economy. It is associated with about \$3.2 billion in production throughout the economy,  
115 approximately 20,400 related jobs, and over \$1 billion in salaries and wages.

116 **Q. Could ComEd avoid the need for a rate increase if it cut more costs?**

117 **A.** No. While we will continue to economize, that is not a realistic alternative to resetting  
118 rates. The present annual revenue deficiency is more than our annual distribution  
119 operating and maintenance expenses and more than a quarter of ComEd's total operating  
120 expenses before taxes. It is simply not possible to make more cuts that would reduce that  
121 deficiency to the point where increased rates would not be necessary.

122 As Messrs. Trpik and Donnelly (ComEd Exs. 4.0 and 8.0) testify, ComEd has  
123 already aggressively reduced our controllable costs, saving approximately \$85 million in  
124 2009 alone, allowing us to defer this request for as long as possible. We have also taken  
125 steps to reduce our pension and health care liabilities and costs while honoring our  
126 obligations to our employees and retirees and not slashing benefits that people rely on  
127 when they are most vulnerable. We thought that we had accomplished those reductions  
128 in a way that we could fully fund our reduced obligations, but events in the market over  
129 the past couple of years have made that impossible without rate relief. Moreover, our  
130 capital needs are no less today than they were three years ago, and without a rate increase  
131 and enhanced cash flow to support credit, we may be unable to finance on reasonable  
132 terms in this difficult market.

133 The bottom line is that our ability to continue on the course we have followed  
134 since the last rate order – to make system investments, preserve reliability, support jobs  
135 and make our service area more attractive to industry, and keep Illinois a leader in  
136 innovative delivery technologies – depends on the Commission's continued support.

137 Q. **What effect will this rate increase have on typical customers' bills?**

138 A. The increase in delivery rates in mid-2011, when the new rates would become effective,  
139 will be less than \$6 per month, on average, for a residential customer. Of course, for  
140 some it will be more and for some it will be less. However, the overall effect on  
141 customers' bills will be significantly reduced because of developments in the supply  
142 markets, including substantially declining capacity prices. We know what the price of  
143 electric supply capacity will be starting June 1, 2011, and we know what large portions of  
144 the energy cost will be as well. These known price declines should reduce the average  
145 residential bill by about \$3 per month,<sup>2</sup> resulting in an average total bill increase of less  
146 than 4%. Likewise, assuming they are paying a market price for supply, industrial and  
147 commercial customers as a whole will experience lower total electric costs, even after the  
148 delivery rate increase.

149 On top of that, if a typical residential customer were to take advantage of  
150 efficiency programs offered by ComEd to lower their bills, the entire increase could be  
151 more than eliminated. Mr. Jensen (ComEd Ex. 17.0 Revised) explains how these ComEd  
152 "Smart Ideas" programs can reduce an average customer's monthly electricity bill by as  
153 much as 20 percent.

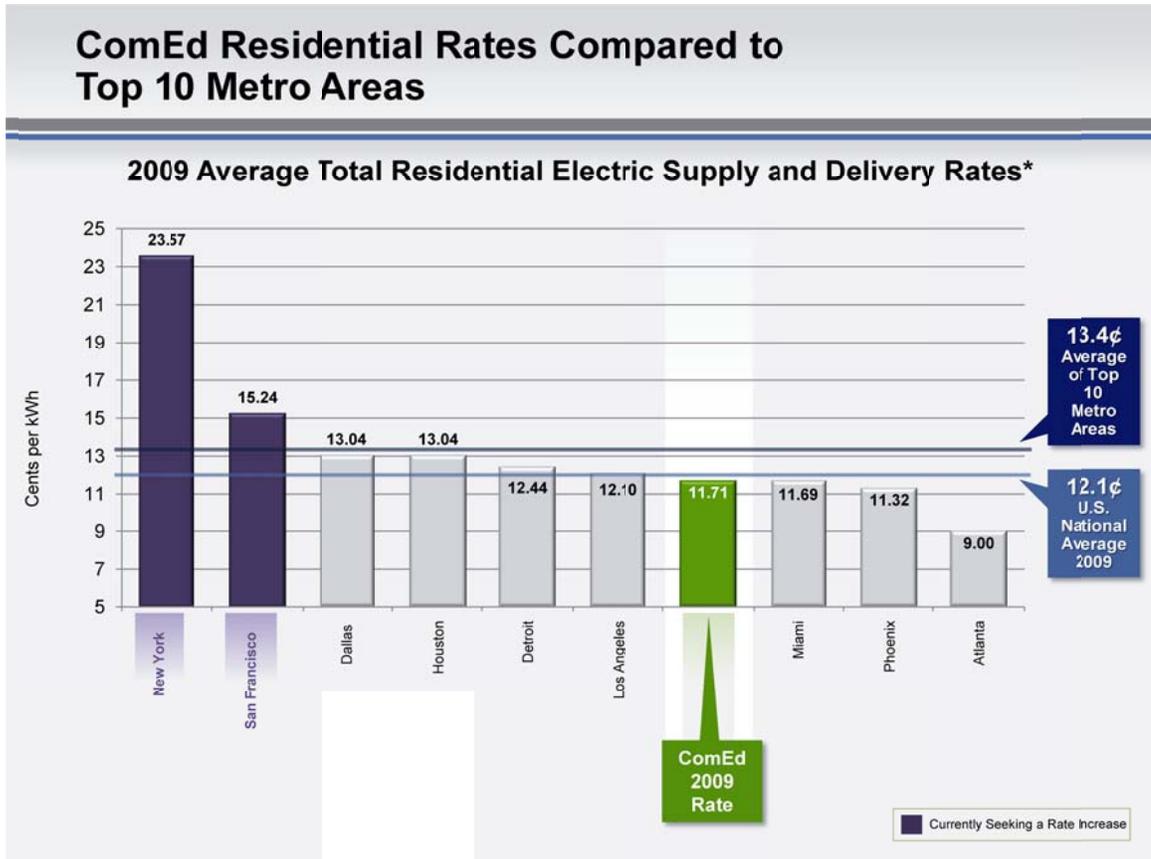
154 Q. **How do ComEd's rates compare with those of utilities serving other major  
155 metropolitan areas?**

156 A. ComEd's rates compare favorably to the electric rates paid by residential customers in  
157 other major metropolitan areas, as shown below. The chart below illustrates ComEd's  
158 rates compared to other major metropolitan areas for 2009 – the last year in which

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<sup>2</sup> Of course, the costs of the remaining supply could increase further or decrease those savings.

159 comparable public rate information was available from the Edison Electric Institute  
160 (“EEI”), which compiles such data.

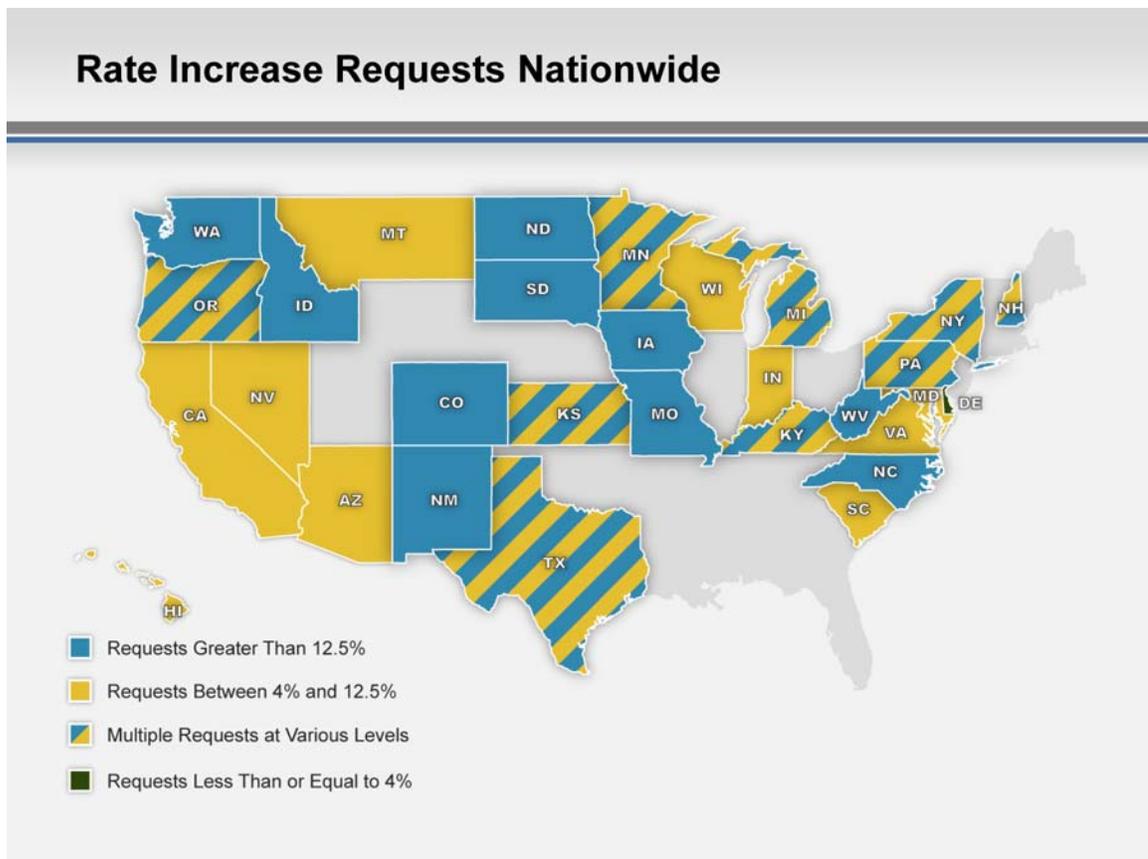
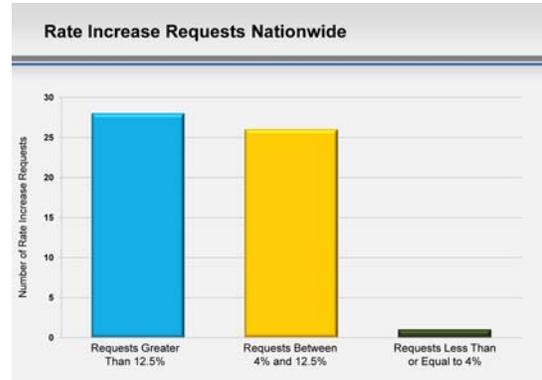


161  
162 ComEd’s current average residential rate of 12.63 ¢/kWh still compares favorably to the  
163 average rates in other large cities.

164 **Q. How does ComEd’s increase compare to increases being sought by other electric**  
165 **utilities experiencing cost pressures?**

166 **A.** Utilities all over the nation are feeling strong cost pressure, for many of the same reasons  
167 as ComEd. Our requested percentage increase is smaller – in most cases, far smaller –  
168 than those of our peers, in part because of our success at controlling our costs. As of  
169 June, 2010, 55 electric rate cases are pending across the nation where, based on public

170 information, we could calculate the  
171 proposed overall revenue increase.<sup>3</sup> Of  
172 these, all but one seeks a total (delivery  
173 and supply) revenue increase of more  
174 than 4%. Those cases, and the states in  
175 which they are pending, is shown  
176 below.

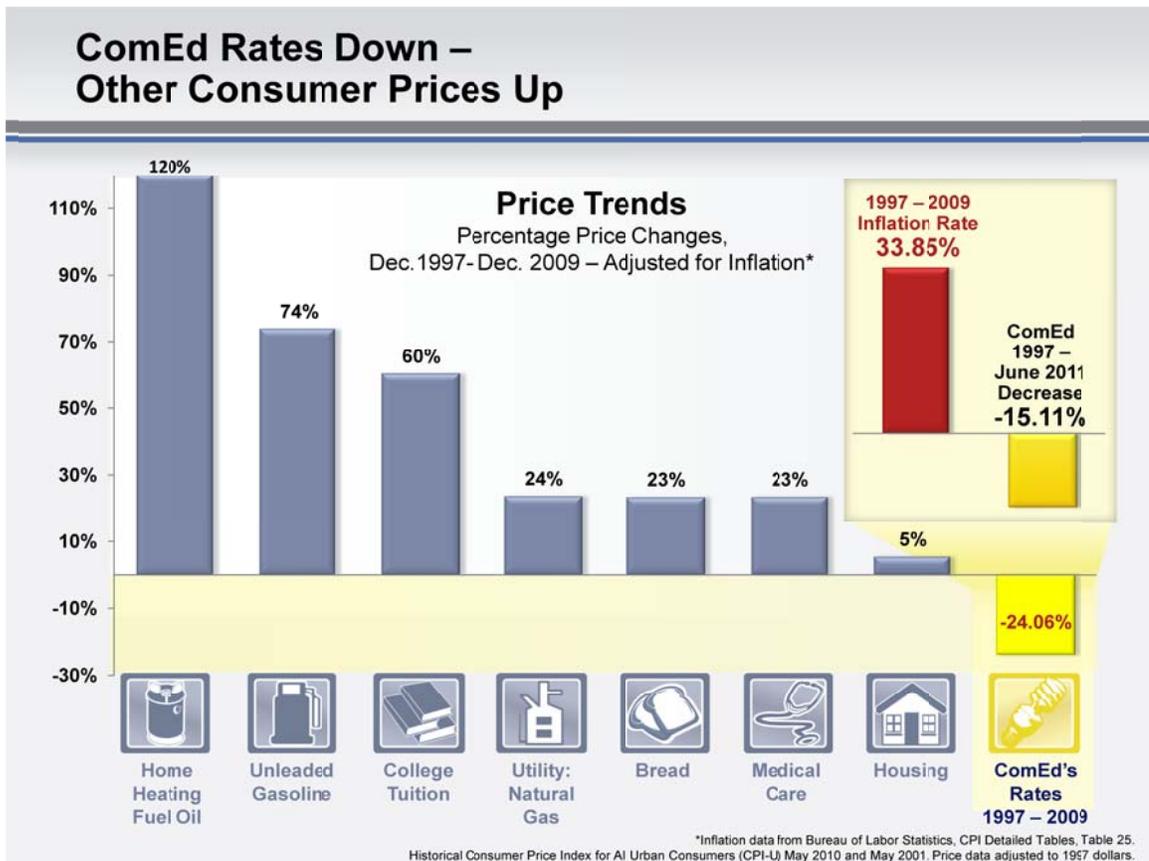


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<sup>3</sup> Source: SNL Interactive, Pending and Decided Rate Cases, 6/20-21/2010, and certain filings referenced therein. This data includes both restructured and un-restructured electric utilities. To be comparable, the rate increases are calculated on a total bill impact basis and include changes in delivery and supply rates.

178 Q. **How have recent changes in ComEd's rates compared with changes in prices in the**  
179 **overall economy?**

180 A. Even with the proposed rate increase, ComEd's residential customer bills will have  
181 declined in real terms since 1997, before restructuring. That is, residential electric  
182 service will be substantially less expensive in real dollars in 2011 than it was more than a  
183 decade earlier, in the late 1990s. By comparison, while ComEd's rates have decreased in  
184 real terms, the prices of other important goods and services have increased, some  
185 dramatically.



186

187 Q. **Is ComEd taking any additional actions to help customers with their electric costs?**

188 A. Yes. ComEd is assisting customers who have difficulty paying their electric bill. We  
189 provide many programs that can save our customers millions of dollars in energy costs,

190 including a range of energy efficiency, demand management, and customer information  
191 management programs. We will also propose \$10 million of additional annual support  
192 for low-income assistance programs as part of our alternative regulation package (which I  
193 discuss further below). But, again, to do all these things, ComEd must recover its costs.

194 ~~III. Introduction of ComEd's Alternative Regulation~~  
195 ~~Proposal and the Projects That It Will Implement~~

196 ~~Q. You testified earlier that ComEd will propose an alternative regulation pilot. What~~  
197 ~~do you mean by alternative regulation?~~

198 ~~A. Alternative regulation refers to ways to regulate the performance and revenues of utilities~~  
199 ~~other than through traditional test year ratemaking and conventional pass-through riders.~~  
200 ~~Common examples would include "price cap" regulation or performance-based rates,~~  
201 ~~although the concept is not so limited.~~

202 ~~Q. Why will ComEd be proposing an alternative regulation pilot?~~

203 ~~A. We think alternative regulation can benefit both customers and ComEd in ways that are~~  
204 ~~unlikely to be obtained under traditional regulation. We intend our proposal to be a~~  
205 ~~means of piloting alternative regulation and testing whether it should be pursued on a~~  
206 ~~larger scale. Although the specific investments we propose to make are very important,~~  
207 ~~the total dollars at stake are modest compared to ComEd's overall costs and rates. This is~~  
208 ~~not accidental. This proposal is designed so that customers are not at risk. Customers are~~  
209 ~~guaranteed to receive financial benefits from the alternative regulation proposal that they~~  
210 ~~could not otherwise get, on top of the benefits of the specific programs implemented~~  
211 ~~through alternative regulation.~~

212 ~~Q. Why is ComEd suggesting an alternative regulation program now?~~

213 A. ~~In many ways, the current regulatory paradigm has served the public interest well over~~  
214 ~~the last hundred years. It has served as an adequate framework for protecting consumers~~  
215 ~~while still allowing for capital to flow from investors for new investment. However, the~~  
216 ~~process is flawed in that, by its very nature, it is both retrospective and litigation~~  
217 ~~intensive, which, in turn, creates regulatory uncertainty that discourages long term~~  
218 ~~investment planning. It also does not maximize utilities' incentive to become more~~  
219 ~~efficient. I believe that this pilot will bring stakeholders together to begin to develop a~~  
220 ~~framework that reduces regulatory uncertainty and increases capital investment while at~~  
221 ~~the same time increasing efficiency and improving ratepayer protections.~~

222 Q. ~~**How does regulatory uncertainty discourage capital investment?**~~

223 A. ~~Capital constraints in the current marketplace have fundamentally changed our industry.~~  
224 ~~As ComEd witness Joe Trpik testifies (ComEd Ex. 4.0), the economic downturn and~~  
225 ~~financial crisis have made it significantly more difficult to raise capital. Regulatory~~  
226 ~~uncertainty makes it difficult for ComEd and likely other utilities to commit that~~  
227 ~~capital to long term investment projects because it is unclear whether there will be~~  
228 ~~consistent cost recovery over the life of the project, let alone the assets. The underground~~  
229 ~~refurbishment project described below is a case in point.~~

230 Q. ~~**How can long term projects benefit from alternative regulation?**~~

231 A. ~~We believe that most large long term projects can benefit from a more performance-~~  
232 ~~oriented structure. For example, one project that would be better addressed with a long~~  
233 ~~term alternative regulation structure is the refurbishment of thousands of manholes and~~  
234 ~~miles of underground cable in ComEd's system. In our alternative regulation pilot, we~~  
235 ~~will propose to isolate this project and set capital and O&M metrics that provide goals~~

236 that ComEd must achieve to optimize its return on the investment. Isolating a project like  
237 this from the rate case process will allow development of a longer term plan that would  
238 allow us to develop our own efficiencies which could be subject to target metrics and  
239 constant improvements over the life of the project. This type of longer term approach  
240 also could be beneficial in extracting efficiencies from labor, vendors, and other  
241 suppliers. Our initial proposal will keep these incentives and efficiency metric low in  
242 magnitude while stakeholders develop experience with the project. Over time, I would  
243 expect the knowledge gained from the pilot to evolve into metrics that result in  
244 1) increased capital investment; 2) efficiency targets that result in substantial sums for  
245 ratepayers and 3) metrics that ultimately can be used across the board for utility  
246 investment.

247 I also believe that an alternative regulation structure has the potential to accelerate  
248 investment in Smart Grid technologies. For the last 100 years, much of the investment in  
249 the distribution system *e.g.*, adding and replacing substations, wires transformers  
250 served well understood, even routine, functions. However, Smart Grid investment does  
251 not fit the mold of those previous investments. For example, Smart Grid investments  
252 have the potential for significant societal benefits including energy savings, carbon  
253 reduction, and energy independence. Traditional business case analysis and rate case  
254 regulation are not equipped for this new type of investment. Disagreements between  
255 stakeholders about Smart Grid policy and where smart technology investments should  
256 focus only increase the uncertainty. We are optimistic that the Smart Grid policy  
257 framework put in place by the Commission will provide guidance to ComEd as it moves  
258 down this path. However, we will not achieve the promise of the Smart Grid in the  
259 coming years without a cost recovery mechanism that incorporates stakeholder input and

260 ~~Commission approval, of projects rather than unilateral planning on the part of ComEd~~  
261 ~~followed by retroactive review in rate cases.~~

262 Q. ~~What specific programs does ComEd propose to implement through alternative~~  
263 ~~regulation?~~

264 A. ~~Programs under ComEd's alternative regulation proposal will include:~~

265 ➤ ~~A mechanism to implement Smart Grid technologies based on the learnings from~~  
266 ~~ComEd's AMI Pilot and the Illinois Statewide Smart Grid Collaborative. ComEd~~  
267 ~~will present specific AMI and distribution automation proposals to the~~  
268 ~~Commission after the upcoming Smart Grid policy docket concludes. The~~  
269 ~~Commission can approve investments found to be cost beneficial. This proposal~~  
270 ~~could provide for up to \$95 million to deploy additional smart technology.~~

271 ➤ ~~An initiative to accelerate reinvestment in urban underground infrastructure, such~~  
272 ~~as mainline cables and manholes. This program would accomplish \$43 million~~  
273 ~~dollars of additional underground infrastructure work.~~

274 ➤ ~~A pilot \$5 million investment in utility electric vehicles and associated support~~  
275 ~~equipment.~~

276 ➤ ~~Programs providing \$10 million annually of additional assistance to our low~~  
277 ~~income customers.~~

278 ~~The program will provide strong financial incentives to ComEd to beat target~~  
279 ~~budgets and provide customers with guaranteed rate savings versus traditional regulation.~~

280 ~~Details of the proposed program are contained in the testimonies of Ross Hemphill~~  
281 ~~(ComEd Ex. 14.0) and Mary Anne Emmons (ComEd Ex. 18.0).~~

282 Q. ~~Does ComEd's ability to proceed with these investments depend on anything other~~  
283 ~~than Commission approval of the alternative regulation proposal?~~

284 A. ~~Yes. To proceed, ComEd's rates must recover its other delivery costs. ComEd cannot~~  
285 ~~commit the substantial additional capital up to \$130 million that these four initiatives~~  
286 ~~could require if ComEd is not recovering the costs of the other investments and operating~~  
287 ~~activities that it must undertake.~~

288 Q. ~~Is ComEd actually filing its alternative regulation proposal as part of this rate case?~~

289 A. ~~No. Alternative regulation proposals must be approved or rejected within nine months of~~  
290 ~~filing. In order to allow the Commission to consider ComEd's proposal at the same time~~  
291 ~~as ComEd's rate case, we will file the alternative regulation proposal sixty days after the~~  
292 ~~tariffs initiating the rate case. However, so that the Commission and stakeholders have~~  
293 ~~the greatest possible time to consider the proposal, we will be circulating an exemplar~~  
294 ~~draft of a petition, supporting testimony, and an implementing tariff to interested~~  
295 ~~stakeholders this week. This will allow them to begin their review of the proposal~~  
296 ~~immediately and to contact ComEd with comments, maximizing the chance of reasonable~~  
297 ~~and acceptable suggestions being incorporated prior to filing.~~

298 **IV. Summary of the Filing**

299 Q. **Who are the witnesses presenting direct testimony in support of ComEd's tariff**  
300 **filing and what are the main topics that each witness addresses?**

301 A. In addition to me, the following witnesses provide direct testimony:

- 302 • **Prof. Geoffrey J.D. Hewings, Ph.D.** (ComEd Ex. 2.0), Director of the Regional  
303 Economics Applications Laboratory at the University of Illinois at Urbana-  
304 Champaign, shows the significant impact on jobs and regional spending of

305 ComEd's expenditures for construction and operations and maintenance. He  
306 concludes that ComEd's expenditures have significant ripple effects throughout  
307 the regional economy, which in most instances result in doubling the direct  
308 impacts of the expenditures.

309 • **Dr. Juan Andrade** (ComEd Ex. 3.0) testifies about ComEd's commitment to  
310 corporate social citizenship at all levels, and how ComEd's involvement in  
311 community development and investment has helped local communities in  
312 numerous ways.

313 • **Joe Trpik, CPA** (ComEd Ex. 4.0), ComEd's Senior Vice President and Chief  
314 Financial Officer, testifies concerning ComEd's current and future financial  
315 condition and the critical importance of financial health and capital market access  
316 to ComEd's ability to function efficiently and reliably. Mr. Trpik also discusses  
317 ComEd's capital structure, ComEd's cost of capital, the financial aspects of  
318 ComEd's Incentive Compensation program, and the prudence and reasonableness  
319 of ComEd's use of services provided by Exelon Business Services Company.

320 • **Susan D. Abbott** (ComEd Ex. 5.0), an independent consultant, testifies to the  
321 importance of ComEd maintaining or even improving its current credit ratings so  
322 that it can finance its continuing capital needs and the importance of supportive  
323 action by the Commission in achieving that.

324 • **Kathryn Houtsma, CPA**, ComEd's Vice President – Regulatory Projects  
325 (ComEd Ex. 6.0 Revised), testifies concerning the calculation of ComEd's  
326 revenue requirement and the revenue shortfall of \$396 million under current rates.  
327 They further support the calculation of numerous revenue requirement  
328 components and sponsor supporting schedules and documentation.

- 329 • **Nagendra Subbakrishna** (ComEd Ex. 7.0), an Associate Director in the Energy  
330 practice at Navigant Consulting, supports the calculation of ComEd’s cost of  
331 working capital.
- 332 • **Terence Donnelly** (ComEd Ex. 8.0), ComEd’s Executive Vice President,  
333 Operations, provides an overview of ComEd’s operations, discusses changes that  
334 have occurred since ComEd’s last rate case, and testifies to the strong cost  
335 controls ComEd has implemented. Mr. Donnelly, along with Messrs. McMahan  
336 and Marquez, supports ComEd’s overall rate base and O&M expenses, and  
337 provides detailed support for major components of distribution rate base and  
338 distribution O&M expense. He further supports the methods by which ComEd  
339 plans for the addition of new capital projects and determines that certain post-test  
340 year capital additions are known and measurable. Mr. Donnelly also supports  
341 ComEd’s incentive compensation program and explains how its operational  
342 emphasis benefits customers. Finally, Mr. Donnelly sponsors ComEd’s updated  
343 Distribution Loss Study.
- 344 • **Michael McMahan, P.E.** (ComEd Ex. 9.0), ComEd’s Vice President, Smart Grid  
345 / Technology, supports most of the distribution capital investment projects listed  
346 on ComEd’s Schedule F-4 and confirms that they have been prudently planned  
347 and executed, and are used and useful in providing reliable service to ComEd’s  
348 customers. Mr. McMahan also discusses the major recurring activities that  
349 ComEd properly accounts for and monitors as “blanket programs.” Mr.  
350 McMahan also supports ComEd’s programs to manage vegetation and confirms  
351 that ComEd has properly functionalized its transmission and distribution  
352 activities.

- 353 • **Fidel Marquez, P.E.** (ComEd Ex. 10.0), ComEd's Senior Vice President,  
354 Customer Operations, testifies concerning ComEd's vision for customer service  
355 excellence and the steps ComEd has taken to achieve that goal. Mr. Marquez  
356 supports the capital investments made in the Customer Operations area and the  
357 reasonableness and prudence of Customer Operations costs. Mr. Marquez also  
358 addresses the status of the AMI Pilot.
- 359 • Professor **Samuel Hadaway** (ComEd Ex. 11.0), a professor of economics and  
360 finance and principal in FINANCO, Inc., Financial Analysis Consultants,  
361 supports ComEd's cost of equity capital. Applying standard cost of equity  
362 methodologies, Dr. Hadaway concludes that ComEd's requested unadjusted  
363 investor-required cost of equity capital of 11.1% is reasonable. Dr. Hadaway also  
364 emphasizes that the economic and financial uncertainties generated by the credit  
365 crisis have significantly impacted the risks surrounding public utility company  
366 cost of capital. The cost of equity for utility companies has not declined to the  
367 same extent that interest rates have fallen or to the same extent that the cost of  
368 equity may have come down for the broader equity market. In fact, the cost of  
369 capital for utilities is higher.
- 370 • **Carl Seligson** (ComEd Ex. 12.0), an independent consultant with nearly 50 years  
371 experience in the financial markets who specialized in financial matters related to  
372 the utility industry, explains that higher risks facing utilities for major  
373 construction initiatives; the mounting need for external financing; increasing costs  
374 for medical, post-retirement, and pension benefits, and other factors warrant  
375 higher allowed returns on equity for utilities than have been authorized in many  
376 jurisdictions in the recent past. Based on his extensive experience studying

377 utilities and regulation and the results of his analysis using two recognized cost of  
378 equity estimation methodologies, Mr. Seligson determines that a reasonable return  
379 on common equity for ComEd is 12.2%.

380 • **Hon. Susan Tierney, Ph.D.** (ComEd Ex. 13.0), a Managing Principal at the  
381 Analysis Group and former assistant U.S. Secretary of Energy for Policy and  
382 Commissioner of the Massachusetts Department of Public Utility Control,  
383 testifies concerning the importance of reflecting the risk that ComEd undertakes  
384 as a result of its aggressive demand response and energy efficiency programs in  
385 its return on equity. She testifies that ComEd’s proposed 40 basis point  
386 adjustment to the allowed return on equity is reasonable and appropriate.

387 • **Ross C. Hemphill, Ph.D.** (ComEd Ex. 14.0), ComEd’s Director – Rates &  
388 Regulatory Strategies, testifies about the rate design policies ComEd’s filing  
389 advances, including matching rates more closely to cost causation, and how  
390 ComEd has accomplished that without sacrificing other policy goals. He also  
391 outlines ComEd’s alternative regulation proposal and explains both why it will be  
392 filed sixty days after the rate case and how it functions hand-in-hand with the  
393 proposed rates.

394 • **Alan C. Heintz**, Vice President of Brown, Williams, Moorhead & Quinn, Inc.,  
395 (ComEd Ex. 15.0 Revised) presents the Embedded Cost of Service Study  
396 (“ECOSS”) for ComEd, and testifies that the study properly allocates costs among  
397 ComEd’s customer classes.

398 • **Lawrence Alongi**, Manager, Retail Rates (ComEd Ex. 16.0 Revised), presents  
399 and explains ComEd’s proposed tariffs. Mr. Alongi explains how ComEd has  
400 complied with requirements of the Commission in developing the ECOSS.

- 401 • **Robert Garcia**, Manager, Regulatory Strategy (ComEd Ex. 23.0), explains how  
402 ComEd has derived many of the inputs to its ECOSS. Mr. Garcia also describes  
403 issues related to the Real Time Pricing Program Cost Recovery Charge and the  
404 Residential Air Conditioner Load Cycling Program Revenue Requirement  
405 Adjustment.
- 406 • **Val R. Jensen**, Vice President – Marketing & Environmental Programs (ComEd  
407 Ex. 17.0 Revised), explains and supports ComEd’s energy efficiency and demand  
408 response programs.
- 409 • **Mary Anne Emmons** (ComEd Ex. 18.0), Director, Customer Assistance  
410 Programs, describes the comprehensive plan ComEd proposes to address the  
411 needs of low-income customers.

412 **Q. Is ComEd taking any voluntary actions to help the Commission and the parties?**

413 **A.** Yes. ComEd agrees to commence discovery in connection with this filing immediately,  
414 rather than waiting for the Commission to open a docket upon entering a suspension  
415 order. ComEd will also circulate to the parties proposed confidentiality agreements, so  
416 that access to confidential materials need not await entry of a formal protective order in  
417 that docket. Also, ComEd is creating data rooms in both Chicago and Springfield where  
418 the parties can access documents relating to the case.

419 **Q. Has ComEd provided the Commission and the parties with any other way to**  
420 **facilitate access to the testimony?**

421 **A.** Yes. Each testimony is accompanied by a List of Issues and Major Conclusions that can  
422 be accessed at a glance. Each witness has reviewed his or her own List and confirmed its

423 accuracy. Attached to my testimony as ComEd Ex. 1.1 is a compilation of all of these  
424 Lists, which should serve as a useful index of ComEd's overall testimonial submission.

425 **V. Conclusion**

426 **Q. Please summarize the regulatory actions that the Commission should take.**

427 **A.** The Commission should:

- 428 1. Find just and reasonable, and approve, the rate of return, revenue  
429 requirement, and rate design that ComEd proposes; and
- 430 2. Approve the tariffs proposed by ComEd to provide service to ComEd's  
431 customers and to provide ComEd with the opportunity to recovery its  
432 revenue requirement.

433 We also believe that, once ComEd's alternative regulation plan is filed, the  
434 Commission should consolidate the discovery, further submission of testimony, and  
435 hearings with respect to that plan with those applicable to this general rate filing.

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

437 **A.** Yes.