

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Commonwealth Edison Company	:	
	:	Docket 10-0467
Proposed general increase in electric	:	
rates. (Tariffs filed on June 30, 2010)	:	

**THE CITY OF CHICAGO'S
INITIAL BRIEF**

THE CITY OF CHICAGO

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Docket No. 10-0467
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Pursuant to Section 200.800 of the Rules of Practice of the Illinois Commerce Commission (Commission or ICC) and the briefing schedule established by the Administrative Law Judges, the City of Chicago (City), by its attorney, Mara S. Georges, Corporation Counsel, submits its Initial Brief in this proceeding. The City's Initial Brief conforms to the common brief outline agreed to by Commission Staff (Staff) and the parties to this case. For ease of reference, the City's brief includes only the section numbers of the issues addressed herein.

VII. COST OF SERVICE AND ALLOCATION ISSUES

A. Overview

Any discussion of cost of service and allocation issues must begin with Commonwealth Edison Company's (ComEd) last rate case – Docket 07-0566. In that docket, ComEd's embedded cost of service study (ECOSS) came under attack by many parties, including the City. The subject matters of the criticisms of ComEd's ECOSS in that case were varied, ranging from whether ComEd's cost study appropriately differentiated between customers taking service at primary and secondary voltage levels to whether ComEd's ECOSS overstated the utility's costs in serving City street lights

because it failed to account for the fact that the City owns and maintains much of the infrastructure making up its street lighting system.

In its Order in that case, the Commission shared parties' frustrations with ComEd's ECOSS, strongly criticizing the utility's cost study. The Commission summarized its frustrations with ComEd's ECOSS, stating "the substantial deficiencies in specific elements of the ECOSS render it problematic for purposes of rate setting in this docket." *In re Commonwealth Edison Company*, I.C.C. Docket 07-0566, Final Order at 213 (Sep. 10, 2008) (the Docket 07-0566 Rate Order). Although it was plainly unhappy with the utility's cost study, the Commission believed it had no alternative but to use ComEd's ECOSS (with one modification) to set rates in the rate case. *Id.*

The Commission's displeasure with ComEd's cost study in Docket 07-0566 precipitated a follow-up case – Docket 08-0532. Docket 08-0532 was termed an investigation into ComEd's rate design and was initiated on the same day the Commission entered its Order in Docket 07-0566. In its Initiating Order in Docket 08-0532, the Commission directed ComEd to submit a revised cost study rectifying the "substantial deficiencies" the Commission identified in its Docket 07-0566 Rate Order. *ICC v. Commonwealth Edison Company*, I.C.C. Docket 08-0532, Initiating Order at 2. In particular, the Commission enumerated five specific modifications ComEd was either to make to, or analyze as part of, its revised ECOSS. Each of these five modifications addressed what had been identified in the Rate Order as a substantial deficiency in Docket 07-0566.

The Commission issued its Order in Docket 08-0532 on April 22, 2010 (the Rate Design Investigation Order). On issues material to the City's Initial Brief in this case, the Commission made the following conclusions:

▶ The Commission agreed with the City and Commission Staff that primary lines and substations should be allocated using the coincident peak (CP) allocator. Rate Design Investigation Order at 55. In doing so, the Commission specifically rejected arguments submitted by ComEd, the Illinois Industrial Energy Consumers (IIEC), and the Commercial Group that the non-coincident peak (NCP) method be used to allocate the costs of such equipment.

▶ The Commission found that in its cost study in its next rate case, ComEd should include \$183,000 as the costs ComEd incurs for secondary facilities used to serve the City's residential and arterial street lights. *Id.* at 53.

▶ The Commission agreed with the City's argument that ComEd's customer information costs should be allocated based on energy usage, and not, as proposed by ComEd, on the number of customers within the utility's various rate classes. *Id.* at 77.

▶ The Commission confirmed its decision in its Docket 07-0566 Rate Order that uncollectible costs for the residential class should be allocated based on the class revenues for the residential class as a whole. *Id.* at 80. In doing so, the Commission rejected arguments by ComEd, Commission Staff, and the Illinois Attorney General's Office (the AG) that such costs be allocated based on the number of customers in each sub-class of the residential class.

C. **Potentially Contested Issues**

1. **Embedded Cost of Service Study Issues**

a. *Class Definitions*

(i) Residential Classes

SUMMARY OF CURRENT RATES

Currently, ComEd's residential rates consist of three components – the customer charge, the meter charge, and the distribution charge. AG-CUB Ex. 6.0 at 4, LL 80-81. The customer charge and the meter charge are fixed charges; that is, they do not vary with usage. In contrast, the distribution charge is a per-kilowatt-hour charge, meaning that the distribution charge increases as customers use more electricity.

ComEd has four sub-classes within the residential class. They are (1) single-family without space heat (SF-No Heat), (2) single-family with space heat (SF-Heat), (3) multi-family without space heat (MF-No Heat), and (4) multi-family with space heat (MF-Heat). *Id.* at LL 75-79.

ComEd proposes two major changes to its residential rates in this proceeding. First, it suggests that the number of sub-classes in the residential class be reduced from four to two. ComEd proposes to accomplish this by eliminating the distinction between heating and non-heating customers. If adopted, ComEd's residential class would consist of a single-family sub-class and a multi-family sub-class.

The second major change to residential rates recommended by ComEd is to move to what it terms a "straight-fixed variable rate" (SFV) for residential customers.

ComEd's proposed SFV would increase dramatically the customer charge component of residential customers' rates.

Both of ComEd's major residential rate design proposals should be rejected. ComEd's proposal to reduce the number of sub-classes in its residential class from four to two is discussed in this section of this brief. ComEd's SFV proposal is addressed in section VIII. C. 1.

THE COMMISSION SHOULD REJECT COMED'S PROPOSAL TO REDUCE ITS NUMBER OF RESIDENTIAL SUB-CLASSES FROM FOUR TO TWO

ComEd proposes to reduce the number of sub-classes within its residential class from four to two. ComEd Ex. 16.0 (2nd Rev.) at 17, LL 352-56. In particular, ComEd recommends eliminating the current distinction between customers who use electricity to heat their homes and customers who do not use electricity to heat their homes. As a result, ComEd's residential sub-classes would consist of single-family customers and multi-family customers. *Id.* at 352-55. ComEd's proposal should be rejected.

Scott J. Rubin, testifying on behalf of the AG and the Citizens Utility Board (CUB), showed that ComEd's proposal to reduce its residential sub-classes to two has the effect of increasing the costs allocated to multi-family customers. Attached to Mr. Rubin's Direct Testimony as AG-CUB Ex. 6.01 was a cost study performed by ComEd showing what the results of its ECOSS would be if ComEd continued to include four sub-classes within the residential class. AG-CUB Ex. 6.0 at 7-8, LL 143-50.

Mr. Rubin testified that one would expect that modifying the cost study to include four sub-classes rather than two should not affect the overall costs attributed to the residential class. However, that is not the case. Mr. Rubin explained that moving from

four sub-classes to two has the effect of increasing costs allocated to MF customers by \$8.4 million. *Id.* at 9, LL 180-80; AG-CUB Ex. 6-02. At the same time, SF residential customers would see a \$4.2 million reduction in costs as would non-residential customers. AG-CUB Ex. 6.0 at 9, LL 181-83; AG-CUB Ex. 6.02.

Mr. Rubin explained that this anomaly is due to the way ComEd allocates secondary costs within the residential sub-classes. Specifically, Mr. Rubin stated that ComEd does not allocate these costs to the residential class as a whole, but instead, applies the NCP method to each sub-class within the residential class. AG-CUB Ex. 6.0 at 8, LL 160-63. ComEd's ECOSS showed that the multi-family residential sub-class as a whole has a NCP demand of 1,929,290 KW. ComEd Ex. 22.1, Sch. 2b, line 19. Mr. Rubin testified that the NCP demand for the 87% of multi-family residential customers who do not use electricity for space heating is 1,649,910. AG-CUB Ex. 6.0 at 8, LL 166-69; AG-CUB Ex. 6.01, Sch. 2b, L 19.

Mr. Rubin then stated that one would assume that the NCP demand for the MF-Heat sub-class would be 279,380 KW (1,929,290 – 1,649,910.) However, because ComEd calculates the NCP for each sub-class separately, and because the MF-Heat sub-class peaks during the winter, the MF-Heat NCP is 839,327. AG-CUB Ex. 6.0 at 9, LL 170-74. This increases the NCP demand for the residential class as a whole “to 2,489,237 KW, an increase of almost 30%.” *Id.* at LL 177-78.

Mr. Rubin found that the result makes no sense. The amount of costs assigned to the residential class should not be affected by whether there are two or four sub-classes. Moreover, the costs assigned to non-residential customers should clearly not be affected

by allocating costs among the residential sub-classes, however Mr. Rubin showed that this is indeed the case. *Id.* at 186-89.

Due to this anomaly, and the fact that Mr. Rubin showed that *present rates* for heating customers provide revenues in excess of ComEd's *proposed* costs for those sub-classes (*id.* at 11-12, LL 222-31), he recommended that the Commission reject ComEd's proposal to reduce its residential sub-classes from four to two. *Id.* at 9, LL 191-96. Mr. Rubin also recommended that the Commission require that in future rate cases ComEd allocate costs to the residential class as a whole and then reallocate those costs among the four residential sub-classes. *Id.* at LL 197-99. The City endorses Mr. Rubin's recommendations on these points and asks that they be adopted by the Commission.

D. Potentially Contested Issues

1. Embedded Cost of Service Study Issues

d. NCP vs. CP

e. Allocation of Primary Lines and Substations¹

As noted above, the Commission made clear in its Rate Design Investigation Order that it endorsed the use of CP to allocate primary lines and substations. Rate Design Investigation Order at 55. The issue whether to use CP or NCP was a topic of much debate in that case. Moreover, Staff witness Philip Rukosuev noted that the CP vs. NCP issue was contested in the Ameren Illinois Utilities most recent rate case. Staff Ex. 28.0 at 19, LL 448-50. Mr. Rukosuev explained that the Ameren Utilities and IIEC advocated use of the NCP allocator while Staff argued for the CP method. *Id.* at 19-20,

¹ Because the topics "NCP vs. CP" and "Allocation of Primary Lines and Substations" concern the same issues, the City addresses these topics in the same section of this brief.

LL 450-58. In its Order in the Ameren Illinois Utilities rate case, the Commission concluded

Because the demands of multiple classes on primary lines and substations more closely correspond to CP rather than NCP demands, the Commission agrees with Staff that the most reasonable, cost-based approach is to allocate the cost of this equipment according to the collective peak demands of all rate classes.

In re Central Illinois Light Company, et al., I.C.C. Dockets 09-0306-09-0311 (consol.) Order at 237 (April 29, 2010).

Thus, twice in the last ten months, the Commission has issued Orders adopting use of CP to allocate primary lines and substations. One would hope that the issue is settled, at least for some reasonable period of time. However, that is not the case. Both IIEC and the Commercial Group argued in this case that the Commission should reverse course, spurn the CP it so recently endorsed, and, instead, use the NCP method. There is nothing in the record to support the Commission making such a drastic departure from its recent decisions.

IIEC witness David L. Stowe makes the curious comment that ComEd's use of the CP method in the various costs studies it submitted in this case "is arguably consistent with the Rate Design Investigation Order" IIEC Ex. 3.0-C at 20, LL 457-58. It is difficult to understand how Mr. Stowe concluded that ComEd's use of the CP method is only "arguably consistent" with that Order. The Commission concluded its discussion of the CP vs. NCP issue in that case with the statement "We are persuaded that the allocation costs to substations and primary lines should be made on a CP basis." Rate Design Investigation Order at 55. That seems like a pretty emphatic statement

endorsing use of CP. There seems to be little or no room for a contrary interpretation, but apparently Mr. Stowe thinks otherwise.

Mr. Stowe goes on to state that the Commission should reject its recent orders and adopt the NCP in this case because the NCP method is consistent with how ComEd designs its distribution system. IIEC Ex. 3.0-C at 21-22, LL 480-502. As support for his interpretation of ComEd's method for designing its distribution system, Mr. Stowe quotes a portion of the Rate Design Investigation Order summarizing ComEd's response to the City and Staff that use of CP is inappropriate because the utility uses NCP to design its system. *Id.* at 22-23, LL 503-13, *quoting* Rate Design Investigation Order at 54-55. It is difficult to ascertain how this helps IIEC's argument. It is clear in the portion of the Rate Design Investigation Order quoted by Mr. Stowe, that the Commission considered the very argument that IIEC advances here – that is, that the Commission should adopt use of the NCP method to allocate primary lines and substations because that is the method ComEd uses to design its system. The Commission considered and rejected that argument in its Rate Design Investigation Order. It is unclear why merely repeating the argument here merits a different conclusion.

Moreover, City witness Edward C. Bodmer pointed out that Mr. Stowe's characterization of the manner in which ComEd builds out its system is not accurate. Mr. Bodmer noted that the statement Mr. Stowe relied on was a statement made by ComEd witness Lawrence S. Alongi in the Rate Design Investigation. There, Mr. Alongi stated "ComEd designs its primary lines and substations based on the non-

coincident peak that occurs on those facilities, not the *system* coincident peak.” City Ex. 2.0 (Rev) at 10, LL 195-97, *quoting* Docket 08-0532, ComEd Ex. 10.0 at 27, LL 570-571. Mr. Bodmer explained that it is obvious that ComEd does not build its system on “**system-wide**” coincident peak. Instead the utility builds its system on “regional coincident peak load.” *Id.* at 11, LL 204-05.

Mr. Stowe ignored this distinction and interpreted Mr. Alongi’s statement to mean that because the utility does not build its system on **system-wide coincident peak demand**, it must build its system using **non-coincident demand**. Mr. Bodmer testified that such an implication is not logical and contradicts testimony Mr. Alongi has presented in prior cases. *Id.* at LL 207-10. Mr. Bodmer noted that in a prior ComEd rate case Mr. Alongi stated

For each of the customer classes, two distribution capacity components were identified, the non-coincident class peak (“NCP”) component and the coincident peak component. The NCP component ... includes the costs for standard system elements that are likely to be sized to accommodate individual customers’ maximum loads. ... **The coincident peak component, on the other hand, includes the costs for standard system elements necessary to serve a geographic area or larger group of customers that can be sized with consideration given to diversity between individual customers’ loads. ... [T]he investment costs of Transmission Distribution Centers (“TDCs”), 34 kV lines, Distribution Centers (“DC”), primary lines, and primary taps were included in the coincident peak component.**

Id. at 212-25, *quoting* Docket No. 01-0423, ComEd Ex. 13.0 at 16-17, LL 345-363 (emphasis added).

Mr. Stowe also referred to a portion of a NARUC Cost Manual that he asserted prefers “use of NCP demands” IIEC Ex. 3.0-C at 23-24, LL 533-46. Commercial Group witness Richard A. Baudino made a similar point with respect to the NARUC

Manual. Comm. Group Ex. 1.0 at 22, LL 391-93. Mr. Bodmer noted that Mr. Baudino made the same argument regarding the NARUC Cost Manual in the Rate Design Investigation. City Ex. 2.0 (Rev.) at 9, LL 166-68, *quoting* Docket 08-0532, Comm. Group Ex. 2.0 at 3-4, LL 55-79. It is safe to assume that the Commission considered the argument concerning the NARUC Cost Manual in its Rate Design Investigation Order. Plainly, the Commission did not find that argument persuasive as it rejected using NCP to allocate primary lines and substations. IIEC and the Commercial Group present no reason why the Commission should all of a sudden decide that the NARUC Manual compels a different conclusion in this case.

Further, Mr. Bodmer showed that the NARUC Cost manual is not nearly as straightforward as IIEC and the Commercial group suggest. Mr. Bodmer testified that the quote from the Cost Manual Mr. Stowe included in his testimony “is an incomplete and distorted representation of discussion in the NARUC Manual.” *Id.* at 14, LL 279-80. AG-CUB witness Rubin made a similar point, stating that “Mr. Stowe left out an important portion of the paragraph from which he quotes. The paragraph begins at the bottom of page 96 and continues onto page 97 of the manual. Specifically, he left out a few sentences from the paragraph.” AG-CUB Ex. 11.0 at 12, LL 231-33. Mr. Rubin attached the entire quote as AG-CUB Ex. 11.03 to his Rebuttal Testimony.

Mr. Rubin went on to explain that when the entire quote is considered,

it becomes clear that the author of this paragraph did not clearly distinguish between NCP and CP. Rather, the author refers to NCP, “customer-class peaks,” and “individual customer maximum demands.” When the entire paragraph is read, it seems to me that the intention is to determine how much diversity exists in the load. The closer you get to the customer, the less diversity is present (that is, the NCP becomes more representative of the load placed on the facilities). But as you move further from the customer –

that is, out to the primary 42 voltage level – diversity becomes more important, meaning that different customer groups will peak at different times and the facilities can be sized to capture the benefit of that diversity. Thus, the manual states: “The load diversity at distribution substations and primary feeders is usually high.” The next sentence states: “For this reason, customer-class peaks are normally used for the allocation of these facilities.” The manual does not say which customer class peaks are used: coincident or non-coincident peaks. But to me, the intention seems clear: because there is more diversity at the primary level, facilities are designed to capture that diversity; and that means that a coincident peak allocator better reflects cost causation.

Id. at 12-13, LL 236-51.

Mr. Bodmer also pointed out that the Introduction to the NARUC Cost Manual makes clear that “its objectives were to be comprehensive and also ‘simple enough to be used as a primer’ and to ‘be non-judgmental; not advocating any one particular method but trying to include all currently used methods with pros and cons.’” City Ex. 2.0 (Rev.) at 14, LL 283-86, *quoting* NARUC Cost Manual at ii.

Thus, the NARUC Cost Manual does not stand for the simple proposition that IIEC and the Commercial Group assert. Rather, it is filled with conflicting principles and was not intended to be used to advocate any particular allocation method.

In short, the same parties in this case have made essentially the same arguments that they made in the Rate Design Investigation case. There has been no evidence presented, compelling or otherwise, warranting a different conclusion than the Commission reached in its Rate Design Investigation Order.

E. Potentially Contested Issues

1. Embedded Cost of Service Study Issues

g. Street Lighting

As mentioned above, in its Rate Design Investigation Order, the Commission concluded that in its next rate case, ComEd should include \$183,000 in its ECOSS as the amount that ComEd incurs for secondary facilities used to serve City residential and arterial street lights. Rate Design Investigation Order at 53. Despite this seemingly clear mandate, ComEd only reluctantly complied with the directive, stating that it disagreed with the Commission's conclusion. *See, e.g.,* ComEd Ex. 16.0 (2nd Rev.) at 32, LL 605-10. However, in complying with a conclusion with which it disagreed, the utility, at each stage of the evidentiary phase of the case, tried to modify the Commission's conclusion. Each of ComEd's proposed modifications would have the effect of increasing the secondary costs allocated to the City's street lights.

City witness Bodmer also suggested modifications to his calculation of secondary costs for City residential and arterial lights the Commission adopted in its Rate Design Investigation Order. However, unlike ComEd, which seemed to do what it could to increase secondary costs to the City, Mr. Bodmer's changes were designed to determine more accurately ComEd's costs. Some of Mr. Bodmer's changes had the impact of increasing costs to the City, while others reduced the City's costs. The back-and-forth between Mr. Bodmer and ComEd is described next.

In its direct case, ComEd witness Alongi voiced the utility's displeasure with what it termed the "Chicago Method" for calculating secondary costs for City residential

and arterial street lights. *Id.* at 32-34, LL 611-40. Mr. Alongi described what he believes to be several flaws with the “Chicago Method” and asked the Commission to revisit its decision adopting Mr. Bodmer’s analysis in the Rate Design Investigation proceeding. *Id.* Short of the Commission reversing its decision in the Rate Design Investigation case, Mr. Alongi recommended that the “Chicago Method” be modified to reflect the costs ComEd incurs in connecting City residential and arterial lights to ComEd’s system. *Id.* at 33, LL 621-23. Mr. Alongi attached ComEd Ex. 16.6 to his Direct Testimony that he said shows the work a ComEd employee must do to connect a customer’s wire to its system. *Id.* at LL 629-35; ComEd Ex. 16.6.

In his Direct Testimony, Mr. Bodmer agreed with ComEd that limited refinements to the method he used – and the Commission adopted -- in the Rate Design Investigation Order were warranted. City Ex. 1.0 at 42, LL 815-18. With that said, Mr. Bodmer disagreed with ComEd’s recommendation that the Commission completely scuttle its recent decision, by “throwing the baby out with the bath water.” *Id.* at LL 817-19.

Mr. Bodmer criticized ComEd for what he termed the “literal manner” by which the utility complied with the Commission’s Rate Design Investigation Order directive. Mr. Bodmer pointed out that ComEd made no effort to apply the same cost calculation method to non-Chicago municipalities that have similar street light configurations. *Id.* at 48, LL 931-33. Mr. Bodmer also faulted ComEd for not making relatively easy calculations that could improve his approach and for not demonstrating how the secondary cost numbers can be updated in future proceedings. *Id.* at LL 933-38.

Mr. Bodmer agreed with ComEd's criticism that he failed to include an operations and maintenance (O&M) component in his analysis. Accordingly, Mr. Bodmer modified his analysis to reflect O&M costs. *Id.* at 55, LL 1089-94. Mr. Bodmer also changed his method to include a provision for general and intangible plant. *Id.* at 55-56, LL 1096-99.

While Mr. Bodmer conceded that ComEd made certain valid criticisms of his method, he also pointed out that other ComEd assertions were wrong. One such error was Mr. Alongi's claim that ComEd employees make the connection between the wire for City residential and arterial street lights and ComEd's system. As noted above, Mr. Alongi claimed that Mr. Bodmer's method failed to reflect the costs ComEd incurs in making such connections. ComEd Ex. 16.0 (2nd Rev.) at 33, LL 621-23; ComEd Ex. 16.6.

To check Mr. Alongi's assertion, Mr. Bodmer met with City engineers to discuss the process by which City residential and arterial street lights are connected to ComEd's system. City Ex. 1.0 at 46, LL 905-09. In his conversations with City engineers, Mr. Bodmer was surprised to learn that for as long as anyone could remember, City employees and contractors have been making the connection between the City wire and ComEd's facilities. *Id.* at 47, LL 910-14. Mr. Bodmer was told that because the City's experience is that ComEd cannot timely make the City-ComEd connection, the City has taken that job on itself. *Id.* at LL 914-20. Thus, contrary to Mr. Alongi's assertion, ComEd does not incur any costs in connecting City street-lighting wire to the ComEd system. In fact, it is the City that incurs those costs. Because the City makes these connections, Mr. Bodmer recommended that the City be allocated \$0 for a service that ComEd does not provide.

A second error in ComEd’s calculation of secondary costs it allegedly incurs in serving City residential and arterial street lights concerns the cost of the wire that is used to connect City facilities to the ComEd system. In the Rate Design Investigation case, Mr. Bodmer assumed that the cost of wire was \$1.82 per foot. *Id.* at 54, LL 1071-75. For this case, using the same approach with updated data, Mr. Bodmer assumed that the cost of wire was \$1.78 per foot. *Id.* at LL 1074-75. Mr. Bodmer explained that he derived his number from a combination of primary and secondary wire in the City because of the odd circumstance that the cost of secondary wire in the City is higher than the cost of primary wire. *Id.* at LL 1071-74.

ComEd’s assumed a cost of wire of \$3.05 per foot, an amount significantly higher than Mr. Bodmer’s assumption. *Id.* at LL 1076-77. Mr. Bodmer testified that ComEd’s number was so much higher because of one entry in USOA Account 365. In particular, the “Other” entry for secondary wire in the City Account 365 is \$6.69 per foot. *Id.* at 1077-79. Mr. Bodmer argued that ComEd’s number was skewed because of the \$6.69 figure, a clear outlier in USOA Account 365. *Id.* at 54-55, LL 1077-83. Mr. Bodmer included a table in his testimony that showed the cost of wire with and without the very expensive wire from the “Other” entry in Account 365. *Id.* at 55, LL 1084-86. The table is reproduced below.

Overhead Cost of Wire in Account 365 per Foot		
	With "Other" Account	Without "Other" Account
Total Primary and Secondary in City	1.78	1.11
Secondary in City	3.05	0.95
Total Primary and Secondary for System	1.24	1.17
Secondary for System	2.45	2.05

A final refinement Mr. Bodmer made to his approach concerned the wire between ComEd's transformer and the City's connection box where the connection between ComEd's wire and the wire for the City's residential and arterial street lights is made. Mr. Bodmer used ComEd's estimate that that piece of wire averages 113 feet in length. However, he pointed out that that piece of wire does not only serve City facilities. *Id.* at 56, LL 1099-1104. Mr. Bodmer said that residences and businesses are also served from that wire. Therefore he recommended that the length of wire be divided by three to account for the other taps on the wire. *Id.* at LL 1104-07.

In his Rebuttal Testimony, Mr. Alongi conceded that with respect to the connection between ComEd's wire and City residential and arterial street lights, "It is true that the City has made temporary connections for their street lights, however, ComEd always makes the final permanent connections for street lights." ComEd Ex. 49.0 (Rev.) at 45, LL 1023-25. As to Mr. Bodmer's suggested modifications to his method, Mr. Alongi dismissed them out of hand, stating "ComEd does not agree with the Chicago Method, adjusted or otherwise. Overall the Chicago Method is inappropriate for use in cost allocation, and therefore, Mr. Bodmer's suggested individual adjustments to the method are inappropriate." *Id.* at 46, LL 1047-49.

Despite his insistence that the "Chicago Method" is inappropriate, Mr. Alongi suggested two modifications to Mr. Bodmer's approach. First, he rejected Mr. Bodmer's claim that a \$0 cost should be assigned to the cost to connect City facilities to the ComEd system. Mr. Alongi claimed that that cost should be \$250,000. *Id.* at 49, LL 1105-08. Mr. Alongi also chided Mr. Bodmer for not including alley lights in his analysis. Mr. Alongi stated that Mr. Bodmer assumes that ComEd uses no secondary wire to serve City

alley lights. He then testified that ComEd sampled 16 alley lights in the City and found that the average length of secondary wire from the transformer to the light is 109 feet. *Id.* at 48-49, LL 1091-97. Adjusting Mr. Bodmer's method to include alley lights, according to Mr. Alongi, increased the secondary costs assigned to City's dusk-to-dawn lighting to \$900,302, or \$762,686 more than ComEd's cost study allocates to the City's alley and non-alley lights. *Id.* at 49, LL 1097-1102; ComEd Ex. 49.7 (Rev.).

In his Rebuttal Testimony, Mr. Bodmer noted that ComEd did not respond to his analysis of the cost of wire in his Direct Testimony. City Ex. 2.0 (Rev.) at 28, LL 531-38. Mr. Bodmer pointed out that Mr. Alongi's insistence that the City should be allocated \$250,000 for connections made between City residential and arterial street light facilities and the ComEd system is inconsistent with reality. Mr. Bodmer again testified that it is the City and the contractors who make those connections. *Id.* at 29-30, LL 564-71. Allocating costs to the City for work it does is patently unfair.

Mr. Bodmer also criticized Mr. Alongi's estimate of the secondary costs ComEd incurs to serve City alley lights. In particular, Mr. Bodmer noted that ComEd Ex. 49.7 (Rev.), which sets forth ComEd's changes to Mr. Bodmer's method, allocated one-third of secondary costs to City alley lights. *Id.* at 29, LL 562-64. Mr. Bodmer stated that allocating one-third of secondary wire to 150 and 250 watt alley light bulbs is patently ridiculous. *Id.*

Moreover, Mr. Bodmer pointed out that in his testimony in the Rate Design Investigation case, he testified that alley lights should be distinguished from residential and arterial lights because they have a completely different configuration. *Id.* at 30, LL 575-77. Mr. Bodmer added that the Commission agreed with him in its Rate Design

Investigation Order as it approved Mr. Bodmer's method for calculating ComEd's secondary costs to serve City street lights. *Id.* at LL 577-79. Mr. Bodmer went on to say

Mr. Alongi's rebuttal testimony with respect to alley lights issue simply confirms that the alley lights must be distinguished from the non-alley lights in the cost-of-service analysis. The small amount of power used by a 250 or a 150 watt bulb cannot be allocated the same amount of power line costs as other consumers along the wire span who use a whole lot more energy than a single light bulb. The very small amount of power used by a single alley light is significantly less than the power used by integrated systems of residential or arterial lights.

Id. at 31, LL 590-96.

On cross-examination, Mr Alongi, at least implicitly, conceded that it was not realistic to allocate one-third of secondary wire costs to City alley bulbs. Mr. Alongi was asked to review his ComEd Ex. 49.8, which included a sample of four alleys in the City. Jan. 19, 2011 Tr. at 2042-44. Mr. Alongi stated that there are roughly 20 residences or businesses that are provided distribution service from the wires that transverse the alleys in ComEd's sample. *Id.* at 2046. Mr. Alongi admitted that the demand for five alley lights in one of the sample alleys would be 250 watts (the size of the bulb) times 5 (the number of the bulbs) or 1.25 kW. *Id.* at 2052. Mr. Alongi then testified that the average demand for a residence is 3 kW. *Id.* Multiplying the approximately 20 houses on each block times 3 kW yields a demand of approximately 60kW for the residences served by the same wire serving the five alley lights. *Id.* Comparing the 60 kW demand for the business and residences to the 1.25 kW demand for the five alley lights shows that the demand for residents and business is 48 times as greater than that for alley lights. Thus, a fairer allocation of secondary costs to alley lights would be 2%, not the 33% that ComEd advocated.

Thus, it is clear that ComEd's decision to allocate one-third the cost of the wire serving City alley lights -- wire that also serves residences and businesses -- is patently silly. As Mr. Bodmer said, by allocating one-third of the cost of the entire secondary system to provide power to a handful of 150 to 250 watt bulbs in City alleys, it is easy to see why ComEd was able to inflate the cost to serve City alley and non-alley lights to \$900,000. ComEd's modifications to Mr. Bodmer's method should be rejected.

To properly reflect the secondary costs that ComEd incurs to serve City residential and arterial street lights, the Commission should adopt the table from page 57 of Mr. Bodmer's Direct Testimony. That table sets forth the method he used to determine those costs. The table, with updates that were included during the case, is reproduced on the next page.

Cost of Service for Arterial and Residential Dusk to Dawn Lighting			
Item	Source	Amount	Comments
1 Cost per Foot of Wire	Data from ComEd Exhibit 16.5	\$1.78	Select accounts that are wire in account 365 and divide by the quantity in feet; Include overhead secondary wire in City of Chicago
2 Total Number Controllers	Controller Count from City of Chicago	10,868	Comes from the City; ComEd presented data for the number of points of supply for non-city in Data Request PR 7.04
3 Feet per Controller	From ComEd CEGIS Limited Sample	113	City engineers believed the number was 40 feet; but ComEd instead used a small sample from CEGIS; It would be best if ComEd computed the total amount of the wire
4 Percent Used by Non-Alley City Lights	Estimate	33%	ComEd assumed that the total span of wire is attributable to Non-Alley Lighting use. In fact, only a portion of the wire should be attributed to lighting as there are other taps on the wire between the transformer and the City connection.
4 Total Feet	Calculation: Feet/Controller x Controllers	405,268	Multiply Line 2 by Line 3
5 Plant Cost for Non-Alley Lights	Calculation: Feet x Cost/Number of Feet	\$721,376.54	Multiply Line 1 by Line 4; Note that since this number is from account 365, the data is also from the plant account
6 Adder for Intangible and General Plant	From ComEd ECOSS; Secondary Wires	5.88%	In the functionalization section of the ECOSS, ComEd computes the cost of general plant and the cost of intangibles allocated to secondary wires. The percentage is computed through dividing general and intangible by the total plant.
7 Allocated Intangible and General Plant	Calculation: Percent x Plant Cost	\$42,410.75	Multiply Line 6 by Line 5
8 Total Plant including Intangible and General	Calculation: Intangible & General + Distribution	\$763,787.29	Add Line 7 to Line 5
6 Accumulated Depreciation and ADIT Pct	1-(Gross Plant/Rate Base) from ECOSS	48.6%	In the functionalization section of the ECOSS, ComEd computes both the gross plant and the rate base for various items. This percentage is from the secondary wire.
7 Rate Base (Total Cost x (1-Acc Dep & ADIT)	Cost x (1-Acc Dep & ADIT)	\$392,586.67	This calculation uses the total plant cost and reduces it using the calculation above for accumulated depreciation and other items
8 Rate Base and Gross Up Percent	ComEd ECOSS, Ex. 22.1, 2a, line 112	12.54%	This number is directly from the cost of service study; when the final number is used in the rate case, this should be adjusted
9 Return on Rate Base	Rate Base x Gross Up	\$49,230.37	Multiply Line 8 by Line 7
10 Depreciation Percent	ComEd ECOSS – Secondary Wire Distribution Expense/Secondary Plant in Service	2.87%	The depreciation rate is computed through dividing the depreciation expense in the ECOSS function page for secondary wire by the total plant in service
11 Depreciation Expense	Cost x Dep Pct	\$20,703.51	
12 O&M as Percent of Total Plant	ComEd ECOSS	3.73%	This is computed from the total O&M Expense including administrative expenses and taxes other than income for secondary wires in the ECOSS divided by total plant.
13 Allocated O&M Expenses	Percent x Plant Balance	\$28,456.77	Multiply Line 12 by Line 8
14 Total Cost Using Actual Configuration	Dep + Return on Rate Base + O&M	\$98,390.64	Line 9 Plus Line 11 Plus Line 13

City Ex. 1.0 at 57, LL 1115.

As to alley lights, the Commission should use the same approach it adopted as to residential and arterial lights in its Rate Design Investigation Order. The information in the table below is in the same format as the table taken from page 57 of Mr. Bodmer's

Direct Testimony and uses data presented during the case. The source of the data is identified in the table.

Cost of Service for Alley Dusk to Dawn Lighting			
Item	Source	Amount	Comments
1 Cost per Foot of Wire	Data from ComEd Exhibit 16.5	\$1.78	Select accounts that are wire in account 365 and divide by the quantity in feet; include overhead secondary wire in City of Chicago
2 Total Number of Alley Lights	Controller Count from City of Chicago	62,074	From ComEd Schedule
3 Avg Length of Span	From ComEd CEGIS Limited Sample	109	From ComEd
4 Percent Used by Non-Alley City Lights	Estimate	2.000%	Relative Usage of Wire – ComEd Assumed 33%, The true number is closer to 1%
4 Total Feet	Calculation: Feet/Light x Lights x Percent	135,321	Multiply Line 2 by Line 3
5 Plant Cost for Non-Alley Lights	Calculation: Feet x Cost/Number of Feet	\$240,871.95	Multiply Line 1 by Line 4; Note that since this number is from account 365, the data is also from the plant account
6 Adder for Intangible and General Plant	From ComEd ECOSS; Secondary Wires	5.88%	In the functionalization section of the ECOSS, ComEd computes the cost of general plant and the cost of intangibles allocated to secondary wires. The percentage is computed through dividing general and intangible by the total plant.
7 Allocated Intangible and General Plant	Calculation: Percent x Plant Cost	\$14,161.20	Multiply Line 6 by Line 5
8 Total Plant including Intangible and General	Calculation: Intangible & General + Distribution	\$255,033.15	Add Line 7 to Line 5
6 Accumulated Depreciation and ADIT Pct	1-(Gross Plant/Rate Base) from ECOSS	48.6%	In the functionalization section of the ECOSS, ComEd computes both the gross plant and the rate base for various items. This percentage is from the secondary wire.
7 Rate Base (Total Cost x (1-Acc Dep & ADIT))	Cost x (1-Acc Dep & ADIT)	\$131,087.04	This calculation uses the total plant cost and reduces it using the calculation above for accumulated depreciation and other items
8 Rate Base and Gross Up Percent	ComEd ECOSS, Ex. 22.1, 2a, line 112	12.54%	This number is directly from the cost of service study; when the final number is used in the rate case, this should be adjusted
9 Return on Rate Base	Rate Base x Gross Up	\$16,438.31	Multiply Line 8 by Line 7
10 Depreciation Percent	ComEd ECOSS – Secondary Wire Distribution Expense/Secondary Plant in Service	2.87%	The depreciation rate is computed through dividing the depreciation expense in the ECOSS function page for secondary wire by the total plant in service
11 Depreciation Expense	Cost x Dep Pct	\$6,913.02	
12 O&M as Percent of Total Plant	ComEd ECOSS	3.73%	This is computed from the total O&M Expense including administrative expenses and taxes other than income for secondary wires in the ECOSS divided by total plant.
13 Allocated O&M Expenses	Percent x Plant Balance	\$9,501.88	Multiply Line 12 by Line 8
14 Total Cost Using Actual Configuration	Dep + Return on Rate Base + O&M	\$32,853.22	Line 9 Plus Line 11 Plus Line 13

F. Potentially Contested Issues

1. Embedded Cost of Service Study Issues

i Indirect Uncollectible Costs and Uncollectible Costs

In its Docket 07-0566 Order and its Rate Design Investigation Order, the Commission directed ComEd to change the manner in which it allocated uncollectible costs among the residential sub-classes. Prior to those Orders, ComEd allocated the costs associated with each sub-class to the members of that sub-class. City Ex. 1.0 at 61-62, LL 1198-1202. The Commission agreed with the City in both of those cases that the more fair way to allocate uncollectible costs for the residential class was to allocate the costs evenly across all of the residential class.

In this case, Mr. Bodmer testified that ComEd complied with the Commission's Orders in Docket 07-0566 and the Rate Design Investigation case. *Id.* at 63, LL 1227-30. However, Mr. Bodmer recommended that indirect costs associated with uncollectible costs should be allocated in the same manner. *Id.* at LL 1234-38. Such indirect costs include the costs "of collecting, administering, managing, disconnecting, and reconnecting uncollectible accounts." *Id.* at LL 1235-36. Although Mr. Bodmer did not calculate the magnitude of indirect uncollectible costs in this case, he did make the calculation in the Rate Design Investigation case and determined that they were approximately \$34 million. *Id.* at 64, LL 1242-46. Given the recent financial crisis, Mr. Bodmer stated that it is likely that indirect uncollectible costs are even greater now. *Id.* at LL 1246-48.

In his Rebuttal Testimony, ComEd witness Robert Garcia faulted Mr. Bodmer for not defining precisely what costs should be considered indirect uncollectible costs. ComEd Ex. 50.0 at 7, LL 153-57. He also criticized Mr. Bodmer for not quantifying such costs. *Id.* Ultimately, Mr. Garcia rejected Mr. Bodmer's proposal. *Id.* at 8, LL 178-84.

Mr. Bodmer, in his Rebuttal Testimony, suggested a method by which ComEd could collect indirect uncollectible costs in the same manner as it does uncollectible costs. In particular, Mr. Bodmer said

To compute the number for indirect cost, I would first separate the call center calls related to credit and collections. Some of call center costs could then be assigned to uncollectible costs rather than being assigned on the basis of the number of ratepayers. Next, I would review all of the accounts in account 903 to evaluate which costs are related to credit evaluation, collection activities, the costs of disconnecting consumers, the costs of re-connecting consumers, and any other costs associated with evaluating, collecting or administering costs associated with people who are late in paying their bills.

City Ex. 2.0 (Rev.) at 36, LL 690-97.

Mr. Garcia rejected Mr. Bodmer's suggested method for determining indirect uncollectible costs as "high level" and "loose". ComEd Ex. 74.0 at 3, LL 68-69. However, Mr. Garcia provides no alternative to Mr. Bodmer's suggested method.

Mr. Bodmer's testimony shows that it would be fairer for ComEd to allocate indirect uncollectible costs in the same way that it allocates uncollectible costs. In its Order in this case, the Commission should direct ComEd to identify indirect uncollectible costs, to quantify such costs, and to allocate them using the method it uses to allocate uncollectible costs.

VIII. RATE DESIGN

C. Potentially Contested Issues

1. SFV (ComEd Proposal)

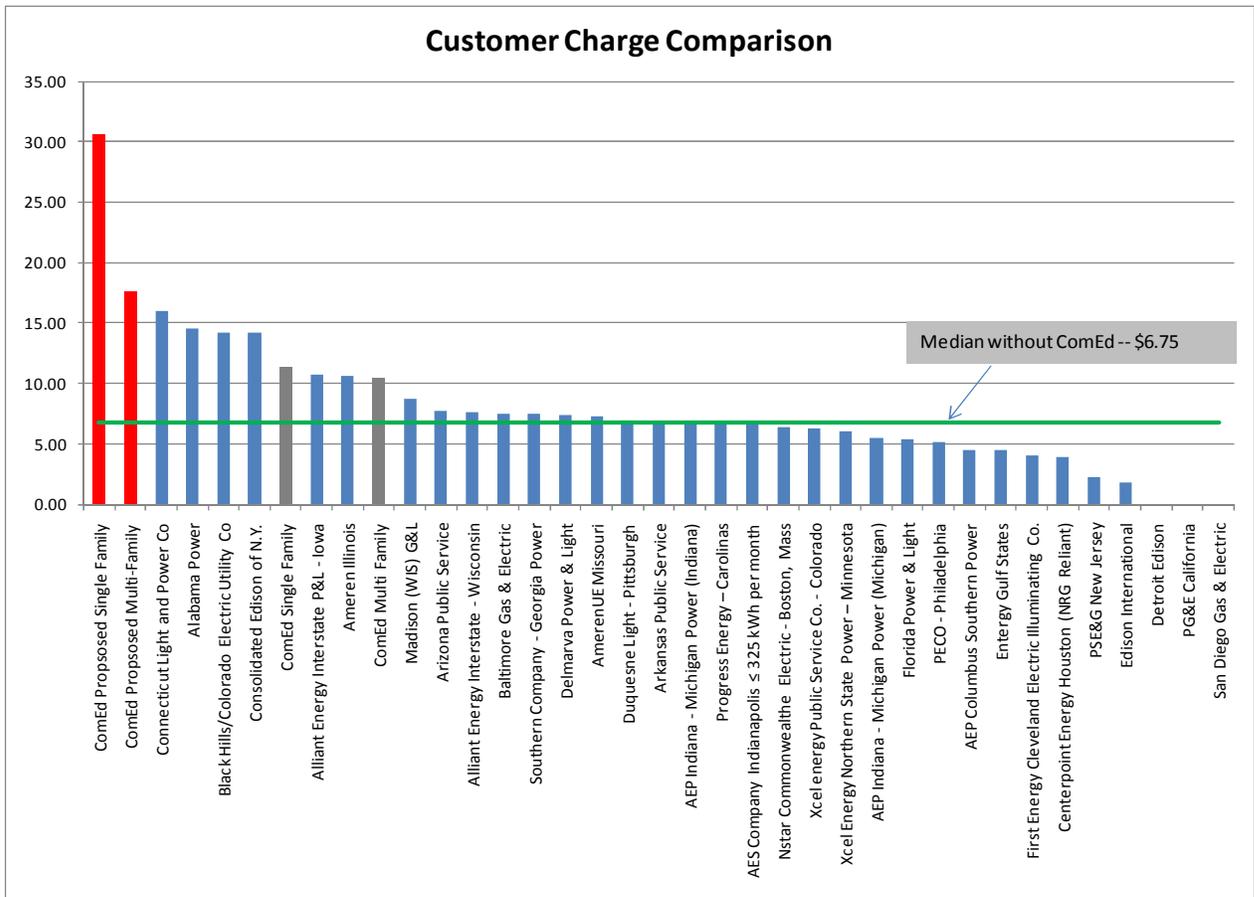
As discussed earlier in this brief, ComEd proposes two major changes to its current residential rate design. One is to reduce the number of sub-classes within the residential class from four to two. That issue was discussed in section VII.C.1.a.(1) of this brief. ComEd's other recommended change to residential rate design is its SFV proposal.

As noted above, ComEd's SFV would drastically increase residential customers' customer charge. It would also increase the meter charge for these customers. City witness Bodmer included in his Direct Testimony a table showing ComEd's current and proposed customer charges and meter charges for single-family and multi-family residential customers. Mr. Bodmer's table is reproduced below.

	Single Family				Multi Family			
	Current	Proposed	Increase	Percent Increase	Current	Proposed	Increase	Percent Increase
Customer Charge	7.64	26.78	19.14	250.5%	6.65	13.81	7.16	107.7%
Metering Charge	2.24	3.20	0.96	42.9%	2.24	3.2	0.96	42.9%
Total	9.88	29.98	20.1	203.4%	8.89	17.01	8.12	91.3%

City Ex. 1.0 at 3; LL 51-52.

Mr. Bodmer added that ComEd's current customer charge is already high compared to other utilities: "its single family charge is 68% above the median and its multi-family charge is 55% above the median." *Id.* at 7, LL 148-50. Mr. Bodmer included a graph in his testimony that shows how drastic ComEd's SFV proposal is. Mr. Bodmer's graph is reproduced below.



Id. at 8, LL 157-59. Mr. Bodmer explained that his graph shows that if ComEd’s SFV proposal

were to be accepted by the Commission, ComEd’s single family charges would be 4.5 times the industry median and its multi-family charges would be 2.6 times the median of the other utility companies. Indeed, the single family charge would be about double the charge for the utility with the next-highest charge.

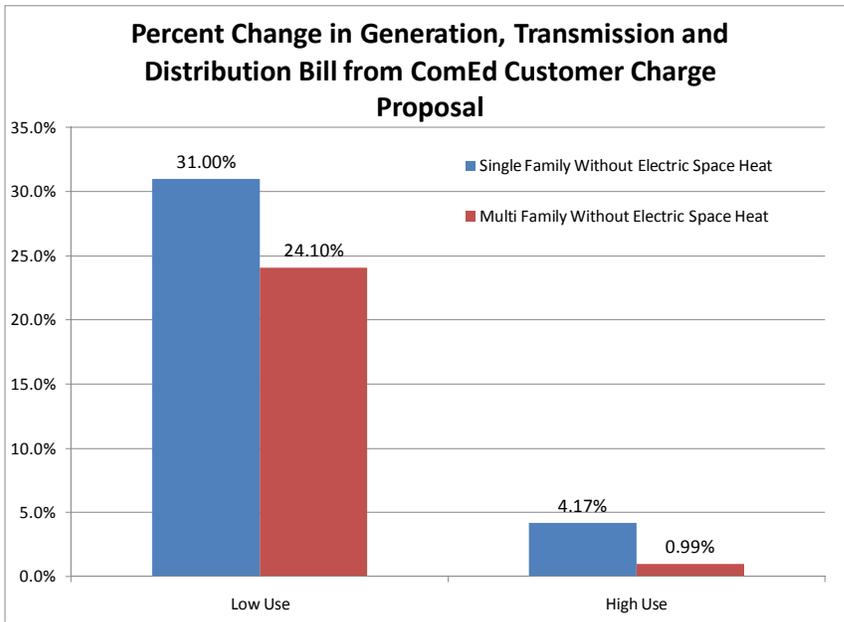
Id. at LL 152-56.

Mr. Bodmer explained that ComEd’s proposal is essentially the same proposal made by utilities 50 years ago. *Id.* at 3-4, LL 58-59. The SFV would make the major portion of ComEd’s residential rates fixed costs. That is, the costs would not vary with usage and customers could do nothing to reduce these costs. Mr. Bodmer testified that revenue stability is plainly one reason ComEd is making its proposal. Mr. Bodmer noted

that in the Rate Design Investigation case, ComEd witness Dr. Ross C. Hemphill testified low customer charges have “undesirable effects” of which “[f]oremost is the resulting **destabilization of utility revenues** and utility cost recovery, which ultimately has an impact on all other customers on the ComEd system.” *Id.* at 30, LL 577-81, quoting *ICC v. Commonwealth Edison Company*, I.C.C. Docket 580 08-0532, ComEd Ex. 4.0 at 14, LL 305-308.

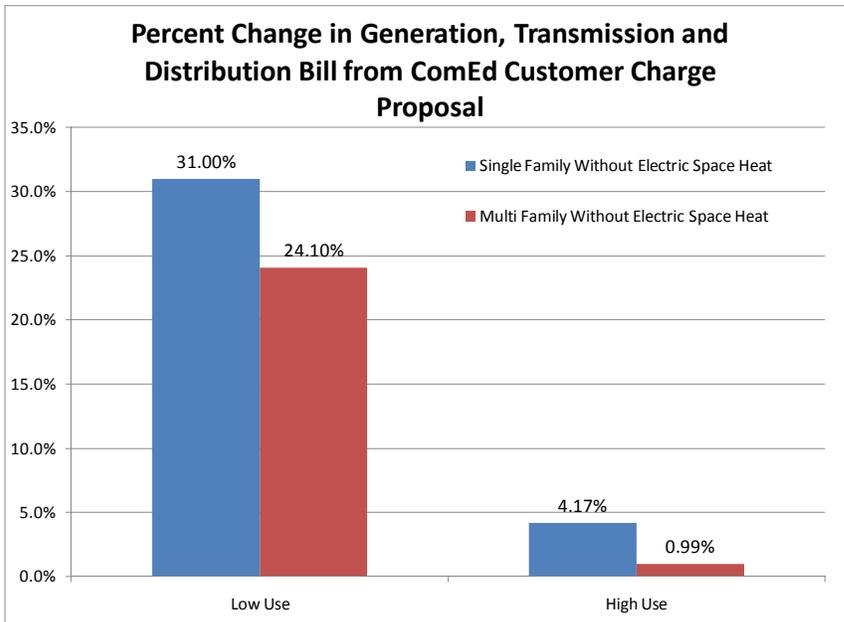
Another benefit for ComEd (or more likely its parent company, Exelon Corporation) is that high fixed cost levels promote greater consumption because customers have less incentive to conserve electricity. *Id.* at 4, LL 63-67. Exelon, one of the biggest, if not the biggest electric generator in Illinois, stands to benefit if electricity consumption increases. *Id.*

Mr. Bodmer showed that low-use residential customers would bear the brunt of the effects of ComEd’s SFV proposal. He included in his Direct Testimony a graph showing the impacts of the SFV proposal on low-use and high-use residential customers. *Id.* at 10, LL 187-92. The graph is taken from Tables D8 and D9 that Mr. Alongi presented in his Direct Testimony. Mr. Bodmer’s graph is shown below.



Id. at LL 19-92.

Mr. Bodmer noted that while his graph (and Mr. Alongi's tables) show the dramatic impact on low-use customers, the effect is actually worse because Mr. Alongi's tables showed the impact of the SFV proposal on total customer bills. *Id.* at 9, LL 165-67. That is, Mr. Alongi's tables include the cost of generation and transmission, as well as the cost of distribution. Mr. Bodmer testified that doing so skews the results shown in Mr. Alongi's tables. *Id.* at LL 171-77. To alleviate this distorting effect, Mr. Bodmer also prepared a graph showing the impact of ComEd's SFV proposal on distribution rates; that is, with supply and transmission costs removed. That table is replicated below.



Id. at 11, LL 201-03.

Not surprisingly, if adopted, ComEd’s SFV proposal would fall heavily on Chicago residents. Mr. Bodmer testified that he presented information in ComEd’s last rate case – Docket 07-0566 – that electricity use in Chicago is significantly less than use in non-Chicago areas. In particular, Mr. Bodmer stated that in Docket 07-0566, “I showed that in 2006, the median non-space use per resident per month was 346 kWh per month inside the City. By contrast, the median suburban consumer used 553 kWh per month – 60% above the City level. I am not aware of any evidence that these usage patterns have changed.” *Id.* at 12, LL 220-23. Due to the energy usage difference between Chicago residents and non-Chicago residents, Mr. Bodmer demonstrated that there would be a \$50 million wealth transfer from Chicago residents to non-Chicago residents. *Id.* at 12-13, LL 230-32. Mr. Bodmer’s table showing that wealth transfer is below.

	Proposed	Current	Increase	Percent Increase	Total with Equal Allocation	Transfer
City Revenues - SF	187,412,428	140,163,374	47,249,054	33.7%	171,919,701	15,492,727
City Revenues - MF	118,992,424	65,415,416	53,577,008	81.9%	80,236,358	38,756,065
City Revenues SF Space	728,557	738,427	-9,871	-1.3%	905,730	-177,174
City Revenues MF Space	12,580,033	13,823,607	-1,243,574	-9.0%	16,955,574	-4,375,540
Total	319,713,442	220,140,825	99,572,617	45.2%	270,017,364	49,696,078
Out Revenues - SF	799,991,768	668,779,441	131,212,327	19.6%	820,302,465	-20,310,697
Out Revenues - MF	104,548,419	94,608,457	9,939,962	10.5%	116,043,565	-11,495,146
Out Revenues SF Space	18,403,856	19,819,553	-1,415,697	-7.1%	24,310,001	-5,906,144
Out Revenues MF Space	34,011,001	37,499,060	-3,488,059	-9.3%	45,995,092	-11,984,091
Total	956,955,045	820,706,512	136,248,532	16.6%	1,006,651,123	-49,696,078
Grand Total	1,276,668,487	1,040,847,337	235,821,149	22.7%	1,276,668,487	0

Id. at 13, LL 238-40.

Besides the extremely negative impact on low-use customers and Chicago residents, Mr. Bodmer enumerated many flaws with ComEd's SFV proposal.

First, their proposal runs counter to all of the Commission directives over the past fifteen years which have moved in the direction of embedded cost. Second, it contradicts numerous statements made by ComEd in its last rate case and Docket 08-0532. (For example, Mr. Heintz strongly criticized marginal cost studies in his rebuttal testimony in Docket 08-0532. *ICC v. Commonwealth Edison Company*, I.C.C. 276 Docket 08-0532, ComEd Ex. 7.0 at 9, 12, LL 190-96, 259-61.) Third, it ignores the question of long-run marginal cost that is an essential part of any marginal cost analysis (when the Commission did apply marginal cost to distribution, it consistently used long-run marginal cost.) Fourth, the manner in which differences between short-run marginal cost and the revenue requirement would be imposed is highly discriminatory against people who live in small homes and is inconsistent with the way load is allocated between residential and non-residential ratepayers. Fifth, the proposal would not increase economic efficiency in any meaningful way. Sixth, it discourages conservation. Seventh, if the concept should be applied to residential consumers it should also be applied to business consumers. Eighth, the proposal is completely inconsistent with the manner in which ComEd continues to make inter-class allocations. I could go on, but I think that this is enough.

Id. at 15-16, LL 271-89.

Highlighting a few of these faults demonstrates that ComEd's SFV proposal should be rejected. For example, Mr. Bodmer stated that the rationale for ComEd's proposal – its distribution costs are sunk costs and do not vary with usage – applies equally as well to non-residential customers. According to the SFV principles, all business customers should therefore pay the same customer charge, whether they are a steel mill or a small convenience store. *Id.* at 21, LL 385-93. Of course, such a result is ludicrous, but it is no less ludicrous applying the SFV rationale to residential customers.

There is great disparity in usage among ComEd's residential customers, which shows that different customers place different stresses on the system – that is, different customers impose different costs on the system. The disparity in residential customer usage ranges from large estates in high-end suburbs to efficiency apartments in the City. Clearly, these two very different types of customers impose different costs on the system. But ComEd's proposed rate design, which relies on short-run marginal costs to set rates, completely glosses over these differences.

Another major flaw with ComEd's SFV proposal is that dramatically increasing the level of fixed costs in residential customers' rates diminishes customers' incentives to invest in energy efficiency measures. Such a result cannot be reconciled with the General Assembly's unequivocal embrace and promotion of energy efficiency and demand response resources.

As the Commission knows, the General Assembly has enacted legislation establishing energy efficiency portfolio standards (EEPS) for both electric and gas utilities. *See*, 220 ILCS 5/8-103; 5/8-104. In creating EEPS's for electric utilities, the General Assembly made clear that "It is the policy of the State that electric utilities are

required to use cost-effective energy efficiency and demand-response measures to reduce delivery load.” 220 ILCS 5/8-103(a); *see also*, 220 ILCS 5/8-104(a) (“It is the policy of the State that natural gas utilities and the Department of Commerce and Economic Opportunity are required to use cost-effective energy efficiency measures to reduce direct and indirect costs to consumers.”). The General Assembly further stated that “Requiring investment in cost-effective energy efficiency and demand-response measures will reduce direct and indirect costs to consumers by decreasing environmental impacts and by avoiding or delaying the need for new generation, transmission, and distribution infrastructure.” 220 ILCS 5/8-103(a).

The Commission noted the importance of energy efficiency in ComEd’s last rate case – Docket 07-0566. In its Order in that case, the Commission stated

The City argues that imposing costs on customers who use less energy is, at best, inconsistent with the General Assembly’s mandate that reducing energy use is a vital policy objective of the State.

The Commission agrees. Customer costs are about 20% of the total cost of service. Because the allocation of customer billing costs, data management costs, installation costs, service drops, and customer information costs are assigned on the number of customers, residential customers currently pay 80% of them. These costs should be attributed as far as is practical to the cost causers. The record does not clearly establish that the costs identified by the City are necessarily related to usage.

Docket 07-0566 Order at 211.

Yet, ComEd recommends that the Commission adopt a rate design that would have the opposite effect; a rate design that discourages residential customers from investing in energy efficiency measures.

These are only a few problems with ComEd's SFV proposal. Both AG-CUB witness Rubin and Staff witness Christopher L. Boggs were as critical of ComEd's recommendation as Mr. Bodmer. In short, there is no meaningful record support for ComEd's SFV proposal. It should be rejected.

VIII. RATE DESIGN

C. Potentially Contested Issues

3. Class Definitions

a. Residential Rate Design – Consolidation of Classes

The City addressed this issue in section VII.C.1.a.(i) of this brief. It will not repeat its argument here. The City adopts the argument it made in section VII.C.1.a.(i) as its argument for this section of the brief.

VIII. RATE DESIGN

C. Potentially Contested Issues

4. Non-Residential

d. Dusk to Dawn Street Lighting

The City addressed this issue in section VII.C.1.g of this brief. It will not repeat its argument here. The City adopts the argument it made in section VII.C.1.g. as its argument for this section of the brief.

XI. CONCLUSION

For the reasons set forth in this brief, the City of Chicago respectfully requests that the Illinois Commerce Commission:

1. Reject ComEd's proposal to reduce the number of sub-classes within its residential class from four to two;
2. Confirm the decision it made in Docket 08-0532 and Dockets 09-0306 – 09-0311 (consol.) to use coincident peak to allocate primary lines and substations;
3. Determine that the secondary costs ComEd incurs to serve City residential and arterial street lights are \$98,390.64;
4. Determine that the secondary costs ComEd incurs to serve City alley lights are \$32,853.22;
5. Direct ComEd to identify indirect uncollectible costs, to quantify such costs, and to allocate them using the method it uses to allocate uncollectible costs; and
6. Reject ComEd's SFV residential rate design proposal.

Dated: February 10, 2011

Respectfully submitted,

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