Docket No. 10-0467
ICC Staff Exhibit 12.0

DIRECT TESTIMONY

of

PHILIP RUKOSUEV

Rates Department

Financial Analysis Division

Illinois Commerce Commission

Commonwealth Edison Company
Proposed General Increase in Electric Rates

Docket No. 10-0467

November 19, 2010

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Q. Please state your name and business address.

A. My name is Philip Rukosuev, and my business address is 527 E. Capitol Avenue, Springfield, Illinois 62701.

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

A. I am currently employed by the Illinois Commerce Commission ("ICC" or "Commission") as a Rates Analyst in the Rates Department of the Financial Analysis Division. My responsibilities include rate design and cost of service analyses for electric, gas, water and sewer utilities and the preparation of testimony on rates and rate related matters.

Q. How long have you been employed by the Commission?

A. I have been employed by the Commission since September of 2008.

Q. Please discuss your educational and professional background.

A. I received a B.A. in Economics and Business Administration (Magna Cum Laude) from the University of Illinois at Springfield in May of 2007. I was previously employed by the Illinois Manufacturing Association as a Management Intern and by the Department of Healthcare and Family Services in the Low Income Home Energy Assistance Program (LIHEAP) and the Illinois Home Weatherization Assistance Program (IHWAP)[1] as a Fiscal Intern. While employed in the ICC, I have attended classes and conferences relevant to electric utility operations.

[1] At present, those programs are part of the Illinois Department of Commerce and Economic Opportunity.

23

24 **Q. Have you previously testified before the Commission or any other**
25 **regulatory bodies?**

26 A. Yes, I have testified several times before the Commission on rate design and
27 other tariff-related matters. The cases that I testified on include, but are not
28 limited to, the RME[2] sewer certificate cases (08-0490/08-0491), the Ameren
29 UCB/POR[3] tariffs (08-0619/08-0620/08-0621), the Illinois American Water
30 Company ("IAWC") certificate case (08-0585), the Ameren electric rate cases
31 (09-0306/09-0307/09-0308), the IAWC rate case (09-0319), the Lake Wildwood
32 water rate case (09-0549), the Galena Territory Utility Co. water/sewer rate case
33 (10-0280), and the Whispering Hills water rate case (10-0110).

34

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

36 A. I address embedded cost of service ("ECOSS") matters in the filing by
37 Commonwealth Edison Company ("ComEd" or the "Company") for a general
38 increase in electric delivery service rates. I also discuss issues related to
39 functionalization of General and Intangible Plant ("G&I"), railroad class revenue
40 allocation adjustment, and customer care costs.

41

42 **Q. Are you sponsoring any schedules or attachments with your testimony?**

43 A. Yes, I have attached the following:

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[2] RME Illinois, L.L.C.
[3] Proposal to implement a combined Utility Consolidated Billing (UCB) and Purchase of Receivables (POR) service.

Attachment A - ComEd Response to Staff Data Requests PR 11.10, PR 11.10_Attach 2.

Attachment B - ComEd Response to Staff Data Requests PR 6.01 and PR 6.01_Attach 1.

Attachment C - ComEd Response to Staff Data Requests PR 6.05.

Attachment D - ComEd Response to Staff Data Requests PR 11.07.

Q. Please summarize your recommendations to follow.

A. Based upon my review of the information provided by ComEd in this proceeding, I recommend the following:

1. I recommend the Commission reject the Company's proposed changes to the manner it functionalizes G&I.
2. I recommend the Commission approve the CP[4]<69 FOR RR[5] allocator used in ComEd's ECOSS.
3. I recommend the Commission adopt ComEd's Switching Study, the results of which are consistent with ComEd's customer service operations and are in line with how other Illinois utilities allocate such costs between distribution and supply.

Q. How is your testimony organized?

A. My testimony is organized into four parts.

I) I address general cost of service issues that pertain to ComEd's ECOSS.

[4] Coincident Peak demand
[5] Railroads

66 II) I provide a summary of positions against ComEd's proposed changes to the
67 functionalization of G&I.
68 III) I discuss the issues and provide my recommendations concerning the
69 proposed railroad class cost allocation adjustment.
70 IV) I discuss the issues pertaining to customer care costs and provide a summary
71 of positions for the Switching Study and against the Allocation Study.
72
73 **I. EMBEDDED COST OF SERVICE STUDY**
74
75 **Q. Please describe the role of an embedded cost of service study ("ECOSS")**
76 **in the design of electric rates.**
77 A. An ECOSS plays an essential role in the process of designing cost-based rates
78 which has been a longstanding principle for the Commission. An ECOSS is
79 performed to allocate costs among all customer classes to determine each
80 customer class' respective responsibility for the costs imposed on the utility. The
81 results are summarized in rates of return for customer classes, which document
82 each customer class' relative performance in recovering costs. Classes
83 generating above average returns are considered to be paying more than their
84 fair share of the Company's revenue requirement, while classes with below
85 average returns are viewed as paying too little. Basing rates on costs is both
86 efficient and equitable. It is efficient because the price that consumers pay
87 reflects the cost of providing electricity and, thus, what ratepayers pay is aligned
88 with the cost to society of providing that service.

Q. How does an ECOSS categorize utility costs?

A. The ECOSS categorizes utility costs in three ways. The first step divides up costs according to utility functions such as transmission, distribution, customer costs, and administrative and general costs. The costs of transmission and sub transmission are generally considered fixed costs that do not vary with the quantity of energy transmitted. The costs of electric distribution systems are affected primarily by demand and by the number of customers. Costs functionalized as customer service are related to the number of customers and, therefore, can be classified as customer costs as well[6]. The second step classifies costs as either customer demand or energy related. This step guides the process of determining how those costs should be recovered through customer (costs that are directly related to the number of customers served), demand (costs that vary with the KW demand) and usage charges. Third, costs are allocated among customer classes based on cost-causation principles to determine their share of responsibility for overall system costs.

Q. What role does an ECOSS play in the rate design process?

A. An ECOSS serves as a foundation for cost-based rates. It identifies the responsibility of each customer class for overall system costs. The ECOSS also provides a foundation for rate design by generating cost-based customer, demand and energy charges for each rate class.

[6] The Electric Utility Cost Allocation Manual, January 1992, p. 21, NARUC.

111

112 **Q. Has the Company prepared an ECOSS for this proceeding?**

113 A. Yes. In fact, ComEd filed two separate ECOSSs: one in its initial filing on June
114 30, 2010 and another in its supplemental filing on August 9, 2010. In the initial
115 filling, the ECOSS is included as ComEd Ex. 15.1 which is presented and
116 discussed in the supplemental direct testimony of Alan C. Heintz, ComEd Ex.
117 15.0 and ComEd 15.0 Revised. In the supplemental filling, the ECOSS is
118 included as ComEd Ex. 22.1 which is presented and discussed in the
119 supplemental direct testimony of Alan C. Heintz, ComEd Ex. 22.0 and ComEd
120 22.1 Revised.

121

122 **Q. Which of the two ECOSSs do you focus on in this proceeding?**

123 A. The focus of my discussion is the ECOSS presented in ComEd Ex. 22.1
124 ("ECOSS" or "exemplar ECOSS") included with Mr. Heintz's supplemental direct
125 testimony, ComEd Ex. 22.0. Essentially, ComEd Ex. 22.1 incorporates the
126 remaining directives in the Illinois Commerce Commission's recent Order in its
127 investigation of ComEd's rate design in Docket No. 08-0532 that were not
128 reflected in ComEd Ex. 15.1. ComEd Ex. 22.1 employs an updated and revised
129 definition of primary and secondary customers that is consistent with the
130 conclusions reached by the Commission in Docket No. 08-0532. Please see the
131 Direct Testimony of Staff witness Peter Lazare for a discussion of Staff's
132 response to the Company's initial filing and supplemental direct testimony. (ICC
133 Staff Ex. 10)

Q. Please describe the exemplar ECOSS presented by the Company in this case.

A. The basic structure is similar to the ECOSSs filed by the Company and approved in ComEd's last four delivery rate cases, Dockets Nos. 99-0117, 0-01423, 05-0597, and 07-0566. The Company's study first allocates costs to various functions and then allocates the costs for each function to rate classes.

The exemplar ECOSS incorporates revisions that were made in response to Commission decisions in the last general rate case, Docket No. 07-0566, and the subsequent rate design investigation, Docket No.08-0532, primary and secondary voltage levels are differentiated, and uncollectible debt expense is allocated across all residential classes on the same percentage basis in the exemplar ECOSS. There were also changes related to street lighting and the allocation of customer care costs based on usage.

Q. Does your review extend to all areas of the exemplar ECOSS?

A. No. I did not review the allocation of primary and secondary costs which is addressed by Staff witness Lazare.

Q. Do you find ComEd's approach to be reasonable for the areas of the ECOSS that you reviewed?

156 A. Yes. For the areas I reviewed, ComEd's ECOSS is consistent with past
157 Commission decisions and therefore may be regarded as a reasonable
158 foundation for ratemaking in this case.
159
160 **Q. Have you nevertheless identified a shortcoming in the Company's ECOSS?**
161 A. Yes, I have identified a shortcoming in the Company's allocation to functions that
162 I will address in the next section.
163
164 **II. FUNCTIONALIZATION OF GENERAL AND INTANGIBLE PLANT**
165
166 **Q. In ComEd's proposed functionalization of General and Intangible Plant,**
167 **please explain the shortcoming you have identified.**
168 A. I take issue with ComEd's proposed changes to its method of functionalizing
169 General Plant (FERC Accounts 389-399)[7] and Intangible Plant (FERC Accounts
170 301-303)[8].
171
172 **Q. Please describe General Plant and Intangible Plant ("G&I").**
173 A. General Plant consists of assets such as land and land rights, buildings and
174 structures, office furniture and equipment, transportation equipment, stores

[7] 389 Land and land rights, 390 Structures and improvements, 391 Office furniture and equipment, 392 Transportation equipment, 393 Stores equipment, 394 Tools, shop and garage equipment, 395 Laboratory equipment, 396 Power operated equipment, 397 Communication equipment, 398 Miscellaneous equipment, 399 Other tangible property.

[8] 301 Organization, 302 Franchises and consents, 303 Miscellaneous intangible plant.

equipment, tools, shop and garage equipment, laboratory equipment, power operated equipment and communication equipment, miscellaneous equipment and other tangible property. Intangible Plant consists primarily of organization (for example, fees paid to deferral or state governments for the privilege of incorporation and expenditures incident to organizing the corporation), franchises and consents, and miscellaneous intangible plant, for example, software or systems that are purchased or developed for use by the Company[9].

Q. What functional approach is currently used for these costs?

A. The current approach uses a combination of generic functional allocators ("general labor allocators") and direct assignment, to functionalize G&I costs.

Q. What changes does ComEd propose?

A. In the instant proceeding, ComEd proposes the following:

I) For certain G&I accounts, a switch from the previously approved set of generic functional allocators to a single generic functional allocator ("W&S").

II) For certain G&I accounts, a switch from the previously approved direct assignment methodology to an assignment methodology based on a generic functional allocator ("W&S").

[9] Working Copy of the Uniform System of Accounts for Electric Utilities Operating in Illinois, August 1, 2007, p. 96-97.

Q. Has the Company estimated the impact of these changes on its proposed revenue requirement?

A. Yes. ComEd estimates that its proposed changes increase the distribution revenue requirement by approximately $1,970,000. (ComEd Response to Staff Data Request PL 6.06(b))

Q. How does the Company justify this change?

A. ComEd witness Mr. Heintz justifies this approach as follows:

> The current ECOSS reflects a change in the manner of functionalizing G&I, from a direct assignment methodology to a methodology that is a generic W&S allocation for all general plant accounts except Account 397, Communications Equipment. Account 397 is functionalized between T and D by direct assignment. As discussed in the Direct Testimony of Kathryn Houtsma (ComEd Ex. 6.0 Revised), the current methodology aligns with the method employed in ComEd's Transmission Formula Rate, thus assuring that ComEd will not over or under recover G&I costs in either jurisdiction. (ComEd Ex. 15.0 Revised, emphasis added)

Q. Do you consider this focus on the Transmission Formula Rate problematic?

A. Yes. It is problematic for two reasons. First, the objective for cost allocation should be cost causation principles, not achieving consistency with the functionalization of transmission costs. The Company has failed to demonstrate that the proposed approach is justified from a cost standpoint.

Second, the Company did not provide a clear explanation of precisely how the Transmission Formula Rate is related to the scope of this proceeding. Neither Mr. Heintz nor Ms. Houtsma explain the mechanics behind the assertion that

there will be no overlaps or gaps using the Transmission Formula Rate methodology. The focus should be cost causation and on that basis the Company has, so far, failed to make the case for its proposed change.

Q. Does the Company present any compelling arguments to show why the current approach for these costs is not cost-based?

A. The arguments presented by the Company are incomplete at best. ComEd has failed to present any compelling reason why the currently-approved approach is not cost-based and needs to be revised. Below, I will provide three examples of ComEd's partial arguments in support of the proposed changes.

1) In response to Staff Data Request PL 6.06 (d), ComEd states:

> Direct Assignment <u>was feasible for Account 397</u>, Communications Equipment, because the assets in that account could in large part be associated with a particular function based on the location of the equipment and the function of the underlying asset. Direct Assignment <u>is not as feasible for many of the other</u> types of general plant. For example, <u>Account 394</u>, Tools, Shop and Garage Equipment is commonly used by both transmission and distribution functions and cannot be readily associated with a discrete function. Therefore, <u>the use of a general allocator is appropriate</u>. (Emphasis added)

Here, the Company asserts that the difficulty of direct assignment of costs for some accounts prevents it from employing the direct assignment methodology in this proceeding. However, in Docket Nos. 08-0532 and 07-0566, the Company successfully used a combination of a direct assignment and generic functional allocators. (See Table 1 below) As stated in Docket No. 07-0566 by ComEd witness Houtsma and Frank:

> The study of ComEd's General Plant and Intangible Plant employs the same approach that it used, and that was approved by the Commission, in ComEd's 2005 rate case, ICC Docket No. 05-0597. ComEd used direct assignment of General Plant and Intangible Plant items where it could reasonably be done. Otherwise, the costs were allocated using an appropriate cost-causative allocation factor, such as the salary and wages allocator, commonly referred to as the "general labor allocator," or a gross plant allocator. (ComEd Ex. 7.0, p. 15-16)

In fact, such a combination approach was supported by the Commission in the past, where it stated:

> The Commission finds that ComEd's varied approach to the functionalization of expenses, which includes the use of direct assignment and labor allocators, where appropriate, is reasonable and comports with our determination in Docket 99-0013. We believe that the Company's proposed "hybrid" approach satisfies that objective. (Docket No. 01-0423, Order at 79, emphasis added)

Therefore, it appears that ComEd's response to Staff Data Request PL 6.06 (d) and the statements made by ComEd witnesses in Docket No. 07-0566 conflict with respect to the use of the direct assignment methodology. In response to Staff Data Request PL 6.06 (d), ComEd points out that Account 394 is not readily associated with a discrete function. However, this account, among others, was actually functionalized in the past based on a generic functional allocator. This response, therefore, does not explain why ComEd decided to change from the direct assignment methodology used previously for other accounts.

2) In response to Staff Data Request PL 6.06 (f), ComEd states:

> "[I]n general (with the exception of Account 397), the W&S allocator is used throughout to functionalize G&I accounts in ECOSS."

Although the concept of utilizing the W&S functional allocator "throughout" may appear reasonable, it lacks justification. In fact, not only did ComEd utilize a combination of functionalization methodologies in past proceedings, the Commission also stated the following:

> The Commission finds that ComEd's varied approach to the functionalization of expenses, which includes the use of direct assignment and labor allocators where appropriate, is preferable to a "one size fits all" approach which was advocated by some of the parties in this proceeding. (Docket No. 01-0423, Order at 46, emphasis added)

3) As the table below indicates, there are significant increases and decreases in the amounts of G&I plant functionalized to distribution that result from the Company's proposed functionalization method. A clear explanation needs to be provided by the Company as to whether such allocations to distribution are cost based and if not, on what basis are they deemed appropriate.

TABLE 1: G&I Plant Balance Allocations to Distribution Function[10]

	FERC	Docket No. 07-0566	Docket No. 10-0467	
	Account	Account Balance	Account Balance	% Change
INTANGIBLE PLANT				
Organization	301	$ 71,000.00	$ 71,000.00	0%
Franchises and Consents	302	-	-	N/A
Miscellaneous Intangible Plant	303	$ 251,426,000.00	$ 320,872,000.00	28%
GENERAL PLANT				
Land and Land Rights	389	$ 7,207,000.00	$ 7,648,000.00	6%
Structures and Improvements	390	$ 206,247,700.00	$ 214,970,000.00	4%
Office Furniture and Equipment	391	$ 90,007,000.00	$ 71,384,000.00	-21%
Transportation Equipment	392	$ 136,063,000.00	$ 175,995,000.00	29%
Stores Equipment	393	$ 6,846,000.00	$ 6,775,000.00	-1%
Tools, Shop and Garage Equipment	394	$ 83,497,000.00	$ 117,224,000.00	40%
Laboratory Equipment	395	$ 8,707,000.00	$ 5,736,000.00	-34%

[10] Docket Nos. 07-0566 (ComEd Ex. 7.0, p.17) and 10-0467 (ComEd Ex. 6.0 Revised, p. 25)

Power Operated Equipment	396	$ 6,463,000.00	$ 5,296,000.00	-18%
Communication Equipment	397	$ 307,593,000.00	$ 323,853,000.00	5%
Miscellaneous Equipment	398	$ 1,400,000.00	$ 2,556,000.00	83%
Other Intangible Equipment	399	-	-	N/A

Q. Please explain why you consider ComEd's proposed change in functionalization methodology problematic.

A. The proposed approach uses more general allocators and less direct assignments for the allocation of these costs. That is inconsistent with the past practices of the Company and Commission favoring direct assignment over general allocation wherever possible. In the past, the Company has strongly supported the use of direct assignments. In fact, when discussing the assignment of G&I in Docket No. 05-0597, ComEd witness Hill expressly affirmed this very fundamental point. Specifically:

> Fundamentally, the direct assignment of costs to the Illinois-jurisdictional rate base is the preferred, and most accurate, method of determining these costs for purposes of the revenue requirement. Only when costs cannot be specifically identified as attributable to Illinois-jurisdictional service would a "second-best" assignment method be appropriate. This alternate assignment method may employ a general allocator, provided that the general allocator reflects a cost-causation relationship to the cost being allocated. This functionalization process, direct assignment supplemented by a second best approach based on cost-causation relationships, allows the utility the opportunity to recover all costs associated with the provision of Illinois-jurisdictional delivery service. (ComEd Ex. 5.0 Corrected, p. 18, emphasis added)

Furthermore, in his rebuttal testimony in that docket, (Docket No. 05-0597), Mr. Hill stated:

> Mr. Alan Heintz shares this opinion. For example, testifying on behalf of ComEd in this proceeding (ComEd Ex. 11.0), and clearly an expert on such matters, based on his background and qualifications outlined in such

> testimony, in ComEd Ex. 11.0, at page 15, lines 316-317, in response to the question "which of the two methods (direct assignment versus generic functionalization ratios) is more accurate", he responds, "direct assignment, based on detailed studies, is inherently more accurate than any general allocation methodology". (ComEd Ex. 19.0, p. 14, emphasis added)

In the current proceeding, the Company has provided no persuasive justification relating to the facts in this case to support its proposed changes. Beyond arguing that "as a point of clarification, in most instances, the change that was made was from the use of one general allocation factor (e.g. a plant related general allocation factor) to another general allocation factor (wages and salaries allocation factor)," (ComEd Response to Staff Data Request PL 6.06(c)) the Company did not explain why such changes are necessary and superior to the previously employed and Commission approved methodology. In short, the Company identifies nothing specific or unique that would distinguish the situation in this proceeding from that of past proceedings. It is incumbent on the Company to explain and give reasons for its departure from an approved past practice.

Table 2 below illustrates that ComEd's proposed manner of functionalizing G&I Accounts for Dockets Nos. 07-0566 and 08-0532 significantly differs from Docket No. 10-0467.

TABLE 2: G&I Plant Allocators[11]

FERC Account	Docket No. 07-0566 Company Proposed	Docket No. 08-0532 Company Proposed	Docket No. 10-0467 Company Proposal

[11] ComEd Response to Staff Data Request PR 2.01 (PR 2.01_Attach 1)

INTANGIBLE PLANT	(c)	(b)	(a)
301	Salaries and Wages, T&D Gross Plant, Direct assignment	Salaries and Wages, T&D Gross Plant, Direct assignment	Salaries and Wages
302	N/A	N/A	N/A
303	Salaries and Wages, T&D Gross Plant, Direct assignment	Salaries and Wages, T&D Gross Plant, Direct assignment	Salaries and Wages
GENERAL PLANT			
389	Property Usage, Salaries and Wages	Property Usage, Salaries and Wages	Salaries and Wages
390	Property Usage, Salaries and Wages	Property Usage, Salaries and Wages	Salaries and Wages
391	Salaries and Wages	Salaries and Wages	Salaries and Wages
392	Transp. Asset Study	Transp. Asset Study	Salaries and Wages
393	Salaries and Wages	Salaries and Wages	Salaries and Wages
394	T and D Gross Plant	T and D Gross Plant	Salaries and Wages
395	T and D Gross Plant	T and D Gross Plant	Salaries and Wages
396	T and D Gross Plant	T and D Gross Plant	Salaries and Wages
397	Location of Equipment	Location of Equipment	Location of Equipment
398	Salaries and Wages	Salaries and Wages	Salaries and Wages
399	Salaries and Wages	Salaries and Wages	Salaries and Wages

Q. Has the Commission expressed a preference for direct assignments in previous cases?

A. Yes, as far back as Docket No. 99-0013[12], the Commission stated the following concerning the direct assignment approach:

> "As a general proposition, the Commission believes that direct assignment of costs is superior to the application of general allocators if the costs are suited to direct assignment and sufficient cost data is available to make direct assignments." (Order at 61)

[12] The Commission initiated Docket No. 99-0013, an investigation concerning the unbundling of delivery services under Section 16-108 of the Public Utilities Act.

The Commission reaffirmed its preference for direct assignment specifically with respect to General and Intangible plant in Docket No. 05-0597, where it stated:

> Further, the Commission agrees with ComEd that the use of "direct assignment" of costs is the preferred approach over the general labor allocator approach. Because determining such costs is possible, the Commission is in agreement with ComEd that direct assignment be used in this case. Additionally, the Commission points out that the record evidence supports the fact that were the general labor allocator approach to be used in this case, general and intangible plant costs in rate base would in fact increase. (Order at 27, emphasis added)

Q. What do you find based on these statements by the Company and Commission?

A. Given the strong support they expressed for direct assignment, it is incumbent on the Company to explain why they are moving towards more general allocators for these costs. ComEd has failed to explain why general allocators should be used for costs that were previously directly assigned.

Q. Based on the preceding discussion, what do you recommend regarding the Company's proposed changes to the functionalization of G&I?

A. Without further information supporting ComEd's proposal, I recommend such changes be rejected. ComEd has failed to present a compelling argument why the Commission's previous conclusions on these costs are deficient and need to be revised in this case. Due to the lack of a clear explanation for the proposed changes, there is no reason to change the current approved approach for allocating G&I.

393 **Q. You previously noted the Company estimates that its proposal would**
394 **increase the revenue requirement by $1.970 million. Does Staff agree with**
395 **this figure?**
396 A. No, the information included on ComEd's response to Staff Data Request TEE
397 6.01 indicates additional impacts to the revenue requirement not included in the
398 $1,970,000. Staff is following up with additional discovery and will present its
399 quantification of this adjustment in the rebuttal revenue requirement to be filed on
400 December 23 with the rebuttal testimony of Staff witness Ebrey.
401
402 **III. RAILROAD CLASS COST ALLOCATION ADJUSTMENT**
403
404 **Q. Please briefly describe the issue at hand.**
405 A. ComEd proposes in this case to adjust the cost of serving the railroad class
406 downwards to reflect the Company's reliance on railroad facilities to serve other
407 retail customers.
408
409 **Q. What is the background on this issue?**
410 A. The issue arose in ICC Docket No. 05-0597, when the Chicago Transit Authority
411 ("CTA") asserted that the distribution rate structure should provide credits to CTA
412 since it provides benefits to the ComEd system through facilities owned, built,
413 paid for and operated by the CTA. (Order at 254) This proposal was rejected by
414 the Commission accordingly:
415

> The Commission has reviewed the record and rejects CTA's proposal that would require ComEd to provide credits to the CTA for customer owned transformation, conversion and distribution facilities. The Commission concludes that there has not been a sufficient showing that the CTA's facilities provide a meaningful benefit to ComEd or other customers ... Even if one were to assume that CTA-owned equipment provided meaningful benefits to ComEd or other customers, the record is devoid of any way to quantify the benefits and no mechanism has been proposed to provide appropriate credits to CTA. (Order at 255)

This issue was reintroduced in Docket No. 07-0566, where ComEd argued that it does not need Metra or CTA traction power substation facilities, which are attached to ComEd's system, to provide reliable service to any customer, and that only under extremely unlikely circumstances would the facilities be used to furnish power to a customer who otherwise might be without service. (ComEd Ex. 21.0 Corr. at 107-110). In contrast, the CTA argued that it has shown that power does flow through the CTA traction power substation to serve other ComEd customers in several ways. The CTA contended that it receives no compensation from ComEd for the use of the traction power substations to assist ComEd in serving its other customers. (Order at 219) The Commission stated the following with respect to this contested issue:

> The Commission finds that the evidence does not prove that railroad facilities are essential to reliable service of ComEd's customers, and does not justify preferential rate treatment on that basis at this time. <u>However, the evidence presented by CTA and Metra was sufficient to warrant further study</u>. Metra has requested a load flow study to determine this question. ComEd says the study should be called a contingency study. The Commission directs ComEd to consult with the CTA and Metra to conduct an appropriate study to determine whether and (if so), how much ComEd uses or needs Railroad Class facilities to serve other customers. The results and conclusions of <u>this study should be presented to the Commission in ComEd's next rate case.</u> (Order at 220, emphasis added)

449

450 The directive specifically referred to the filing of such study in its next rate case
451 filing which is the current proceeding.

452

453 **Q. Did the Company conduct a Power Flow Study ("Study") in accordance**
454 **with the Commission's directive in Docket No. 07-0566?**

455 A. Yes. ComEd's Study results are presented in a report, ComEd Ex. 16.4
456 (PUBLIC), attached to the direct testimony of Lawrence Alongi, ComEd Ex. 16.0
457 Revised, in which the power flow analyses that were performed pursuant to the
458 Illinois Commerce Commission's Order in Docket No. 07-0566 (page 225)
459 showed that power flows from ComEd's system through railroad facilities to serve
460 other ComEd customers. (ComEd Response to Staff Data Request PR 4.01)
461 According to ComEd, the railroads have confirmed that they accept[13] that Study
462 report. (ComEd Ex. 14.0 Revised, p.24)

463

464 **Q. Is there a cost allocation issue for other rate classes pertaining to the**
465 **Company's finding that facilities owned by the railroad class are used to**
466 **serve other customers?**

467 A. Yes. Because ComEd has reduced the cost to serve railroad customers to
468 recognize this benefit, the Company finds it necessary to raise the cost to serve
469 other classes by a commensurate amount. The allocation issue concerns how
470 other classes are required to pay for this reduction in costs to the railroads. The

[13] Please see ComEd Response to Staff Data Request PR 4.03.

size of the reduction to the railroads is based upon the technical analysis ComEd performed in collaboration with the railroads as directed by the Commission. (ComEd Response to Staff Data Request PR 9.18)

Q. Please summarize the results of the Study.

A. As a result of its Study, "ComEd proposes a cost allocation adjustment in ComEd's embedded cost of service study that reallocates from the railroad delivery class to other customer classes 1/3 of the annual carrying cost of the undepreciated investment that would be required for ComEd to install 12kV busses and breakers at locations equivalent to such railroad owned facilities..." (ComEd Ex. 14.0 Revised, pp. 27-28) According to ComEd Ex. 22.1 (Sch 2a Allocation, cell D208), the railroad facilities revenue requirement adjustment is $(452,069). However, based on ComEd's response to Staff Data Requests PR 11.10(g) and PR 11.10(m)(v), the Company acknowledged that there was an error in an earlier calculation of the allocation adjustment and that the correct cost allocation adjustment amount should be $(316,437). The results of the allocation after changing the amount of the railroad adjustment from $(452,069) to $(316,437) are provided in PR 11.10_Attach 2 attached to my testimony as Attachment A.

Q. Do you consider the cost allocation to be justified?

A. Yes, I do. According to the results of its Study, (ComEd Ex. 16.4), ComEd determined that, under some circumstances, power flows through the railroads owned facilities to other customers. According to the Study's conclusion:

> Based on the observations and conclusions enumerated above, the Power Flow Study does provide insight to help answer the question posed by the ICC in its Docket 07-0566 Order "whether and (if so), how much ComEd uses or needs Railroad Class facilities to serve other customers." The Power Flow Study shows that under the conditions outlined above, power flows from ComEd's system through railroad facilities to serve other customers. Because of the unique circumstances presented by the Railroad Delivery Class (including the historical integration of the railroad traction power substations and the ComEd system, the contractual relation between the customers in the Railroad Delivery Class and ComEd, and the policy statements made by the Commission concerning the Railroad Delivery Class), the Power Flow Study team recommends that the ICC recognize the use of the railroad power traction substation facilities by approving a cost allocation adjustment in ComEd's cost of service study which could be reflected in the Railroad Class rates in ComEd's next rate case. (ComEd Ex. 16.4 Public, p.3, emphasis added)

Furthermore, ICC Staff witness Rockrohr essentially agrees with the circumstances described above, expressly:

> ComEd's use of, and dependence on, railroad customer facilities is likely an unintended consequence of providing this improved reliability by simultaneously supplying railroad traction power substations from two distribution circuits. Nonetheless, the fact that the utility now sometimes depends upon railroad equipment that it does not own, maintain, or control to supply some of its other customers is a poor utility practice... (ICC Staff Ex. 6.0, p.27, emphasis added)

Given the facts above, a cost allocation is justified in this proceeding.

Q. How does the Company allocate the cost adjustment associated with the use of railroad facilities?

526 A. ComEd uses the CP<69 FOR RR external factor in the ECOSS to allocate the
527 cost adjustments from railroad delivery to other classes. This adjustment was
528 included in the ECOSS to be in compliance with the ICC Order in Docket No. 08-
529 0532, which stated, "[t]he allocation of costs to substations and primary lines
530 should be made on a coincident peak basis (Order at 84, emphasis added). The
531 CP<69 FOR RR external factor was determined in exactly the same way as the
532 CP<69 kV factors, except with a zero kW value assigned to the railroad delivery
533 class. (ComEd Ex. 23, p.18) A zero kW value was assigned to the railroad
534 delivery class to recognize that this is a reallocation away from the railroad
535 delivery class to other customers in order to comply with the Commission's
536 directive.
537
538 **Q. Do you consider the use of the CP<69 FOR RR allocator rational?**
539 A. Yes. The facilities that are being allocated to other customers are primary voltage
540 level facilities because they serve railroad customers who take service at the
541 primary voltage level. In fact, the Company considers primary distribution
542 facilities to be those components used to distribute electricity at voltages ranging
543 from 4 kV to below 69 kV. Since the railroad class receives service from the
544 ComEd 12 kV distribution system, the facilities at issue are primary facilities
545 which the Company allocates on a coincident peak basis. Therefore, it is
546 reasonable to use a coincident peak allocator for these costs. Furthermore,
547 because these are primary voltage facilities, rather than high voltage facilities, it

548 is appropriate for the Company to focus only on demands below 69 kV, the
549 threshold for high voltage.
550
551 **Q. What do you recommend with respect to the railroad class cost allocation**
552 **adjustment?**
553 A. I recommend the Commission approve the CP<69 FOR RR allocator in ComEd's
554 cost of service study.
555
556 **IV. CUSTOMER CARE COSTS**
557
558 **Q. Please begin by providing an explanation of customer care costs.**
559 A. Customer care costs refer to various services provided by the Company to its
560 customers that are complementary to the distribution ("delivery") of electricity.
561 They include billing and mail services, revenue management, payment
562 processing, field and meter services, the customer contact center, customer
563 relations, costs related to back office support of these functions (project and
564 support services, information technology, demand management, electric supplier
565 services, and market research. These services primarily are the responsibility of
566 customer operations.
567
568 **Q. What is the customer care cost issue in this proceeding?**
569 A. It concerns how much of these costs should be included in the revenue
570 requirement. Customer care costs are incurred to support both the distribution

and supply functions and the issue here is how these costs are to be allocated between the two. Furthermore, the resolution of that allocation issue determines how customer care costs are to be recovered from customers receiving distribution only services ("unbundled customers") or both distribution and supply services from ComEd ("bundled customers").

Q. When did the issue of customer care costs arise?

A. The issue arose in ICC Docket No. 05-0597, when a coalition of alternative energy suppliers ("CES") unsuccessfully requested that approximately 25% of ComEd's customer care costs be allocated to the supply function. This proposal was rejected by the Commission accordingly:

> "The Commission finds CES' recommendation to allocate no less than one-fourth of call center costs to supply, to the extent CES still supports this recommendation, to be unsupported and unsubstantiated. Accordingly, that proposal is hereby rejected." (Order at 257)

This issue was reintroduced in ICC Docket No. 07-0566 when the intervenor Request Equitable Allocation of Costs Together ("REACT") proposed to reallocate 40% of certain customer care costs to ComEd's supply function. While the Commission did not adopt the REACT proposal in that case, it stated that the issue was to be considered further in the Rate Design Investigation proceeding it initiated (Docket No. 08-0532).

596 **Q. What did the Commission conclude concerning customer care costs in its**
597 **08-0532 Order?**

598 A. The Commission stated the following with respect to ComEd's customer care
599 costs:

> 600 ComEd is directed to file an embedded cost of service study for these
> 601 costs and to also include the results of its avoided cost study. This will
> 602 give the Commission the opportunity to review and compare both
> 603 methodologies and reach a decision based on all the relevant information.
> 604 (Order at 69)
> 605

606 The directive specifically referred to the filing of such study in its next rate case
607 filing which is the current proceeding.

608

609 **Q. How did the Company respond to this directive in the current proceeding?**

610 A. The Company first identified the amount of customer care costs that were
611 incurred to serve customers. Then it developed two separate methods of
612 allocating those costs between the distribution and supply function. The first
613 method, known as the "Switching Study" (ComEd Ex. 19.1), determines the
614 share of customer care costs that are supply-related by assessing whether they
615 are sensitive to the number of customers switching to supply service furnished by
616 Alternative Retail Electric Suppliers ("ARES"). The second method, known as the
617 Allocation Study, uses the embedded cost approach to allocate customer care
618 costs between the supply and distribution functions of the Company. This
619 approach removes a portion of the customer care costs from the distribution
620 revenue requirement for allocation to the supply function.

621

622 **Q. How did the Company determine the amount of customer care costs to be**
623 **analyzed?**

624 **A.** In response to Staff Data Request PR 6.01, the Company stated that it reviewed
625 2009 direct operating and maintenance ("O&M") costs by Uniform System of
626 Accounts, department, and project that could be related to providing customer
627 services in order to functionalize these costs into sub-functions in ComEd's
628 ECOSS. It further stated that this same data was reviewed in the preparation of
629 ComEd Ex. 19.1 and 19.2 attached to ComEd Ex. 19.0 Revised. The Company's
630 narrative response to Staff Data Request PR 6.01 and one of the attachments,
631 PR 6.01_Attach 1, is attached to my testimony as Attachment B. The attachment
632 provides the sources and, where applicable, computations, of the figures cited in
633 ComEd Ex. 19.0 Revised referenced in this data request response.

634

635 The Company identified a total of $176,231,365 in direct O&M costs for review as
636 potential customer care costs. ComEd excluded costs incurred by Metering
637 Services ($48,049,417) and Advertising ($2,339,560) because these costs relate
638 solely to ComEd's distribution service[14], which brought the remaining total to
639 $125,842,388. From that total, ComEd decided to limit its analysis to
640 departments with costs equal to or greater than $100,000 because that would
641 cover approximately 99% of the costs. This brought the level of customer care

[14] ComEd notes that in all customer services studies undertaken in 08-0532 and the current proceedings, the costs associated with Metering Services are undisputedly related to ComEd's distribution service. See ComEd Ex. 19.0 Revised, 6:122-141, and Docket No. 08-0532 Final Order, at 60. (ComEd Response to Staff Data Request 11.06)

642 costs to analyze down to $125,256,298. (ComEd Response to Staff Data
643 Request 6.02). (ComEd Ex. 19.0 Revised, p.5)
644
645 Company witness Donovan consulted with representatives from all departments
646 in customer operations in determining which inputs to include in the studies of
647 customer services costs. (ComEd Response to REACT Data Request 2.22)
648 ComEd identified nine primary departments and six support departments which
649 are included in customer operations as a whole and which correspond to the
650 business units that provide the basis for the analyses (for a list of departments,
651 see ComEd Ex. 19.0 Revised, p.7). This is similar to the approach ComEd took
652 to identifying customer care costs in ICC Docket No. 08-0532.
653
654 **Q. Please explain the next step in the process.**
655 A. ComEd must decide how customer care costs should be allocated between
656 distribution and supply. As stated earlier, the Company has developed two
657 alternative approaches to this issue, namely, the Switching Study and the
658 Allocation Study.
659
660 **Q. Please explain the Switching Study.**
661 A. The Switching Study examines the effect of three customer switching scenarios
662 on the Company's customer care costs. The degree to which the costs vary
663 under the different scenarios is ComEd's measure of the relative cost of
664 providing customer care to supply and distribution customers.

665

666 Specifically, it examines the scenarios where 1%, 10% and 100% of ComEd's
667 customers choose alternative suppliers. In response to Staff Data Request PR
668 6.18, ComEd explained that these three scenarios provide the most insight on
669 how customers switching to an ARES impact its customer care costs. The 1%
670 and 100% scenarios test the high/low limits of switching impacts. These are the
671 same set of switching scenarios presented by the Company in ICC Docket No.
672 08-0532 to which no party in that proceeding objected.

673

674 Actual switching levels appear consistent with the low-end scenario. In 2009 the
675 rate of switching was approximately 1%[15], and although switching at higher levels
676 is not expected in the near future, ComEd nevertheless examined potential
677 longer run impacts of switching at higher levels. (ComEd Ex. 19.0 Revised, p. 8)
678 According to ComEd, the Switching Study illustrates that customer care costs are
679 not reduced when customers switch to an ARES. To the contrary, ComEd
680 argues, the study indicates that customer care costs will experience a net
681 increase under the 10% and 100% switching scenarios (ComEd Ex. 19.2),
682 discussed later in my testimony.

683

684 **Q. What is your opinion of the Switching Study provided by ComEd for this**
685 **proceeding?**

686 A. I find the Switching Study to be reasonable because:

[15] Public switching statistics: http://www.icc.illinois.gov/electricity/switchingstatistics.aspx

687

688 1. The Switching Study recognizes that the cost of providing customer care for
689 unbundled customers is almost equal to the combined cost for bundled
690 customers. If customer switching were to increase ten-fold from the current
691 level of 1% to 10%, ComEd identifies only a few hundred thousand dollars in
692 additional costs that would be expended or saved as a result. For example,
693 for billing, the Company incurs almost identical costs in preparing, sending
694 and processing bills for bundled and unbundled customers. (See ComEd Ex.
695 19.0 Revised, p. 12) In both cases, the meter must be read, the bill prepared
696 and mailed, the payment received and processed. According to the Switching
697 Study, in 10% and 100% switching scenarios, ComEd's billing costs would
698 decrease $854 (.004%) and $8,578 (0.04%), respectively. Thus, the
699 Switching Study's result is consistent with what the Company has observed in
700 reality: the Company does not incur significant differences in customer care
701 costs for bundled and unbundled customers, and as a consequence does not
702 provide a significant cost issue for ComEd ratepayers. However, as more
703 significant numbers of customers migrate to alternative supply, the results of
704 the Switching Study indicate a net increase[16] in costs to ComEd (ComEd Ex.
705 19.1). The fact that ComEd's costs will increase under the 100% switching
706 scenario further strengthens the argument that there is no justification to
707 allocate costs away from the distribution function.

708

[16] At 10% and 100% switching levels, cost will increase $56,392 and $2,318,970, respectively.

2. ComEd's treatment of customer care costs is similar to the treatment used by other utilities in Illinois. Staff is not aware of any electric or gas utility in Illinois where customer care costs are allocated on an embedded cost basis between distribution and supply. If the Switching Study's outcome is disregarded in favor of an arbitrary allocation between supply and distribution, this would set an undesirable precedent not only for other electric utilities in Illinois, but for gas utilities as well. It could be applied to utilities whose supply costs are significant relative to distribution costs and whose costs are generally allocated on an embedded cost basis. This could create significant momentum for a proposal that presents numerous problems.

As stated by Company witness Garcia, "Since the restructuring of the electric industry and the creation of delivery service rates, the Commission has consistently treated customer services costs as delivery service costs and allowed for their recovery through delivery service rates. I am not aware of any other Illinois electric utility that recovers such costs through rates other than its delivery service rates." (ComEd Ex. 24.0, p.3)

3. The Switching Study recognizes that ComEd as the default provider must stand ready to serve customers that have chosen to receive supply service from a RES. Thus, regardless of the number of customers switching, ComEd must incur the necessary costs to stand ready to serve them again due to ComEd's ongoing responsibility of default supply service provider for all customers. (ComEd Response to Staff Data Request PR 11.02)

733

734 **Q. Please explain the Allocation Study.**

735 A. The starting point for the Company's Allocation Study is the same as for the
736 Switching Study, those costs ComEd identified as customer care costs.
737 Thereafter, the two methodologies differ. In the Allocation Study, for each
738 category of costs, ComEd employed an embedded cost approach to allocate
739 costs between distribution and supply. The following four base allocators were
740 developed by ComEd to divide up these costs:

741

742 • Direct Allocation – This allocator assigned 100% of the costs to the distribution
743 function. (ComEd Ex. 19.0 Revised, p. 9, lines 187-190).

744 • Company Revenue Allocation – This allocator measured the level of supply
745 revenues from ComEd-supplied customers and distribution revenues from all
746 customers. ComEd calculated its Company Revenue Allocation as 38.4%
747 distribution and 61.6% supply. (*Id.)*

748 • Bill Calculation Allocation – This allocator is utilized for costs related to
749 determining or explaining the line items on a bill dedicated to supply and
750 charges. It is based on the number of line items on a typical residential bill.
751 ComEd calculated its Bill Calculation Allocation as 75% distribution and 25%
752 supply. (*Id.)*

753 • Bill Print, Mailing and Imaging Allocation – ComEd selected a representative
754 residential bill as the basis for its analysis and then calculated the surface area of
755 the bill that was dedicated to supply and delivery charges. ComEd considered

two methods for this allocation. Method 1 just measured sections of the bill that have a delivery component and subtracted it from the overall area of page. Method 1 resulted in 91% cost allocation to distribution. Method 2 measured all sections of the bill (in rectangles), totaled up the area, and determined which is supply related and which is delivery related. According to the Allocation Study, ComEd Ex. 19.2, tab labeled "Bill_Printing", ComEd calculated its Bill Print, Mailing and Imaging Allocation according to Method 2 which allocates 83% distribution and 17% to supply.

Q. Has ComEd provided any analysis or data that support the development of its base allocators to allocate customer care costs to the distribution and supply functions?

A. Yes. A detailed explanation of how the base allocators were established can be found in Mr. Donovan's direct testimony. (ComEd Ex. 19.0 Revised p. 9, lines 187-214) The calculations are provided in Mr. Donovan's direct testimony workpapers submitted by the Company in response to IIEC Data Request IIEC 1.04 as attachment IEC 1.04_Attach 123.

Q. Please summarize the allocations of the total customer care costs to the distribution and supply functions based on the Allocation Study.

A. Utilizing the base allocators, ComEd attempts to identify which costs are supply related and which are distribution related. ComEd Response to Staff Data Requests PR 6.05 is attached to my testimony as Attachment C. Attachment C

779 illustrates the percentage allocated by each allocator between supply and
780 distribution for the nine primary departments. Where it was clear that a particular
781 cost in a given department was 100% related to distribution, i.e., metering
782 services-related work, calls to the Customer Contact Center regarding outages
783 and customer choice, answering bill related questions for customers on Rate
784 BESH, etc., ComEd applied its Direct Allocation. For all other costs, ComEd
785 applied the other three base allocators as necessary.
786
787 **Q. What effect would the Allocation Study have on unbundled and bundled**
788 **customers' share of the customer costs?**
789 A. According to ComEd's Ex. 19.2, out of the grand total of $176,231,365 O&M
790 customer costs analyzed, $31,189,406 (17.70%) will be allocated to supply and
791 $145,041,959 (82.30%) will be allocated to distribution. Currently, almost all of
792 these costs are allocated to distribution. Thus, the Allocation Study's resulting
793 allocation would lower the distribution portion of the customer costs while
794 increasing the supply portion of such costs. For those customers taking supply
795 from an ARES and distribution from ComEd (unbundled customers), their
796 effective distribution portion will therefore be lower than what they currently pay.
797
798 However, the Allocation Study may cause a situation where an unbundled
799 customer can potentially by-pass customer service costs that are otherwise
800 charged to a bundled customer. With respect to this scenario, in response to
801 Staff Data Request PR 11.01, ComEd states:

802 [i]It is true that an unbundled service customer could potentially bypass
803 the cost of customer services, assuming they are allocated and charged to
804 bundled supply customers only ... [i]n fact, in the event that Customer
805 Care Costs are allocated solely to the supply function and ComEd supply
806 customers and depending on how such costs are recovered and whether
807 there is some recognition on the Commission's part that these costs are
808 not avoidable, each switch from ComEd supply service to a RES's supply
809 service could cause the charges for the recovery of such costs from the
810 remaining ComEd supply service customers to increase, creating a
811 potential "death spiral." This result inevitably follows from the reality that
812 these costs are not "avoidable" – that is, they do not decrease as
813 additional customers opt for RES supply. (Emphasis added)
814

815 **Q. How do you assess the use of an Allocation Study approach to allocate**
816 **customer care costs between distribution and supply?**

817 A. I believe it would present a number of problems. After reviewing ComEd's
818 Allocation Study and information provided in discovery, I conclude that, despite
819 its notable thoroughness and efforts to calculate and allocate costs 'properly,' the
820 Allocation Study is inherently flawed. As stated in ComEd Ex. 21.0, p. 45,
821 "[a]gain, this is the fatal flaw of the Allocation Study. In light of the findings in the
822 Switching Study, **any** allocation factor employed to divide these costs between
823 distribution service and other services is going to be inherently arbitrary."
824 (Emphasis added) The Allocation Study is inherently a speculative exercise not
825 tied to the reality of ComEd's operations which sets up an artificial allocation of
826 costs between supply and delivery. As Mr. Thomas emphasized in his testimony,
827 "[t]he Allocation Study, on the other hand, is based more on assumptions that are
828 unrelated to ComEd's actual customer service operations." (ComEd Ex. 19.0
829 Revised, p.8, emphasis added)
830

The following examples illustrate this point:

a) To allocate bill printing, mailing and imaging costs, ComEd measured the surface area of the bill dedicated to supply versus distribution charges, which resulted in a finding that 83%-91% (Method 2 and Method 1, respectively) of the bill is dedicated to distribution service charges. In reality, however, ComEd would not realize any savings if switching increased to 10% or even 100% because bills for distribution service still must be prepared, printed and mailed. (ComEd Ex. 21.0, p.45) The fact remains that virtually all of these costs need to be incurred to support distribution service. If these costs are allocated between distribution and supply as the Allocation Study suggests, ComEd's distribution service revenues can potentially fall below the associated costs.

b) For the Information Technology department ("IT"), the Allocation Study allocates approximately $6,374,565 (21.9%) and $22,700,127 (78.1%) to supply and distribution, respectively. However, according to the Switching Study, when the increase in costs is netted with the decrease in costs, the ending result is a cost increase of $2,665,500 at 100% switching. (ComEd Ex. 19.0 Revised, pp.29)

> <u>ComEd estimated the increase in IT costs</u> associated with switching by calculating the increase in Electronic Data Interchange (EDI) transactions <u>as more suppliers required</u> billing and meter information from ComEd. *See also* ComEd Ex. 19.0 Revised, 28- 29:605-624. (ComEd Response to Staff Data Request PR 6.25, emphasis added)

856 Unfortunately, the Allocation Study does not recognize the increase in costs
857 for certain systems (in this example, IT costs) in order for ComEd to handle a
858 substantially higher amount of switching. The Allocation Study simply rests on
859 the assumption, as mentioned earlier, that some costs are inherently related
860 to ComEd's supply function and therefore some kind of an allocation is
861 needed, disregarding crucial considerations in the process.

862 c) An interesting situation can be observed for the Electric Supplier Services
863 department ("ESSD") which is responsible for activities such as processing
864 switching requests, providing customer data, and providing ARES account
865 management services. According to ComEd, "[a]ny switching volume
866 increases above 10% would necessitate a large capital project[17] ... [i]f
867 switching volumes increased to 100% ... costs are anticipated to increase to
868 $193,050." (ComEd Ex. 19.0 Revised, pp. 24-25, emphasis added). Also, as
869 stated by ComEd:

870 Currently customer choice transactions (i.e. enrollments, usage data,
871 billing) are performed on an account by account basis, with some manual
872 intervention required. Inbound customer choice transactions are
873 processed once a day; outbound transactions are processed twice a day.
874 With more than 10% switching, it is anticipated that the enrollment
875 processes (per account basis vs. some other industry accepted method),
876 the outstanding manual customer choice processes, the frequency of
877 batch and EDI processing as well as data infrastructure to retain the data
878 to support the marketplace would need to be fully evaluated, and most
879 likely enhanced. (ComEd Response to Staff Data Request PR 11.07,
880 emphasis added)
881
882 As in example (b) above, this situation is not recognized by the Allocation Study.

[17] The initial analysis of the project is discussed further in ComEd Ex. 19.0 Revised, p. 28, lines 612-620, and it was also discussed in Docket No. 08-0532, ComEd Ex. 2.0, p. 20-21, lines 425-442. (ComEd Response to Staff Data Request PR 11.07, Attachment D to my testimony.) Please see Attachment D for more information.

883

884 In contrast to the Switching Study, the Allocation Study not only ignores some
885 facts according to which ComEd may experience a substantial increase in costs,
886 but it is based more on assumptions and relies on arbitrary and artificially
887 developed base allocators which attempt to 'properly' allocate among the various
888 functions the embedded costs that support the supply and distribution functions.
889 As stated in Mr. Donovan's testimony, ComEd Ex. 19.0, Revised, p. 8, lines 177
890 to 179, "the allocation of supply and distribution charge components of everyday
891 work is not performed at ComEd and requires a series of assumptions to
892 estimate." (Emphasis added) To illustrate the point about arbitrariness further,
893 consider the following: In response to REACT Data Request 2.36 which asked
894 whether ComEd considered any other approach to allocating bill print, mailing
895 and imaging costs, ComEd responded:

896 Please see the attachment to ComEd's Data Request Response to IIEC
897 1.04 labeled as IIEC 1.04_Attach 123 for the Allocation Study workpapers.
898 Specifically, the tab labeled "Bill_Printing" and cells A3 to E65 document
899 "Method 1". This method was not used in the final study because the blank
900 (white) space of the bill was allocated to delivery. Method 1 resulted in a
901 delivery cost of 91%. Treating the white space as a shared cost is more
902 appropriate, however, because most bills sent by ComEd in 2009
903 contained both delivery and supply components. Method 2, which was
904 used in the Allocation Study does not allocate blank space exclusively to
905 delivery costs and resulted in an 82.7% delivery component. (Emphasis
906 added)
907

908 As can be inferred from ComEd's response to REACT's data request, utilizing
909 the Allocation Study in this proceeding would amount to a theoretical exercise at
910 best with practically limited benefit to ComEd's customers. The Allocation Study
911 utilizes arbitrary allocation factors for the apparently sole purpose of fulfilling the

predicated assumption that ComEd could develop a more reasonable study in order to allocate customer care costs more "reasonably." In other words, the Allocation Study is based upon a supposition that it is appropriate to allocate costs between distribution and supply merely because it makes sense to do so, rather than following cost causation principles. Given all of the information presented by ComEd on this issue in this case, an embedded cost based allocation between its distribution and supply functions is unwarranted at this time.

Q. What should the Commission take into consideration when deciding between the Switching Study and the Allocation Study?

A. In determining whether a Switching Study or an Allocation Study should be used for analyzing and allocating customer care costs between distribution and supply, the Commission must consider the costs and benefits of each study. In theory, an Allocation Study may possibly promote a somewhat "logical" approach to allocating customer care costs. The following excerpt from ICC Docket No. 08-0532 captures the spirit of the Commission's sentiment with regards to the current allocation issue:

> The question here is from whom should the customer care costs identified in the last rate case be recovered. ComEd's proposal allocates less that one percent of its customer care costs to supply based on an avoided cost analysis. If the Commission's goal is to assign costs to the cost causers, <u>it is difficult to imagine that less than 1% of ComEd's customer care costs are caused by supply related matters</u>. ComEd does not explain why an avoided cost study is used for these costs and for every other cost an embedded cost study is done. (Order at 67, Emphasis added)

939 However, given that ComEd's Allocation Study simply measures the allocation of
940 customer care costs on a basis of a rooted assumption that such costs probably
941 should be allocated in a more 'realistic' manner, without further attempts to
942 recognize the costs attributable to the distribution services function, utilizing
943 arbitrary base allocators which are distorted from a cost-causation standpoint,
944 the Allocation Study's arbitrary nature outweighs any theoretical benefits of using
945 such study in this case. Imposing such an artificial distinction pretends to give
946 effect to cost causation where none exists. In other words, the Commission
947 should not underprice what unbundled customers would pay for customer care
948 costs, and overprice bundled customers in an effort to create an artificial
949 allocation of these costs.
950
951 Fundamentally, the Allocation Study proposes a kind of subsidy. Subsidies do
952 not foster efficient competition and do not support the concept of cost causation.
953 Such subsidies distort prices, create inefficiencies, and potentially could increase
954 costs to customers. With time, using the Allocation Study will likely create a
955 problem. It is not fair to pretend that ComEd or its remaining customers can ever
956 be treated fairly by re-allocating costs based on the Allocation Study that bear no
957 relation at all to the reality of ComEd's operations.
958
959 **Q. What approach do you therefore recommend be adopted for the allocation**
960 **of customer care costs?**

A. I recommend that the Switching Study be used because it would not create artificial cost disparities between bundled and unbundled customers that would be difficult to justify from a cost standpoint. In contrast, the Allocation Study does not send useful price signals to consumers. Effectively, a customer leaving bundled service would potentially pay significantly less for billing services under the Allocation Study's cost allocation methodology even if the underlying costs have not changed substantially. This would send an erroneous price signal concerning the relative cost of bundled and unbundled service, blunting the premise of cost causation. For all the reasons set forth above, I recommend that the Allocation Study should be rejected by the Commission.

Q. Does this complete your direct testimony?

A. Yes, it does.

Commonwealth Edison Company

EFFECTS ON DISTRIBUTION OF EMBEDDED COSTS TO CLASSES
AFTER CHANGING RAILROAD SHARED LINE ADJUSTMENT FROM -$452,069 TO -$316,437

		Total ICC	Single Family	Multi Family	Watt-Hour	Small Load 0-100 kw	Medium Load 101-400 kw	Large Load 401-1000 kw	Very Large Load Over 1,000-10,000 kw
1	TOTAL COST OF SERVICE (PR 11.10_ATTACH 1)	$ 2,337,147,000	$ 992,371,489	$ 293,900,000	$ 28,161,070	$ 290,429,848	$ 188,823,062	$ 161,547,467	$ 218,019,374
2	Percent Distribution To Classes		42.46%	12.58%	1.20%	12.43%	8.08%	6.91%	9.33%
3	TOTAL COST OF SERVICE (PR 11.10_ATTACH 2)	$ 2,337,147,000	$ 992,319,253	$ 293,888,417	$ 28,160,250	$ 290,411,778	$ 188,808,948	$ 161,535,127	$ 218,003,044
4	Percent Distribution To Classes		42.46%	12.57%	1.20%	12.43%	8.08%	6.91%	9.33%
5	CHANGE IN EMBEDDED COSTS (LINE 3 - LINE 1)	$ 0	$ (52,236)	$ (11,583)	$ (820)	$ (18,071)	$ (14,134)	$ (12,340)	$ (16,330)

		Extra Large Load Over 10,000 kW	High Voltage Up to 10,000 kW	High Voltage Over 10,000 kW	Primary	Fixt. Incl. Ltg	Dusk to Dawn	General Lighting incl. Traffic Signals	Railroads
6	TOTAL COST OF SERVICE (PR 11.10_ATTACH 1)	$ 11,994,461	$ 2,500,526	$ 15,062,526	$ 107,517,466	$ 16,054,571	$ 3,668,899	$ 903,371	$ 6,192,849
7	Percent Distribution To Classes	0.51%	0.11%	0.64%	4.60%	0.69%	0.16%	0.04%	0.26%
8	TOTAL COST OF SERVICE (PR 11.10_ATTACH 2)	$ 11,993,580	$ 2,500,507	$ 15,062,470	$ 107,508,229	$ 16,054,581	$ 3,668,890	$ 903,318	$ 6,328,608
9	Percent Distribution To Classes	0.51%	0.11%	0.64%	4.60%	0.69%	0.16%	0.04%	0.27%
10	CHANGE IN EMBEDDED COSTS (LINE 8 - LINE 6)	$ (881)	$ (19)	$ (56)	$ (9,237)	$ 10	$ (10)	$ (53)	$ 135,759

Commonwealth Edison Company

		Allocator	Total ICC	Single Family	Multi Family	Watt-Hour	Small Load 0-100 kw	Medium Load 101-400 kw	Large Load 401-1000 kw	Very Large Load Over 1,000-10,000 kw
219	TOTAL COST OF SERVICE									
220	(Reduced for Other Revenues; Including Uncollectibles; Adjusted for Revenue Adjustment Factor)									
221	High Voltage ESS		8,000,767	0	0	0	0	0	0	0
222	High Voltage Dist. Substations		287,228,688	108,694,935	24,222,469	1,760,516	38,251,799	29,850,253	26,054,929	34,668,522
223	High Voltage Dist. Lines		58,826,600	21,735,919	4,843,810	352,054	7,649,280	5,969,208	5,210,250	6,932,726
224	Shared Distribution Substations		36,638,593	13,894,508	3,096,366	225,047	4,889,740	3,815,767	3,330,610	4,431,688
225	Secondary Voltage Dist. Substations		54,663,307	21,417,236	4,919,050	382,965	7,853,282	6,278,608	5,245,861	6,779,696
226	Shared Distribution Lines		898,485,080	340,854,397	75,958,783	5,520,769	119,953,096	93,606,844	81,705,159	108,716,363
227	Secondary Voltage Dist. Lines		164,421,938	64,469,052	14,807,069	1,152,782	23,839,543	18,893,520	15,790,820	20,407,889
228	Shared Primary/Secondary Transfm.		304,789	115,159	26,449	2,059	42,227	33,749	28,207	36,454
229	Primary Voltage Transformers		2,545,865	0	0	0	0	0	0	0
230	Secondary Voltage Transformers		94,776,063	37,133,525	8,528,723	663,991	13,616,139	10,882,478	9,095,353	11,754,739
231	Uncollectible Accounts (Distribution)		22,901,176	15,752,989	3,529,463	81,638	1,322,951	1,038,413	898,341	172,501
232	Revenue-Related (Distribution)		-18,431,518	-7,057,288	-1,890,814	-118,654	-2,516,752	-1,843,348	-1,568,215	-2,061,759
233										
234	Services		91,964,685	76,007,746	8,892,141	1,091,067	3,843,593	575,970	200,941	176,387
235	Customer Install. Other		86,784,797	33,359,681	17,192,717	4,304,126	10,579,217	770,330	184,614	67,132
236	Fixt.-Incl. Ltg.		14,628,820	0	0	0	0	0	0	0
237										
238	Metering Services		163,033,536	84,925,030	43,768,165	3,236,304	25,276,802	4,019,342	1,023,048	390,548
239	Uncollectible Accounts (Metering Serv.)		3,580,523	2,225,042	1,146,729	20,065	156,717	24,920	6,343	351
240										
241	Billing – Computation & Data Mang.		233,958,339	127,376,020	67,156,173	6,288,324	15,322,868	1,556,599	2,690,924	9,608,227
242	Bill Issue & Processing		20,829,644	12,428,062	6,405,102	529,380	1,301,175	94,746	22,706	8,257
243	Customer Information		17,495,968	7,507,328	2,065,054	2,100,990	5,164,076	376,025	90,116	32,769
244	Uncollectible Accounts (Customer)		9,642,482	6,646,985	2,631,808	87,700	221,892	20,689	19,562	8,809
245	Revenue-Related (Customer)		-5,071,864	-2,977,828	-1,260,787	-168,824	-422,121	-36,727	-34,149	-105,284
246										
247	Illinois Electricity Distribution Tax		108,759,293	27,100,713	7,454,636	663,835	14,178,348	12,804,174	11,468,601	15,962,663
248	Uncollectible Accounts (IEDT)		1,179,447	710,041	195,312	4,116	87,906	79,386	71,106	14,366
249	TOTAL COST OF SERVICE (Revenue-Related Distributed)		2,337,147,000	992,319,253	293,888,417	28,160,250	290,411,778	188,808,948	161,535,127	218,003,044
250										
251	Percent Distribution To Rate Schedules			42.46%	12.57%	1.20%	12.43%	8.08%	6.91%	9.33%
252										
253	RATIOS FOR ALLOCATING REVENUE RELATED ITEMS									
254	Distribution-Related (lines 221 through 230 + line 236)			608,314,731	136,402,718	10,060,184	215,895,107	169,328,427	146,461,188	193,728,077
255	Customer-Related (line 234 + 235 + lines 241 through 243)			256,678,837	101,711,187	14,313,886	38,210,929	3,373,670	3,189,301	9,892,772
256	Total Distrib. Facil. and Customer-Related Ex. Metering & IEDT		2,051,553,923	864,993,569	238,113,905	24,374,070	252,106,035	172,702,097	149,650,490	203,620,849
257										
258	Distribution Facilities Share	(Line 254 / Line 256)		70.33%	57.28%	41.27%	85.64%	98.05%	97.87%	95.14%
259	Customer-Related Share (ex. Met. Serv.)	(Line 255 / Line 256)		29.67%	42.72%	58.73%	14.36%	1.95%	2.13%	4.86%
260										
261	RATIOS FOR ALLOCATING UNCOLLECTIBLES									
262	Customer-Related (line 234 + 235 + lines 241 through 243)			253,701,009	100,450,400	14,145,063	35,788,807	3,336,943	3,155,152	9,787,488
263	Metering Services (line 238)			84,925,030	43,768,165	3,236,304	25,276,802	4,019,342	1,023,048	390,548
264	Distribution-Related (lines 221 through 230 + line 236)			601,257,443	134,711,904	9,941,531	213,378,355	167,485,080	144,892,973	191,666,318
265	Illinois Electricity Distribution Tax (line 247)			27,100,713	7,454,636	663,835	14,178,348	12,804,174	11,468,601	15,962,663
266	Total Dist. Fac.; Customer-Related; Metering Services & IEDT		2,299,843,372	966,984,197	286,385,105	27,986,732	288,622,312	187,645,539	160,539,775	217,807,017
267										
268	Customer-Related Share (ex. Met. Serv.)	(Line 262 / Line 266)		26.24%	35.08%	50.54%	12.40%	1.78%	1.97%	4.49%
269	Metering Services	(Line 263 / Line 266)		8.78%	15.28%	11.56%	8.76%	2.14%	0.64%	0.18%
270	Distribution Facilities Share	(Line 264 / Line 266)		62.18%	47.04%	35.52%	73.93%	89.26%	90.25%	88.00%
271	Illinois Electricity Distribution Tax	(Line 265 / Line 266)		2.80%	2.60%	2.37%	4.91%	6.82%	7.14%	7.33%
272				100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
273	TOTAL COST OF SERVICE									
274	Customer-Related (line 234 + 235 + lines 241 through 245)		435,604,049	260,347,994	103,082,208	14,232,762	36,010,699	3,357,632	3,174,714	9,796,297
275	Metering Services (line 236 + line 237)		166,614,061	87,150,072	44,914,895	3,256,370	25,433,518	4,044,262	1,029,391	390,899
276	Distribution-Related (lines 221 through 232 + line 236)		1,624,990,148	617,010,432	138,241,367	10,003,168	214,701,306	168,523,493	145,791,315	191,838,818
277	Illinois Electricity Distribution Tax (line 247 + line 248)		109,938,741	27,810,754	7,649,948	667,951	14,266,254	12,883,561	11,539,707	15,977,030
278	Total Dist. Fac.; Customer-Related; Metering Services & IEDT		2,337,146,999	992,319,252	293,888,418	28,160,251	290,411,777	188,808,948	161,535,127	218,003,044

Commonwealth Edison Company

		Allocator	Extra Large Load Over 10,000 kW	High Voltage Up to 10,000 kW	High Voltage Over 10,000 kW	Primary	Fixt. Incl. Ltg	Dusk to Dawn	General Lighting incl. Traffic Signals	Railroads
219	TOTAL COST OF SERVICE									
220	(Reduced for Other Revenues; Including Uncollectibles; Adjusted for Revenue Adjustn									
221	High Voltage ESS		0	1,394,120	6,606,848	0	0	0	0	0
222	High Voltage Dist. Substations		1,870,426	101,459	686,082	19,580,532	7,487	26,504	113,490	1,339,285
223	High Voltage Dist. Lines		374,032	110,659	1,435,797	3,915,554	1,497	5,300	22,695	267,819
224	Shared Distribution Substations		239,097	5,571	17,159	2,502,986	957	3,388	14,507	171,201
225	Secondary Voltage Dist. Substations		427,544	3,763	26,797	838,372	103,738	367,060	21,333	0
226	Shared Distribution Lines		5,865,432	136,666	420,928	61,402,221	23,479	83,114	355,892	3,881,917
227	Secondary Voltage Dist. Lines		1,286,970	11,328	80,663	2,523,623	312,268	982,195	84,216	0
228	Shared Primary/Secondary Transfm.		2,299	30	201	15,309	558	1,974	115	0
229	Primary Voltage Transformers		0	2,194	13,270	2,530,401	0	0	0	0
230	Secondary Voltage Transformers		741,282	6,525	46,461	1,453,582	179,863	636,415	36,988	0
231	Uncollectible Accounts (Distribution)		9,623	1,576	8,302	84,384	13,526	1,871	580	5,038
232	Revenue-Related (Distribution)		-115,192	-20,888	-109,298	-1,002,872	-230,191	-26,951	-6,776	-62,519
233										
234	Services		7,322	26,274	23,326	105,507	648,300	332,578	30,726	805
235	Customer Install. Other		579	1,781	1,469	40,422	63,259	166,896	52,486	89
236	Fixt.-Incl. Ltg.		0	0	0	0	14,628,820	0	0	0
237										
238	Metering Services		9,906	20,005	16,505	217,908	0	112,711	14,089	3,175
239	Uncollectible Accounts (Metering Serv.)		9	18	15	196	0	101	13	3
240										
241	Billing -- Computation & Data Mang.		324,805	218,595	157,681	2,770,703	87,557	223,007	71,588	105,269
242	Bill Issue & Processing		71	219	181	4,972	7,780	20,527	6,455	11
243	Customer Information		283	869	716	19,732	30,880	81,468	25,620	43
244	Uncollectible Accounts (Customer)		297	222	163	2,619	743	733	166	95
245	Revenue-Related (Customer)		-3,550	-2,943	-2,147	-31,128	-12,639	-10,551	-2,012	-1,173
246										
247	Illinois Electricity Distribution Tax		951,491	480,033	5,626,487	10,523,735	186,530	659,956	81,095	616,996
248	Uncollectible Accounts (IEDT)		856	432	5,064	9,471	168	594	73	555
249	TOTAL COST OF SERVICE (Revenue-Related Distributed)		11,993,580	2,500,507	15,062,470	107,508,229	16,054,581	3,668,890	903,318	6,328,608
250										
251	Percent Distribution To Rate Schedules		0.51%	0.11%	0.64%	4.60%	0.69%	0.16%	0.04%	0.27%
252										
253	RATIOS FOR ALLOCATING REVENUE RELATED ITEMS									
254	Distribution-Related (lines 221 through 230 + line 236)		10,807,081	1,772,314	9,334,006	94,762,580	15,258,668	2,105,950	629,236	5,660,222
255	Customer-Related (line 234 + 235 + lines 241 through 243)		333,060	249,738	183,374	2,941,335	837,777	824,476	186,875	106,217
256	Total Distrib. Facil. and Customer-Related Ex. Metering & IEDT		11,140,141	2,022,051	9,517,379	97,703,915	16,096,445	2,930,427	816,110	5,766,439
257										
258	Distribution Facilities Share	(Line 254 / Line	97.01%	87.65%	98.07%	96.99%	94.80%	71.86%	77.10%	98.16%
259	Customer-Related Share (ex. Met. Serv.)	(Line 255 / Line	2.99%	12.35%	1.93%	3.01%	5.20%	28.14%	22.90%	1.84%
260										
261	RATIOS FOR ALLOCATING UNCOLLECTIBLES									
262	Customer-Related (line 234 + 235 + lines 241 through 243)		329,510	246,794	181,227	2,910,207	825,139	813,925	184,862	105,044
263	Metering Services (line 238)		9,906	20,005	16,505	217,908	0	112,711	14,089	3,175
264	Distribution-Related (lines 221 through 230 + line 236)		10,691,889	1,751,426	9,224,708	93,759,708	15,028,477	2,078,999	622,460	5,597,703
265	Illinois Electricity Distribution Tax (line 247)		951,491	480,033	5,626,487	10,523,735	186,530	659,956	81,095	616,996
266	Total Dist. Fac.; Customer-Related; Metering Services & IEDT		11,982,796	2,498,258	15,048,926	107,411,558	16,040,145	3,665,591	902,506	6,322,917
267										
268	Customer-Related Share (ex. Met. Serv.)	(Line 262 / Line	2.75%	9.88%	1.20%	2.71%	5.14%	22.20%	20.48%	1.66%
269	Metering Services	(Line 263 / Line	0.08%	0.80%	0.11%	0.20%	0.00%	3.07%	1.56%	0.05%
270	Distribution Facilities Share	(Line 264 / Line	89.23%	70.11%	61.30%	87.29%	93.69%	56.72%	68.97%	88.53%
271	Illinois Electricity Distribution Tax	(Line 265 / Line	7.94%	19.21%	37.39%	9.80%	1.16%	18.00%	8.99%	9.76%
272			100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
273	TOTAL COST OF SERVICE									
274	Customer-Related (line 234 + 235 + lines 241 through 245)		329,806	247,016	181,390	2,912,826	825,881	814,657	185,029	105,138
275	Metering Services (line 236 + line 237)		9,915	20,023	16,520	218,104	0	112,812	14,102	3,178
276	Distribution-Related (lines 221 through 232 + line 236)		10,701,512	1,753,002	9,233,010	93,844,092	15,042,002	2,080,870	623,020	5,602,741
277	Illinois Electricity Distribution Tax (line 247 + line 248)		952,347	480,465	5,631,551	10,533,206	186,698	660,550	81,168	617,551
278	Total Dist. Fac.; Customer-Related; Metering Services & IEDT		11,993,580	2,500,506	15,062,471	107,508,228	16,054,581	3,668,889	903,319	6,328,608

ICC Docket No. 10-0467

Commonwealth Edison Company's Response to
Illinois Commerce Commission ("STAFF") Data Requests
PR 6.01 – 6.26
Date Received: September 10, 2010
Date Served: September 22, 2010

REQUEST NO. PR 6.01:

Referring to Mr. Donovan's revised testimony ComEd Ex. 19.0 Revised, pp. 4-5, lines 87- 94:

> The costs ComEd identified for review total **$176,231,365**. These costs are grouped into the following functional categories **that are derived from** ComEd's Embedded Cost of Service Study ("ECOSS") filed in this case on June 30, 2010: (1) **$100,041,678** for billing – computation and data management; (2) **$19,175,961**for bill issue and processing; (3) **$8,963,959** for customer information; and (4) **$48,049,417** for metering services. *See Commonwealth Edison Co.,* Dkt. No. 10-0467, ComEd Ex. 22.1, Sch. 1a, pp. 9, 12. **(Emphasis added).**

Please provide the source of the highlighted figures including a detailed explanation of how these figures were derived from ComEd Ex. 22.1, Sch. 1a, pp. 9, 12.

RESPONSE:

ComEd reviewed 2009 direct O&M costs by Uniform System of Accounts, department, and project that could be related to providing customer services in order to functionalize these costs into subfunctions in ComEd's ECOSS. These same data were reviewed in the preparation of ComEd Ex. 19.1 and 19.2 attached to ComEd Ex. 19.0 Revised. Mr. Donovan's workpapers also include these data; please see the attachments to ComEd's Response to IIEC 1.04 labeled as IIEC 1.04_Attach 123 and IIEC 1.04_Attach 124.

The attachment labeled as PR 6.01_Attach 1 provides the source and, if applicable, computations, of the figures cited in ComEd Ex. 19.0 Revised (and shown in ComEd Ex. 22.1, Sch. 1a, pp. 9 and 12) and referenced in this data request.

Specifically, the workpapers supporting ComEd's ECOSS are provided in "E Workpapers", available electronically on the Illinois Commerce Commission's website: http://www.icc.illinois.gov/, submitted in Docket No. 10-0467 in the Part 285 Filing (Part 3, File 9) filed on June 30, 2010. More detail of the workpapers to ComEd's ECOSS used to compute the figures referenced in this data request is provided below.

The workpaper supporting (1) $100,041,678 is page 14 of the "Allocation Data Attachment" in the "E Workpapers". This information is also in the "Accounts 901 & 903" tab of the spreadsheets attached to ComEd's Supplemental Response to Staff Data Request PL 6.13 labeled as PL 6.13 SUPP_Attach 1 (PUBLIC) and PL 6.13 SUPP_Attach 1 (CONFIDENTIAL AND PROPRIETARY).

The workpaper supporting (2) $19,175,961 is the "SBO Attachment" in "E Workpapers". A copy of the spreadsheet used to prepare the SBO Attachment is attached as PR 6.01_Attach 2.

The workpaper supporting (3) $8,963,959 is page 18 of the "Allocation Data Attachment" in the "E Workpapers". This information is also in the "Accounts 907-910" tab of the spreadsheet attached to ComEd's Supplemental Response to Staff Data Request PL 6.13 labeled as PL 6.13 SUPP_Attach 1 (PUBLIC) and PL 6.13 SUPP_Attach 1 (CONFIDENTIAL AND PROPRIETARY).

The workpaper supporting (4) $48,049,417 is the "Metering Services O and M Attachment" in the "E Workpapers". A copy of the spreadsheet used to prepare the "Metering Services O and M Attachment" is attached as PR 6.01_Attach 3.

Commonwealth Edison Company

From ComEd Ex. 22.1, Schedule 1a, pages 9 and 12				From ComEd Ex. 19.0 Revised	
Line No.	Account Description	Account Code	Billing -- Comp. & Data Manag.	Line No.	Amount
151	Supervision	901	$642,269		
153	Customer Records & Collection Expense	903	$99,399,409		
Total			$100,041,678	90	$100,041,678
Line No.	Account Description	Account Code	Bill Issue & Processing		
153	Customer Records & Collection Expense	903	$19,175,961	90	$19,175,961
Line No.	Account Description	Account Code	Cust Serv. & Informat		
162	Customer Assistance Exp Electric	908	$6,624,904		
163	Information, Instructional Advertising	909	$2,339,055		
Total			$8,963,959	91	$8,963,959
Line No.	Account Description	Account Code	Metering Services		
124	Operation Supervision & Engineering	580	$171,938		
130	Meter Expenses	586	$7,326,173		
131	Customer Installation Expenses	587	$573,096		
135	Maint Supervision & Engineering	590	$63,031		
142	Maintenance of Meters	597	$300,764		
152	Meter Reading Expenses	902	$31,724,685		
153	Customer Records & Collection Expense	903	$7,889,730		
Total			$48,049,417	92	$48,049,417
Total*			$176,231,015	87	$176,231,365

* The $350 difference in the total amount is due to rounding.

ICC Docket No. 10-0467

Commonwealth Edison Company's Response to
Illinois Commerce Commission ("STAFF") Data Requests
PR 6.01 – 6.26
Date Received: September 10, 2010
Date Served: September 22, 2010

REQUEST NO. PR 6.05:

Referring to the base allocators used in the Allocation Study as discussed by Mr. Donovan in ComEd Ex. 19.0 Revised, pp. 8-9, please complete the table below:

Directions: ComEd identified all of the costs that could be related to providing customer services. The costs ComEd identified for review totaled $176,231,365 according to ComEd Ex. 19.0 Revised, pp. 4. For each allocator identified on page 9, please provide the percentage allocated by each allocator between delivery and supply for the nine primary departments:

RESPONSE:

		Total %	Direct Allocation	Company Revenue Allocation	Bill Calculation Allocation	Bill Print, Mailing and Imaging Allocation
Field and Meter Services	**Supply**	**26.1%**	**0%**	**26.1%**	**0%**	**0%**
	Delivery	**73.9%**	**57.7%**	**16.2%**	**0%**	**0%**
Billing	Supply	**19.1%**	0%	0%	**6.1%**	**13.0%**
	Delivery	**80.9%**	**0.6%**	0%	**18.3%**	**62.0%**
Customer Contact Center	**Supply**	**25.9%**	**0%**	**21.6%**	**4.3%**	**0%**
	Delivery	**74.1%**	**47.9%**	**13.4%**	**12.8%**	**0%**
Large Customer Solutions	Supply	**1.0%**	**1.0%**	0%	0%	0%
	Delivery	**99.0%**	**99.0%**	0%	0%	0%
Revenue Management	**Supply**	**53.8%**	**0%**	**53.8%**	**0%**	**0%**
	Delivery	**46.2%**	**12.6%**	**33.5%**	**0%**	**0%**
Revenue Protection	Supply	**3.1%**	0%	0%	**3.1%**	0%
	Delivery	**96.9%**	**87.7%**	0%	**9.2%**	0%
Demand Management (*)	**Supply**	**22.6%**	**0%**	**19.3%**	**3.3%**	**0%**
	Delivery	**77.5%**	**55.7%**	**12.0%**	**9.8%**	**0%**
Electric Supplier Services	Supply	**0%**	0%	0%	0%	0%
	Delivery	**100%**	**100%**	0%	0%	0%
Market Research	**Supply**	**1.5%**	**1.5%**	0%	0%	0%
	Delivery	**98.5%**	**98.5%**	0%	0%	0%

(*) Rounding of the data results in 100.1% total for Demand Management

ICC Docket No. 10-0467

Commonwealth Edison Company's Response to
Illinois Commerce Commission ("STAFF") Data Requests
PR 11.01 – 11.10
Date Received: October 15, 2010
Date Served: October 28, 2010

REQUEST NO. PR 11.07:

Please refer to the statement made in ComEd Ex. 19.0 Revised, pp.24, lines 534 - 537. Please explain in detail what ComEd means by "large capital project to be undertaken"?

a) Please provide a detailed explanation of any such "large capital project".
b) Please identify and explain each assumption relied on to assume this project will be "large".
c) Please provide a copy of all calculations and formulae used to substantiate the claim that such project will be in fact "large".

Please provide a copy of all evidence relied on to develop this claim.

RESPONSE:

In general, in the Customer Operations area a large capital project refers to any project that has a cost of $500,000 or more.

a) Currently customer choice transactions (i.e. enrollments, usage data, billing) are performed on an account by account basis, with some manual intervention required. Inbound customer choice transactions are processed once a day; outbound transactions are processed twice a day. With more than 10% switching, it is anticipated that the enrollment processes (per account basis v. some other industry accepted method), the outstanding manual customer choice processes, the frequency of batch and EDI processing as well as data infrastructure to retain the data to support the marketplace would need to be fully evaluated, and most likely enhanced. The initial analysis of the project is discussed further in ComEd Ex. 19.0 Revised, page 28, lines 612-620, and it was also discussed in Docket No. 08-0532, ComEd Ex. 2.0, p. 20-21, lines 425-442.

b) Please see the attachment labeled as PR 11.07_Attach 1, which is a Donovan workpaper that was inadvertently omitted from ComEd's Data Request Response to IIEC 1.04.

c) Please see the response to subpart (b).