BEFORE THE
ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY	)	
	)	
	)	
Proposal to establish Rider PORCB,	)	Docket No. 10-0138
Purchase of Receivables with	)	Rehearing
Consolidated Billing,	)	
And to revise other related tariffs	)	

DIRECT TESTIMONY OF
JAMES L. CRIST

President, Lumen Group

ON BEHALF OF

DOMINION RETAIL, INC.

Exhibit JC-1.0 R
May 20, 2011

Q. Please state your name and business address, and identify on whose behalf you are testifying?

A. I am James L. Crist, President of Lumen Group, Inc. a consulting firm focused on regulatory and market issues, located at 4226 Yarmouth Drive, Suite 101, Allison Park, Pennsylvania 15101. I am presenting testimony on behalf of Dominion Retail, Inc. ("Dominion"), an alternative electric supplier.

Q. Are you the same James L Crist who provided direct and rebuttal testimony in docket 10-0138 (the "PORCB case") and docket 10-0467 (the "base case") on PORCB issues?

A. Yes.

Q. What is the purpose of your testimony?

A. My testimony provides an outline of the steps that the Illinois Commerce Commission ("Commission") should take in this rehearing proceeding to modify and correct the Commission order in docket 10-0138. That docket addressed the Commonwealth Edison ("ComEd") filing on its Purchase of Receivables ("POR") program so that an alternative retail electric supplier ("RES") could compete on a level playing field with the utility in their quest for customer patronage.

Q. What did the ALJ memo direct the parties to address in this rehearing?

A. ALJ Sainsot recommended in her March 13, 2011 memo that a rehearing be granted for the purpose of determining the correct uncollectible charge to impose.

Q. What are the issues that must be dealt with?

There are a number of issues that must be addressed to determine the correct uncollectible charge that ComEd will impose on customers or RESs. In my

testimony I will discuss the blending of the discount rate, the rate design which incorporates a separate $0.50 per bill charge, and the correct costs that should be recovered through an uncollectible charge. It is important that the uncollectible charge be correct to encourage the objectives of the Commission, not place a disproportionate burden on the smallest customers, and to not burden Choice customers of RESs participating in POR with large IT system improvements that serve other customers.

All of my recommendations would help improve the availability of electric Choice to all customers of ComEd in line with the interest and directives of the Commission. Such improvements will benefit the customers of ComEd who will ultimately receive competitive offers for products and services from RESs. My testimony will specifically address the changes that must be made in ComEd's uncollectible charge.

Q. Can you provide some background regarding customer choice in the Illinois electric market?

A. Yes. Competition in the Illinois retail electric market was created by statute (16-118) and implemented by the Commission's issuance of the rules and regulations necessary to develop a competitive electric supply market. Such actions defined alternative Retail Electric Suppliers whose business mission is to provide customers with electric commodity supply that is delivered through the distribution system of the utility.

Q. What is Section 16-118 of the Public Utilities Act?

A. It is the section that describes the Services provided by electric utilities to alternative retail electric suppliers and subsection (c) describes the POR requirement.

Q. What does PA 095-0700 [220 ILCS 5/16-Sec. #16-118 (a)] state?

A. "It is in the best interest of Illinois energy consumers to promote fair and open competition in the provision of electric power and energy and to prevent anticompetitive practices in the provision of electric power and energy."

Q. Please describe Dominion Retail, Inc.

A. Dominion Retail, Inc. ("DRI") commenced operations in 1997 is a subsidiary of Dominion Resources, Inc. DRI is both a licensed RES and Alternative Gas Supplier ("AGS") in Illinois, having received its RES certification in 2008 (Docket No. 08-0223) and its AGS certification in 2002 and 2003 (Docket Nos. 02-0362 and 03-0257). At present, DRI serves approximately 40,000 mostly residential Illinois gas customers on the Nicor and Peoples Gas systems. To date, DRI has made no electricity sales in Illinois.

Q. What are DRI's operations in other states?

A. DRI also a licensed electricity and/or natural gas supplier in the states of Pennsylvania, Ohio, Virginia, New Jersey, Maryland, New York, Massachusetts, Connecticut, Rhode Island, Texas and the District of Columbia. DRI is currently an active electricity supplier in Connecticut, Pennsylvania, Ohio, Massachusetts, Maryland, New York, Texas and Maine, serving more than 770,000, primarily residential and small commercial, customers in those seven jurisdictions.

Likewise, in addition to the 40,000 Illinois gas customers it currently serves, DRI sells natural gas to some 570,000 mostly residential and small commercial customers in the states of Pennsylvania, Ohio, and New York. Dominion has substantial experience in many residential and small commercial Choice markets, and possesses a great amount of knowledge about what actions and conditions will help support market growth or hinder market growth.

Q. What is your overall reaction to the implementation of POR at ComEd?

A. ComEd has taken a step toward development of a competitive retail electric mass market (residential and small commercial customers) with its POR tariff. Prior to that residential and small commercial consumers had little or no participation, but with the passage of SB 1299 (PA 095-0700), that included measures related to POR processes, certain barriers to market development can be removed and a foundation laid to stimulate retail choice for the smallest classes of customers. The intent of the legislation was to authorize the means to develop the retail electric mass market both through the statute and implementation by the ICC.

Q. What is the process that led to the development of ComEd's POR tariff?

A. The tariff is the product of workshops hosted by the newly-created Office of Retail Market Development (ORMD). ORMD is to be commended for its efforts to organize the collaborative workshops, identify market barriers, and to develop Illinois' retail electric market for residential and small commercial customers, in addition to enhancing the billing options for the already successful larger commercial and industrial market. Dominion Retail participated actively in those

workshops, as it did in the earlier workshops held on the development of the Ameren POR tariff.

Q. Dominion Retail participated in the workshops along with several other marketers. Many of the other marketers have organized into two trade groups, RESA and ICEA. Is Dominion Retail a member of either of those groups?

A. While Dominion Retail views both of the trade groups as good organizations of marketers, for purposes of this proceeding they are not a member of either group and feel that there are some issues dealing with smaller customers that have not been addressed properly.

Q. The Company reached agreement on their filed tariffs with both of the trade groups, and that agreement was included in the base case as Exhibit ComEd 1.3. In general, what is different about Dominion Retail and the members of the two trade groups with respect to this POR proceeding?

A. Many of the members of the two trade groups are active in the commercial and industrial markets and some already have substantial business in those market segments. The proposed ComEd POR tariff address customers up to 400 kW of non-coincidental peak demand, which can be fairly large customers. In contrast, a residential customer might have a demand of 5 kW to 20 kW. While the marketers in the two trade groups focusing on the C&I segments might be content with the Company's filing, Dominion Retails focus in Illinois is on small commercial and residential customers and therefore it has different concerns than those two trade groups. Dominion believes that it is important that the POR

provisions be designed in a manner that will enable the small commercial and residential market to be served. That market is currently an underserved market and a properly designed POR could change that status. The Commission would miss opportunity to put forth a much stronger small customer program if it fails to consider recommendations from a supplier such as Dominion, which wishes to serve small commercial and residential customers.

Q. Is that why you put little weight on the Memorandum of Understanding ("MOU") between ComEd and RESA/ICEA on these issues?

A. Yes. Since the members of RESA/ICEA focus on being RESs to larger customers and Dominion's focus in ComEd's territory is on residential customers I cannot endorse the agreement between ComEd, RESA, and ICEA. The design of the uncollectible charge benefits the larger customers and places a disproportionate burden on the backs of the smaller customers. I am testifying in this rehearing to correct that problem. What I recommend will contribute substantially to the development of the market for smaller residential and commercial customers. Those are the issues I will discuss.

DISCUSSION OF ISSUES

Q. What are the specific issues that you will address concerning this PORCB rehearing?

A. I have identified several areas that must be addressed to provide a clear and fair outcome of this rehearing. The areas are:

1. I will show that the blended discount rate does not discourage nonresidential customers and is helping to attract residential Choice customers and is superior to separate discount rates by class.
2. I will show that the issue of whether you can choose to go with CB but not POR is important and should be a choice that a RES has, contrary to what is stated in ComEd's tariff.
3. I will show that the costs the ComEd includes in its current PORCB tariff group all of the general system information technology ("IT") billing projects together and charge them inappropriately to only the Choice customers whose RESs are participating in POR.

<u>ComEd should have a blended discount rate for POR RESs</u>

Q. What prompted this rehearing?

A. In her memo to the ICC recommending approval of the two applications for rehearing (March 31, 2011), ALJ Claudia E. Sainsot stated:

> "While the Applications for Rehearing contain many inaccuracies (*See, e.g.*, page 2 of ICEA's Application, stating that a new rate structure base created based upon, among other things, "unspecified opinions voiced by the parties in Briefs on Exception" and the Administrative Law Judge (the "ALJ") recommended denying Dominion's application for Rehearing). It does appear, though, that they do correctly state that the blended rate was not the subject of the evidence presented in this proceeding. This argument was contained in a Staff brief; it appeared to be based on record evidence. Also, blending two uncollectible charges is a policy decision to promote competition in Illinois, for which, no evidence is really necessary. Retail electric suppliers are not required to use POR or UCB services. Therefore, it seems somewhat unlikely that commercial end-user customers, many of whom, have been using retail electric suppliers' services for a few years without the additional costs that POR and UCB services entail, would elect to use these services. Blending the charge for uncollectibles would make POR and UCB services more attractive to residential end-user

customers, as, the uncollectible rate for commercial customers is lower than this rate for residential customers.

However, both RESA and the ICEA are consortiums of many retail electric suppliers. They have some expertise in this regard and they make it very clear in their Applications for Rehearing that they are of the opinion that blending the charge for uncollectibles would not further competition. (*See, e.g.,* ICEA Application at 4; RESA Application at 9-10). They also make it very clear in their Applications for Rehearing that evidence should be proffered on this issue before a final decision is made. (*See, e.g.,* ICEA Application at 10).
It appears, based upon the representations made by RESA and ICEA, that evidence should be proffered on this issue before a final decision is made. Additionally, apparently, RESA and the ICEA have a contract (a Memorandum of Understanding) with ComEd, which, ICEA states, "would be undermined" by imposition of a blended uncollectible rate. (*See,* ICEA Application at 8, 10). I therefore recommend granting rehearing for the purpose of determining the correct uncollectible charge to impose here."

Q. What effect does having a blended charge have on the rate that is charged to the customers?

A. A blended charge results in a rate that is the weighted average of the residential uncollectible rate and the commercial uncollectible rate. Since the residential rate is higher than the commercial rate, a blended charge helps the residential customers by producing a lower rate, while an unblended charge helps the larger commercial customers, allowing them to retain their lower rate.

Q. Is the opinion of RESA and ICEA that a blended charge will not further competition valid?

A. No. A blended charge would provide a lower rate to residential customers. The market segment is currently nascent and a lower rate would encourage competition.

Q. Would a blended rate increase the rate on large commercial non-Choice customers?

A. Yes, however due to the relatively small effect on such a customer's bill, the blended rate would not inhibit competition in that segment.

Q. In addition to the uncollectible percentage, what costs are also under consideration in this collection issue?

A. The administrative costs to modify the IT system are being collected through a per-bill charge of $0.50.

Q. How does the form of the collection charges to residential Choice customers affect the discount rate they are paying?

A. By having a $0.50 per bill charge, ComEd is effectively raising the discount rate to a very high number because the $0.50 is applied per bill and on a small residential bill that can be a significant increase in relation to the size of the bill.

Q. Is this a cost of service issue?

A. Yes. If one reviews the combination of the $0.50 per-bill charge which is additive to the uncollectible percentage charge then the residential customers are paying much more than the large commercial customers as a total percentage of their bill.

Q. What data exists that will enable you to calculate the effect of the $0.50 charge for customers?

A. The ALJ in the ComEd rate case (docket 10-0467) issued a post record data request to ComEd asking it to show the rate impact of the proposed order. ComEd's response shows monthly and annual kWh of customer groups with different usage levels: "This attachment provides three comparative values for a

"typical" customer at 20%, 50%, and 80% of the average usage for each delivery service class."

On the supporting schedules beginning on page 25, ComEd's estimates for each group every month and throughout the year are shown. These figures can safely be used to calculate the effective POR discount rates for low, average and high use non heating single family residential customers. On page 44, ComEd presents data on the medium load delivery class customers.

Q. How does the fixed charge compare when applied to average loads of small and large customers?

A. Applying the $0.50 per bill charge to single family without space heat class customer that is in the 20 percentile of usage in that class (which has an annual consumption of 4,842 kwh) of $751.85 is 0.798%. Applying the $0.50 per bill charge to a single family without space heat class customer that is in the 50 percentile (which has an annual consumption of 7,964 kWh) of $1090.50 is 0.5497%. Applying the $0.50 per bill charge to a single family without space heat class customer that is in the 80 percentile (which has an annual consumption of 12,329 kWh) of $1562.95 is 0.3839%.

The fact that these percentages are extraordinarily high can be seen by comparing them to the percentage paid by the average medium load delivery class customer. Applying the $0.50 per bill charge to the average medium load delivery customer (which has an average load of 179.3 kw and annual consumption of 519,817 kwh) of $29,871 is only 0.021%. Thus, a low use non space heat residential customer would be paying a rate that is 40 times higher than the average medium load

delivery customer; an average non space heat residential customer would be paying a rate that is approximately 27 higher than the average medium load customer; and a high use residential customer would be paying a that is 19 times higher than the average medium load customer.

Q. How to these percentages result in an effective discount rate?

A. All customers must pay both the $0.50 per month charge and the discount rate set by the Commission. The effective discount rate seen by low, medium and high use non space heating customers would be the figures shown in my previous paragraph plus the discount rate ordered by the Commission. Similarly, medium load delivery customers would see an effective discount rate that is the combination of the $0.50 per month charge plus the discount rate set by the Commission.

Q. Why is this effective discount rate important?

A. The Commission would aggravate the differences in effective discount rates if it abandons the blended discount rate and instead orders separate discount rates that are higher for residential customers than non residential customers.

Q. Are the startup costs that would be recovered by the $0.50 per bill charge based on the actual number of customers who actually use POR?

A. No. One would be fooling himself if they think that ComEd's startup costs, which are being recovered in that $0.50 per bill charge, are based on how many customers use POR.

A. Was the decision in the Commission's order to make the collection a per-bill rather than a percentage of bill charge mandated by statute or law?

A. No. The decision to make that a per bill rather than a per kWh charge was a policy decision by the Commission and unfortunately that decision weighs against the residential customers. It is important that it is reconsidered and reversed.

Q. Would the reversal of the Corrected Amended Order to use a blended rate also weigh against residential customers?

A. Yes. That decision was also a policy decision and it is hard for me to believe that the Commission would want to reverse that decision and thus create two negative effects on residential customers.

Q. In the base rate case, how did ComEd's witness describe the $0.50 per bill charge?

A. ComEd's witness Garcia (ComEd Ex. 1.0, p. 22) described the $0.50 charge:

> Q. How did ComEd arrive at a fixed $0.50 per bill charge included in the discount rate?
> A. The $0.50 per bill charge was the product of settlement discussions with ICEA and RESA (*see* ComEd Ex. 1.3) and CUB. From ComEd's perspective, the amount represents an attempt to strike a balance between full and somewhat timely cost recovery and a discount rate that is not so high as to make RESs' participation under Rider PORCB cost prohibitive and or make full cost recovery from RESs doubtful.

Q. Do you agree that the $0.50 per bill charge is an amount that is "not so high as to make RESs' participation under Rider PORCB cost prohibitive and or make full cost recovery from RESs doubtful?

A. I do not agree with either part. While the RESs may attempt to participate in a Choice program, they will find that customers do not care for the poor economics that are the result of the $0.50 per bill charge. This will likely create a shortfall of the cost recovery.

Q. What did ICC Staff witness Clausen state concerning the $0.50 per bill charge?

A. In his rebuttal testimony (10-0138, Staff Ex. 5) he provided an example using the $0.50 per bill charge as applied to a typical residential customer and a larger 100-400 kw customer. Mr. Clausen said:

> "Stated another way, under ComEd's proposal, a RES signing up ten average customers in the 100 – 400kW class would be paying the same $5 towards PORCB cost recovery as a RES signing up ten average residential customers even though the latter RES sold $630 worth of receivables to the utility and the former sold $39,454 worth of receivables to the utility."

Q. What justification did the Commission state in approving ComEd's proposal to assess a $0.50 per bill charge?

A. The Commission justifies the approval of ComEd's proposal by claiming that a per-bill charge is more cost based than including the charge in the discount rate. This claim is faulty and has no basis. The cost of implementation of PORCB is not an on-going cost that is determined by the number of bills generated by the marketers. Rather it is a one-time cost that is independent of the number of purchased bills. Just as the PORCB startup costs do not vary by the amount of receivables purchased, it is equally true that the startup costs do not vary by the number of receivable bills that are purchased. Whether ComEd purchases a few very large receivables or many small receivables over the next several years, or if the magnitude of receivables purchased varied its costs of starting the POR program will not change.

Q. Can these uncollectible factors change?

A. Yes. In its response to ICEA Rehearing Data Request 1.06, ComEd stated:

> Under the tariffs filed in compliance with the Commission's February 23, 2011 Order Upon Emergency Motion for Clarification issued in this docket, ComEd would "refresh" the separate discount rates every May for application during the June billing period. In order for ComEd to "refresh" the combined discount rate, the bad debt for residential and non-residential with demands 400kW or less will be determined based on FERC Account 904 by updating the recovered revenues and the estimated annual revenues for the segments prescribed and applying the weighted average formula as prescribed in the February 9, 2011 Order and further clarified in the Commission's February 23, 2011 Order.

Q. Would ComEd refresh its uncollectable factor any differently if the Commission ordered it to use separate rates for residential and non-residential customers?

A. No. In its response to ICEA Rehearing Data Request 1.07, ComEd stated:

> Under the proposed tariffs, ComEd would "refresh" the separate discount rates every May for application during the June billing period. Please see the Direct Testimony of Robert Garcia (ComEd Ex. 1.0, 15:358-17-401).

Q. What is an "all in/all out" rule?

A. It is a requirement imposed by ComEd that if a RES participates in PORCB for residential customers that the RES must include all of its residential customers in PORCB, and not exclude any. A similar requirement does not apply to non-residential customers.

Q. Does the current ComEd PORCB collection charge in effect have two separate rates, one for residentials and one for non-residentials?

A. No, it has a blended rate. Such a blended rate is lower than the stand-alone residential rate and higher than the stand-alone non-residential rate.

Q. Has the blended rate which is higher than the stand-alone non-residential rate caused those customers to avoid participation in PORCB?

A. No. ComEd data show that the non-residentials are indeed taking service under PORCB and therefore the higher rate is not a deterrent for that customer group.

Q. Why would non-residentials not be deterred by the higher rate?

A. Their consumption and resultant bill is larger than the residentials consumption and bill and the benefits of participating in PORCB significantly outweigh the administrative charge. The same is not true for residential customers.

Q. What proporation of IT improvement costs should be collected through the POR?

A. The start up costs that ComEd has included for POR contain a significant amount of costs for general IT billing system improvements and should not all be assigned to participants in the PORCB program. According to ComEd's testimony in the base rate case there were $19 million of those $22 million of costs were for general IT billing system improvements. Subsequently the total cost amount was lowered to $18.5 million by ComEd and at this point it has identified $2.5 million of the IT costs for improvements exclusive to POR. That is the amount that should be collected through the POR program, not the entire $18.5 million, and that amount would have a reasonable likelihood of being collected from the participating customers. ComEd should be able to recover all of its costs even if nonresidentials do not participate in POR.

Q. RESA stated that the $0.50 per bill charge was its preferred design for the collection of such costs. Why do you disagree?

A. That position does not protect the welfare of the smallest customers. It is disingenuous for RESA to imply that such a design is fair because an RES serving the larger non-residential customers are only contributing $0.50 per bill per month regardless of how large the receivables amount is that ComEd is purchasing.

Q. On average do the RESs that serve the larger non-residential customers pose a greater risk on the POR program?

A. Yes. Recall that the non-residential program is not all in/all out, therefore the RES is free to select good credit customers and not use POR for those customers, and then choose to have its poor credit customers be part of the POR program which will leave ComEd with the worst credit risks.

Q. Are the non-residential customers sensitive to the difference of magnitude of the discount rate when it is blended compared to separate?

A. Actual data provided by ComEd shows that they are not. Data requests issued by RESA obtained data before and after ComEd filed a tariff that changed the discount rate from separate to a blended rate. The responses to RESA are useful because they show that the change from a bifurcated rate to a blended rate did not stop nonresidential customers from taking PORCB.

RESA DR 1.02 (under bifurcated discount rate) shows 2,395 residential customers and 365 non-residential customers.

RESA DR 1.03 (blended rate) shows 26,517 residential customers and 2,058 non-residential customers.

Apart from indicating that non-residential customers are not significantly deterred by a blended rate, I do not conclude anything else from this data, as it is data from very early in the enrollment process.

If this trend continues, the switch to a blended rate did exactly what the Commission hoped it would do – encourage residential to sign up without blocking non-residential from using PORCB. Meanwhile, the response to

Dominion DR shows that there is already a healthy market for RES service for non-residential customers who don't need PORCB, so you don't need to set a bifurcated discount rate in order to encourage non-residential to take RES service – they are already doing it.

Q. What effect does the lack of having an all in/all out requirement on the non-residentials have on their discount rate?

A. It causes the rate to be higher than it would be if they had such a requirement for it lets RESs choose which customer to put on PORCB – presumably the worst credit risk. The non-residential customers on PORCB are not reflective of the credit risk of the average non-residential customer because RESs can decide to put only their worst credit risks on PORCB. Thus, the Uncollectible Factor that ComEd calculates for the non-residential customers is too low for the non-residential customers taking PORCB. Perhaps the uncollectible factor reflected in a blended rate would be more accurate for this group. It may even be too low for this hand picked group of potentially high credit risk customers. Their uncollectible factor would be higher than the average non-residential customer, so using a blended rate is a fair compromise.

<u>The Impact of POR participation being mandatory for RESs participating in CB</u>

Q. Do most Choice programs operate using consolidated billing, where the utility issues a common bill for both the marketer's commodity charges and the utility's delivery charges?

A. Yes. Most Choice programs have this feature for several reasons. Customers prefer to have one bill and it is usually an efficient use of the utility's billing system and process, instead of requiring a marketer to construct a completely redundant billing system. CB is something that is absolutely necessary for a residential Choice program. Almost all residential customers expect to have one bill.

Q. Which comes first- a consolidated billing capability or a purchase of receivables program?

A. Always the consolidated billing capability is first offered by the utility. Several Choice programs were in operation for years prior to adding the service of purchase of receivables. POR is often only added at the direction of a regulatory order. Choice programs can and do exist however without POR. Often utilities must be forced into POR after Choice is up and running.

Q. Does ComEd's program allow a marketer to participate in Choice and use consolidated billing without using POR?

A. No. ComEd claims PORCB it is a total package and a marketer cannot do one without the other. ComEd will not let a marketer participate in consolidated billing without also doing POR. I am unaware that it has such authority to make such a requirement and have not located any language in the Act that allows it to do so.

Q. Can it be disadvantageous to a marketer if they are forced to participate in POR as a condition of participated in CB?

A. Yes. Dominion has a large customer base of residential gas customers in Illinois and expects that those existing Dominion customers will provide a significant percentage of its electric residential customers. All of those residential gas customers have already been subject to a credit screen by Dominion and Dominion expects to credit screen new potential electric customers. A marketer such as Dominion that has a policy of credit-screening its customers would be at a disadvantage to now be forced to participate in POR and pay the average credit discount when it has a superior customer base. Yet because ComEd has tied POR participation in with Consolidated Billing participation – and added in the all-in-or-all-out requirement - marketers such as Dominion are forced to either bill on their own or use Consolidated Billing and pay a POR discount rate that reflects ComEd's average uncollectable factor rather than a factor that reflects Dominion's lower, credit risk screened customer base.

Q. Does Dominion's superior customer base provide additional support for the blended discount rate?

A. Yes it does. Because Dominion's existing customers are credit screened and Dominion expects to continue to credit screen its customers, it should have a customer base with a lower uncollectible factor than the average ComEd residential customer. Thus, a blended rate is more reflective of the uncollectable factor of Dominion's customers than separate residential and nonresidential uncollectable factors.

<u>Only the costs specific to POR should be charged to POR suppliers</u>

Q. Recognizing that CB and POR are separate capabilities, has ComEd accurately identified and separated its IT system improvement costs for each?

A. Yes. Evidence presented by ComEd in the base rate case (Exhibit JC-X) identified that of the $18.5 million overall investment in IT improvements, only $2.474 million was for POR capabilities. The Commission is currently considering whether to impose some or all of these costs on PORCB customers in ComEd's pending rate case, ICC Docket 10-0467. What is important for this proceeding, however, is for the Commission to understand that the $0.50 per month per bill charge and any calculations of what level of participation in PORCB is necessary in order to recover ComEd's startup costs, is dependent on the amount ultimately determined by the Commission to be caused by ComEd's cost of starting up a purchase of receivables program.

CONCLUSIONS AND RECOMMENDATIONS

Q. Please summarize your position regarding the continued use of a blended discount rate for both residential and non-residential customers.

A. A blended rate fulfills the objective of the Commission to encourage the development of the Choice market, does not act as an impediment to the non-residential customers and is more cost based than separate residential and nonresidential rate. The blended rate should therefore be retained as the POR discount mechanism.

Q. What is your recommendation regarding the proposed structure of adding a $0.50 charge to each participating customers bill to collect $18.5 million dollars for program implementation?

A. Dominion has argued in the original phase of this proceeding that the $0.50 per bill charge should be eliminated. Dominion continues to believe that the Commission order was in error. For purposes of this rehearing, however, it is important to note that the existence of that $0.50 per bill charge results in an effective discount rate for residential customers that is far higher than the effective discount rate for nonresidential customers. Movement away from a blended discount rate toward separate residential and nonresidential discount rates would make that inequality even greater.

Q. What is your recommendation regarding the provision of consolidated billing and purchase of receivables?

A. The two distinct services should be decoupled and election of CB must be permitted without forcing a RES to participate in POR. The maintenance of that requirement, however, provides additional support for a blended discount rate because marketers such as Dominion have customer bases that have been prescreened for credit risk.

Q. What is your recommendation regarding the cost of information and billing system improvements?

A. Dominion has argued both in the original phase of this proceeding and in the pending ComEd rate case that the costs ComEd incurs for IT modifications should be recovered from all system customers an only the $2.5 million of costs that are

specific to provision to POR should be collected from the customers of RESs that are participating in POR. For purposes of this proceeding, it is important to note that a reduction in the amount of POR startup costs assigned to POR customers will make it more likely that ComEd can recover those costs from POR customers, although, ComEd's $0.50 per month charge will inhibit residential customer use of that program.

Q. Does this conclude your direct testimony?

A. Yes.