

BEFORE THE  
ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY)

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Proposal to establish Rider PORCB,  
Purchase of Receivables with  
Consolidated Billing,  
And to revise other related tariffs )

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Docket No. 10-0138  
Rehearing

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REVISED DIRECT TESTIMONY OF  
JAMES L. CRIST

President, Lumen Group

ON BEHALF OF

DOMINION RETAIL, INC.

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OFFICIAL FILE

I.C.C. DOCKET NO. 10-0138  
Dominion Exhibit No. 1.0 R

Witness \_\_\_\_\_

Date 6/15/11 Reporter JR

Exhibit JC-1.0 R (rev)  
May 20, 2011

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

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

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

10 A. Yes.

11 **Q. What is the purpose of your testimony?**

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

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

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

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

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

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

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

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

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

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

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

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

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

53 **Q. Please describe Dominion Retail, Inc.**

54 A. Dominion Retail, Inc. ("DRI") commenced operations in 1997 is a subsidiary of  
55 Dominion Resources, Inc. DRI is both a licensed RES and Alternative Gas  
56 Supplier ("AGS") in Illinois, having received its RES certification in 2008  
57 (Docket No. 08-0223) and its AGS certification in 2002 and 2003 (Docket Nos.  
58 02-0362 and 03-0257). At present, DRI serves approximately 40,000 mostly  
59 residential Illinois gas customers on the Nicor and Peoples Gas systems. To date,  
60 DRI has made no electricity sales in Illinois.

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

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

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

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

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

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

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

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

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

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

100 **Q. The Company reached agreement on their filed tariffs with both of the trade**  
101 **groups, and that agreement was included in the base case as Exhibit ComEd**  
102 **1.3. In general, what is different about Dominion Retail and the members of**  
103 **the two trade groups with respect to this POR proceeding?**

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

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

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

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

129

130 **DISCUSSION OF ISSUES**

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

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

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

145

146 **ComEd should have a blended discount rate for POR RESs**

147 **Q. What prompted this rehearing?**

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

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

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

168  
169 However, both RESA and the ICEA are consortiums of many retail  
170 electric suppliers. They have some expertise in this regard and they make  
171 it very clear in their Applications for Rehearing that they are of the  
172 opinion that blending the charge for uncollectibles would not further  
173 competition. (*See, e.g.*, ICEA Application at 4; RESA Application at 9-  
174 10). They also make it very clear in their Applications for Rehearing that  
175 evidence should be proffered on this issue before a final decision is made.  
176 (*See, e.g.*, ICEA Application at 10).

177 It appears, based upon the representations made by RESA and ICEA, that  
178 evidence should be proffered on this issue before a final decision is made.  
179 Additionally, apparently, RESA and the ICEA have a contract (a  
180 Memorandum of Understanding) with ComEd, which, ICEA states,  
181 “would be undermined” by imposition of a blended uncollectible rate.  
182 (*See*, ICEA Application at 8, 10). I therefore recommend granting  
183 rehearing for the purpose of determining the correct uncollectible charge  
184 to impose here.”  
185

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

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

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

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

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

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

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

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

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

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

211 **Q. Is this a cost of service issue?**

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

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

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

221 “typical” customer at 20%, 50%, and 80% of the average usage for each delivery  
222 service class.”

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

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

230 A. Applying the \$0.50 per bill charge to single family without space heat class  
231 customer that is in the 20 percentile of usage in that class (which has an annual  
232 consumption of 4,842 kwh) of \$751.85 is 0.798%. Applying the \$0.50 per bill  
233 charge to a single family without space heat class customer that is in the 50  
234 percentile (which has an annual consumption of 7,964 kWh) of \$1090.50 is  
235 0.5497%. Applying the \$0.50 per bill charge to a single family without space  
236 heat class customer that is in the 80 percentile (which has an annual consumption  
237 of 12,329 kWh) of \$1562.95 is 0.3839%.

238 The fact that these percentages are extraordinarily high can be seen by comparing  
239 them to the percentage paid by the average medium load delivery class customer.

240 Applying the \$0.50 per bill charge to the average medium load delivery customer  
241 (which has an average load of 179.3 kw and annual consumption of 519,817 kwh)  
242 of \$29,871 is only 0.021%. Thus, a low use non space heat residential customer  
243 would be paying a rate that is 40 times higher than the average medium load

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

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

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

256 **Q. Why is this effective discount rate important?**

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

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

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

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

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

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

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

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

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

278 Q. How did ComEd arrive at a fixed \$0.50 per bill charge included in the  
279 discount rate?

280 A. The \$0.50 per bill charge was the product of settlement discussions  
281 with ICEA and RESA (*see* ComEd Ex. 1.3) and CUB. From ComEd's  
282 perspective, the amount represents an attempt to strike a balance between  
283 full and somewhat timely cost recovery and a discount rate that is not so  
284 high as to make RESs' participation under Rider PORCB cost prohibitive  
285 and or make full cost recovery from RESs doubtful.  
286

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

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

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

296 A. In his rebuttal testimony (10-0138, Staff Ex. 5) he provided an example using the  
297 \$0.50 per bill charge as applied to a typical residential customer and a larger 100-  
298 400 kw customer. Mr. Clausen said:

299 "Stated another way, under ComEd's proposal, a RES signing up ten  
300 average customers in the 100 – 400kW class would be paying the same \$5  
301 towards PORCB cost recovery as a RES signing up ten average residential  
302 customers even though the latter RES sold \$630 worth of receivables to  
303 the utility and the former sold \$39,454 worth of receivables to the utility."  
304

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

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

318 **Q. Can these uncollectible factors change?**

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

320  
321 Under the tariffs filed in compliance with the Commission's February 23,  
322 2011 Order Upon Emergency Motion for Clarification issued in this docket,  
323 ComEd would "refresh" the separate discount rates every May for application  
324 during the June billing period. In order for ComEd to "refresh" the combined  
325 discount rate, the bad debt for residential and non-residential with demands  
326 400kW or less will be determined based on FERC Account 904 by updating  
327 the recovered revenues and the estimated annual revenues for the segments  
328 prescribed and applying the weighted average formula as prescribed in the  
329 February 9, 2011 Order and further clarified in the Commission's February  
330 23, 2011 Order.

331  
332 **Q. Would ComEd refresh its uncollectable factor any differently if the Commission**  
333 **ordered it to use separate rates for residential and non-residential customers?**

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

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

338  
339 **Q. What is an "all in/all out" rule?**

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

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

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

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

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

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

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

356 **Q. What proportion of IT improvement costs should be collected through the  
357 POR?**

358 A. The start up costs that ComEd has included for POR contain a significant amount  
359 of costs for general IT billing system improvements and should not all be  
360 assigned to participants in the PORCB program. According to ComEd's  
361 testimony in the base rate case there were \$19 million of those \$22 million of  
362 costs were for general IT billing system improvements. Subsequently the total  
363 cost amount was lowered to \$18.5 million by ComEd and at this point it has  
364 identified \$2.5 million of the IT costs for improvements exclusive to POR. That  
365 is the amount that should be collected through the POR program, not the entire  
366 \$18.5 million, and that amount would have a reasonable likelihood of being  
367 collected from the participating customers. ComEd should be able to recover all  
368 of its costs even if nonresidentials do not participate in POR.

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

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

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

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

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

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

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

390 RESA DR 1.03 (blended rate) shows 26,517 residential customers and  
391 2,058 non-residential customers.

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

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

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

402 **Q. What effect does the lack of having an all in/all out requirement on the non-**  
403 **residential customers have on their discount rate?**

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

415

416 **The Impact of POR participation being mandatory for RESs participating in CB**

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

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

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

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

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

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

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

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

455 **Q. Does Dominion’s superior customer base provide additional support for the**  
456 **blended discount rate?**

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

463

464 **Only the costs specific to POR should be charged to POR suppliers**

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

468 ~~A. Yes. Evidence presented by ComEd in the base rate case (Exhibit JC X)~~  
469 ~~identified that of the \$18.5 million overall investment in IT improvements, only~~  
470 ~~\$2.474 million was for POR capabilities. The Commission is currently~~  
471 ~~considering whether to impose some or all of these costs on PORCB customers in~~  
472 ~~ComEd's pending rate case, ICC Docket 10-0467. What is important for this~~  
473 ~~proceeding, however, is for the Commission to understand that the \$0.50 per~~  
474 ~~month per bill charge and any calculations of what level of participation in~~  
475 ~~PORCB is necessary in order to recover ComEd's startup costs, is dependent on~~  
476 ~~the amount ultimately determined by the Commission to be caused by ComEd's~~  
477 ~~cost of starting up a purchase of receivables program.~~

478

479

480 **CONCLUSIONS AND RECOMMENDATIONS**

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

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

488 **Q. What is your recommendation regarding the proposed structure of adding a**  
489 **\$0.50 charge to each participating customers bill to collect \$18.5 million**  
490 **dollars for program implementation?**

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

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

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

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

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

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

517 **Q. Does this conclude your direct testimony?**

518 **A. Yes.**