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Docket No. 10-0138 on Rehearing
ICC Staff Exhibit 1.0

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Staff Exhibit No. 1.0

Witness Clausen

Date _____ Reporter JK

DIRECT TESTIMONY

of

TORSTEN CLAUSEN

Director
Office of Retail Market Development
Illinois Commerce Commission

Commonwealth Edison Company

Proposal to Establish Rider PORCB
(Purchase of Receivables with Consolidated Billing)

Docket No. 10-0138 on Rehearing

May 20, 2011

1 **Witness Identification**

2 **Q. Please state your name and business address.**

3 A. My name is Torsten Clausen. My business address is 160 N. LaSalle Street,
4 Suite C-800, Chicago, Illinois 60601.

5 **Q. Are you the same Torsten Clausen who provided direct and rebuttal**
6 **testimony in the initial phase of this proceeding?**

7 A. Yes.

8 **The combined uncollectibles charge**

9 **Q: In the initial phase of this proceeding, did Staff make any recommendation**
10 **as to whether the PORCB discount rates should include a combined**
11 **uncollectibles charge or separate uncollectible charges?**

12 A: No, Staff did not. Moreover, it seems that no party proposed to use a combined
13 uncollectibles charge until after the ALJ's October 7, 2010 Proposed Order.
14 However, in its direct testimony, Staff pointed out that Ameren's UCB/POR
15 discount rate uses a combined uncollectibles charge for residential and
16 commercial customers, whereas ComEd's proposed PORCB tariff did not.¹ In its
17 Brief on Exceptions, Staff pointed out some technical inaccuracies with respect to

¹ Staff Ex. 1.0, p. 8-9.

18 calculating a combined uncollectibles charge but did not express a preference for
19 or against the use of a combined uncollectibles charge.²

20 **Q: What was the extent of Staff's discussion regarding a combined**
21 **uncollectibles charge in its direct testimony?**

22 A: Staff stated that one of the reasons ComEd's proposed residential PORCB
23 discount rate is so much higher than Ameren's UCB/POR discount rate stems
24 from the fact that Ameren has a combined residential and non-residential
25 UCB/POR discount rate, whereas ComEd proposed to have a residential
26 discount rate and a non-residential discount rate.³ Staff explained that the
27 percentage of "bad debt" or uncollectibles is generally higher for residential
28 customers than it is for non-residential customers. By combining the electric
29 utility's historical uncollectibles experience for residential and non-residential
30 customers (up to 400kW demand), Ameren's UCB/POR discount rate is higher
31 for non-residential customers and lower for residential customers than what it
32 would have been with separate discount rates for the two customer classes.
33 Staff stated that "ComEd's alternative approach is neither right nor wrong" but
34 also explained that adoption of separate uncollectible charges "makes it even
35 more critical to ensure that ComEd's residential PORCB discount rate level does
36 not become extremely high for residential customers who use less electricity than
37 the average residential customer."⁴ In other words, Staff used the proposed
38 separate uncollectible charges as further support for its proposal to adopt a
39 percentage-based cost recovery mechanism. However, the Commission

² Staff BOE, p. 12-13.

³ Staff Ex. 1.0, p. 8.

⁴ *Id.*

40 adopted ComEd's \$0.50 cost recovery method, and that matter is not an issue of
41 this rehearing.

42 **Q. Has Staff's position changed since the initial phase of this proceeding?**

43 A. No, it has not. Staff's role in this rehearing will be mainly limited to responding to
44 arguments made by the other parties regarding the pros and cons of adopting a
45 combined uncollectibles charge versus adopting separate uncollectibles charges.
46 Accordingly, Staff will provide such a response in its rebuttal testimony.

47 **Q: Aside from policy reasons for and against the use of a single combined**
48 **uncollectibles charge, what other relevant factors do you believe would be**
49 **helpful to provide to the Commission at this time?**

50 A: I believe it would be helpful to consider the actual levels of the resulting PORCB
51 discount rates that correspond to adopting either a combined uncollectibles
52 charge or separate uncollectibles charges. As the February 23, 2011
53 Amendatory Order clarified, the current two-part ComEd PORCB discount rate
54 (for the receivables of residential and non-residential customers) is comprised of
55 the 1.8453% combined uncollectibles charge and a flat \$0.50 charge. The
56 separate PORCB discount rate following the Commission's December 15, 2010
57 Order was 2.293% plus a flat \$0.50 charge for residential customers, and
58 0.774% plus a flat \$0.50 charge for non-residential customers. As this shows,
59 having a combined uncollectibles charge lowers the corresponding PORCB
60 discount rate for residential customers and raises the corresponding PORCB
61 discount rate for non-residential customers. For further illustrative purposes,
62 Ameren's current UCB/POR discount rate is 1.74% for both residential and non-

63 residential customers' receivables. Staff notes that it expects ComEd to file a
64 new Informational Sheet for Rider UF in the very near future and Staff will
65 provide the updated PORCB discount rates in its rebuttal testimony.

66 **Q. Does this question end your prepared direct testimony on rehearing?**

67 **A. Yes.**