

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Commonwealth Edison Company)
)
Approval of Multi-Year Performance Metrics pursuant) Docket No. 11-____
to Section 16-108.5(f) & (f-5) of the Public Utilities Act.)

Direct Testimony of
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Commonwealth Edison Company

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1 **I. Introduction**

2 **A. Identification of Witness**

3 **Q. What is your name and business address?**

4 A. My name is Michael B. McMahan. My business address is 2 Lincoln Centre, 10th Floor,
5 Oakbrook Terrace, Illinois 60181.

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

7 A. I am Vice President, Smart Grid and Technology for Commonwealth Edison Company
8 (“ComEd”).

9 **B. Purpose of Direct Testimony**

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

11 A. The purpose of my testimony is to describe ComEd’s Multi-Year Performance Metrics
12 Plan (“Plan”) and to explain how ComEd has designed annual performance goals to
13 achieve each of the 10-year performance metrics (“metrics”) set forth in Section 16-
14 108.5(f) of the Public Utilities Act (“Act”).

15 **C. Summary of Conclusions**

16 **Q. What are the conclusions of your direct testimony?**

17 A. In summary, the annual performance goals set forth in the Plan are designed to achieve
18 each of the 10-year goals ratably (*i.e.*, in equal segments) over the relevant 10-year period
19 from the baseline established for each metric.

20 **D. Background and Qualifications**

21 **Q. Mr. McMahan, what are your current duties and responsibilities for ComEd?**

22 A. As Vice President, Smart Grid and Technology, I am responsible for developing and
23 implementing operation plans for the installation of ComEd's Smart Grid projects and
24 other related technologies.

25 **Q. Prior to your current position, what other positions did you hold at ComEd?**

26 A. I was Vice President, Engineering and Projects, responsible for distribution engineering,
27 capacity planning, reliability engineering, project management, facility relocation,
28 vegetation management, and contractor management.

29 **Q. What was your previous work experience before joining ComEd?**

30 A. I served for nearly four years as Vice President, Outage and Project Management for
31 Exelon Nuclear, where I was responsible for outage services and projects across Exelon
32 Nuclear's 17 nuclear units. Before joining Exelon, I held a series of positions with
33 increasing responsibility in General Electric's Nuclear Division, including Outage and
34 Inspection Services, Business Planning and Development, and Mechanical Services.

35 **Q. What is your educational background?**

36 A. I have a Bachelor's degree in nuclear engineering from the University of Florida, and a
37 Masters of Business Administration from Emory University.

38 **Q. Do you hold any professional designations?**

39 A. Yes. I am a professional electrical engineer licensed by the State of Alabama.

40 **II. Overview of the Metrics Plan**

41 **Q. Could you provide an overview of the Plan being submitted to the Commission?**

42 A. Yes. Under the provisions of subsection (f) of Section 16-108.5 of the Act, ComEd must
43 develop and file multi-year performance metrics designed to achieve, ratably over a 10-
44 year period, improvement over baseline values in various areas. Accordingly, the first
45 part of ComEd's Plan sets forth annual performance goals for the relevant 10-year period
46 for each of the following metrics: frequency of customer interruptions system-wide,
47 duration of customer interruptions system-wide, frequency of customer interruptions in
48 the Southern Region of ComEd's service territory, overall improvement in exceeding
49 service reliability targets, reduction in issuance of estimated electric bills, reduction in
50 consumption on inactive meters, reduction in non-technical line loss unaccounted for
51 energy (*i.e.*, losses not related to distribution and transmission losses), reduction in
52 uncollectible expense, and increased opportunities for minority-owned and women-
53 owned business enterprises ("MWBE"). I further address the General Assembly's recent
54 passage of House Bill 3036 ("HB 3036"), which would modify the metrics provisions of
55 Section 16-108.5(f). Although HB 3036 has not yet become law, it may become
56 effective shortly. Therefore, I also provide the information that would be called for if HB
57 3036 becomes effective.

58 The Plan also describes the penalties that will be applied to ComEd in the event it
59 fails to achieve an annual performance goal. These penalties are described in the direct
60 testimony of ComEd witness Dr. Ross Hemphill, ComEd Ex. 2.0.

61 **Q. When will the 10-year period commence for purposes of measuring ComEd's**
62 **performance under each metric?**

63 A. ComEd elects that the 10-year period for the metrics begin on January 1, 2013. However,
64 in the event that HB 3036 becomes law, ComEd elects a start date of January 1, 2013 for
65 the reliability- and MWBE-related metrics set forth in Section 16-108.5(f)(1) through (4)
66 and (9) of HB 3036 based on the fact that ComEd will begin investing in its infrastructure
67 investment program no later than January 1, 2012. With respect to those metrics
68 dependent upon approval of ComEd's Advanced Metering Infrastructure Deployment
69 Plan ("AMI Plan") set forth in Section 16-108.5(f)(5) through (8) of HB 3036, ComEd
70 will make a filing with the Commission within 30 days of the Commission's order
71 approving ComEd's AMI Plan, which filing will elect a start date for these metrics that is
72 no later than 14 months following the Commission's entry of the order. This is described
73 further by ComEd witness Dr. Ross Hemphill, ComEd Ex. 2.0.

74 **III. ComEd's Multi-Year Performance Metrics**

75 **A. Reliability-Related Metrics**

76 **Q. Could you provide an overview of the first category of metrics?**

77 A. Yes. The first set of metrics set forth in Section 16-108.5(f) of the Act relates to
78 ComEd's provision of reliable electric service to its customers.

79 **Q. How do these metrics measure reliability?**

80 A. Under Section 16-108.5(f), two metrics measure reliability for ComEd's entire service
81 territory and ComEd's Southern Region using the System Average Interruption
82 Frequency Index ("SAIFI") (Section 16-108.5(f)(1) and (3)), which is defined by the

83 Illinois Administrative Code as “the average number of interruptions per customer during
84 the year.” 83 Ill. Admin. Code 411.20. SAIFI is calculated for a given population in a
85 given year by dividing the total number of customer interruptions for that population in
86 that year by the total number of customers served during the year in that population. In
87 the event HB 3036 becomes law, ComEd will be subject to a third SAIFI metric that
88 measures reliability for ComEd’s Northeastern Region. *See* Section 16-108.5(f)(3.5) of
89 HB 3036.

90 Section 16-108.5(f) also includes a metric that measures reliability system-wide
91 using the Customer Average Interruption Duration Index (“CAIDI”) (Section 16-
92 108.5(f)(2)), which is defined by the Illinois Administrative Code as “the average
93 interruption duration for those customers who experience interruptions during the year.”
94 83 Ill. Admin. Code 411.20. CAIDI is calculated by dividing the annual sum of all
95 customer interruption durations by the total number of customer interruptions.

96 **Q. Do these reliability-related metrics take into account the impact of severe weather?**

97 A. Yes. Section 16-108.5(f) permits ComEd to exclude up to nine Extreme Weather Event
98 Days from the calculation for each of the 10 years, and requires that ComEd exclude up
99 to nine Extreme Weather Event Days when calculating each year of the baseline period to
100 the extent there are nine such days in a given year that qualify as Extreme Weather Event
101 Days. The statute defines an Extreme Weather Event Day as a 24-hour calendar day
102 beginning at 12:00 a.m. and ending at 11:59 p.m. during which any weather event caused
103 interruptions of electric delivery service for 10,000 or more of the participating utility’s
104 customers for three or more hours. *See* 220 ILCS 5/16-108.5(f); ComEd Ex. 1.0,

105 Appendix 2. ComEd has excluded up to nine Extreme Weather Event Days from each
106 year associated with the baseline calculations for these reliability-related metrics. *See*
107 ComEd Ex. 1.0, Appendix 1. The same Extreme Weather Event Days shall be excluded
108 when calculating each of the annual performance goals for the reliability-related metrics.
109 However, the calculation for Southern Region SAIFI, and, if HB 3036 becomes law, the
110 calculation for Northeastern Region SAIFI, excludes only those customer interruptions
111 occurring in that particular region.

112 **1. System Average Interruption Frequency Index (Section**
113 **16-108.5(f)(1)).**

114 **Q. What is the System SAIFI metric described in ComEd's Plan?**

115 A. This is the system-wide SAIFI ("System SAIFI") metric for ComEd's entire service area.
116 Under this metric, ComEd will improve its System SAIFI performance by 20%, ratably
117 over the 10-year period beginning on January 1, 2013.

118 **Q. How was the System SAIFI baseline value calculated?**

119 A. The System SAIFI baseline value is determined based on the average of the System
120 SAIFI data reported to the Commission in ComEd's annual reports to the Commission
121 for the years 2001 through 2010 after excluding up to nine Extreme Weather Event Days
122 from each baseline year. Based on this calculation, the System SAIFI baseline value is
123 0.998. ComEd Ex. 1.0 at 5.

124 **Q. What are the annual performance goals that ComEd is proposing in order to**
125 **achieve the 10-year System SAIFI goal?**

126 A. In order to achieve a 20% improvement in System SAIFI over the baseline value of
127 0.998, ComEd must reduce System SAIFI to 0.798 by the end of the 10-year period.
128 Accordingly, the Plan proposes 10 annual performance goals designed to decrease
129 System SAIFI by 0.020 each year, which will achieve the required reduction. Table 1
130 sets forth these annual performance goals necessary for ComEd to achieve the overall
131 goal ratably over 10 years. *Id.* ComEd will have achieved the annual goal if its
132 performance during the relevant annual period is sufficient as of the end of the relevant
133 annual period to have satisfied the specific goal for that annual period.

134 2. Customer Average Interruption Duration Index (Section
135 16-108.5(f)(2)).

136 **Q. What is the Customer Average Interruption Duration Index metric described in**
137 **ComEd's Plan?**

138 A. This is the system-wide CAIDI ("System CAIDI") metric for ComEd's entire service
139 area. Under this metric, ComEd will improve its System CAIDI performance by 15%,
140 ratably over the 10-year period beginning January 1, 2013.

141 **Q. How was the System CAIDI baseline value calculated?**

142 A. The System CAIDI baseline value is determined based on the average of the System
143 CAIDI data reported to the Commission in ComEd's annual reports to the Commission
144 for the years 2001 through 2010 after excluding up to nine Extreme Weather Event Days
145 from each baseline year. Based on this calculation, the System CAIDI baseline value is
146 92.9 minutes. ComEd Ex. 1.0 at 6.

147 **Q. What are the annual performance goals that ComEd is proposing in order to**
148 **achieve the 10-year System CAIDI goal?**

149 A. In order to achieve a 15% improvement in System CAIDI over the baseline value of 92.9
150 minutes, ComEd must decrease System CAIDI to 78.9 minutes by the end of the 10-year
151 period. Accordingly, the Plan proposes 10 annual performance goals designed to
152 decrease System CAIDI by 1.4 minutes each year, which will achieve the required
153 reduction. Table 2 sets forth these annual performance goals necessary for ComEd to
154 achieve the overall goal ratably over 10 years. *Id.* at 7. ComEd will have achieved the
155 annual goal if its performance during the relevant annual period is sufficient as of the end
156 of the relevant annual period to have satisfied the specific goal for that annual period.

157 **3. Region-Specific SAIFI metrics (Section 16-108.5(f)(3); Section**
158 **16-108.5(f)(3.5) of HB 3036).**

159 **Q. Previously you identified a Southern Region SAIFI metric and, if HB 3036 becomes**
160 **law, a Northeastern Region SAIFI metric. What is the Southern Region SAIFI**
161 **metric described in ComEd's Plan?**

162 A. This is the SAIFI metric for ComEd's Southern Region. Under this metric, ComEd will
163 improve its Southern Region SAIFI performance by 20%, ratably over the 10-year period
164 beginning on January 1, 2013.

165 **Q. How was the Southern Region SAIFI baseline value calculated?**

166 A. The Southern Region SAIFI baseline value is determined based on the average of the
167 Southern Region SAIFI data reported to the Commission in ComEd's annual reports to
168 the Commission for the years 2001 through 2010 after excluding up to nine Extreme

169 Weather Event Days occurring in the Southern Region from each baseline year. Based
170 on this calculation, the Southern Region SAIFI baseline value is 1.236. ComEd Ex. 1.0
171 at 8.

172 **Q. What are the annual performance goals that ComEd is proposing in order to**
173 **achieve the 10-year Southern Region SAIFI goal?**

174 A. In order to achieve a 20% improvement in Southern Region SAIFI over the baseline
175 value of 1.236, ComEd must reduce Southern Region SAIFI to 0.986 by the end of the
176 10-year period. Accordingly, the Plan proposes 10 annual performance goals designed to
177 decrease Southern Region SAIFI by 0.025 each year, which will achieve the required
178 reduction. Table 3 sets forth these annual performance goals necessary for ComEd to
179 achieve the overall goal ratably over 10 years. *Id.* at 9. ComEd will have achieved the
180 annual goal if its performance during the relevant annual period is sufficient as of the end
181 of the relevant annual period to have satisfied the specific goal for that annual period.

182 **Q. With respect to the SAIFI metric related to ComEd's Northeastern Region, which**
183 **would only apply if HB 3036 becomes law, can you please describe this metric?**

184 A. If HB 3036 becomes law, ComEd will improve its Northeastern Region SAIFI
185 performance by 20%, ratably over the 10-year period beginning on January 1, 2013.

186 **Q. How was the Northeastern Region SAIFI baseline value calculated?**

187 A. The Northeastern Region SAIFI baseline value is determined based on the average of the
188 Northeastern Region SAIFI data reported to the Commission in ComEd's annual reports
189 to the Commission for the years 2001 through 2010 after excluding up to nine Extreme

190 Weather Event Days occurring in the Northeastern Region from each baseline year.
191 Based on this calculation, the Northeastern Region SAIFI baseline value is 1.006. *Id.* at
192 10.

193 **Q. What are the annual performance goals that ComEd is proposing in order to**
194 **achieve the 10-year Northeastern Region SAIFI goal?**

195 A. ComEd proposes the following annual performance goals in the event that HB 3036
196 becomes law and ComEd is subject to the Northeastern Region SAIFI metric. In order to
197 achieve a 20% improvement in Northeastern Region SAIFI over the baseline value of
198 1.006, ComEd must reduce Northeastern Region SAIFI to 0.806 by the end of the 10-
199 year period. Accordingly, the Plan proposes 10 annual performance goals designed to
200 decrease Northeastern Region SAIFI by 0.020 each year, which will achieve the required
201 reduction. Table 4 sets forth these annual performance goals necessary for ComEd to
202 achieve the overall goal ratably over 10 years. *Id.* at 11. ComEd will have achieved the
203 annual goal if its performance during the relevant annual period is sufficient as of the end
204 of the relevant annual period to have satisfied the specific goal for that annual period.

205 **B. Service Reliability Targets (Section 16-108.5(f)(4)).**

206 **Q. What is the service reliability targets metric described in ComEd's Plan?**

207 A. Section 16-108.5(f)(4) defines the service reliability targets consistent with those set forth
208 in 83 Ill. Admin. Code 411.140(b)(4)(A)-(C). Under this metric, ComEd will reduce the
209 total number of customers who exceed the maximum number of controllable interruption
210 and maximum total interruption duration targets by 75%, ratably over the 10-year period
211 beginning on January 1, 2013.

212 **Q. How was the service reliability targets baseline value established?**

213 A. The service reliability targets baseline value is the 2010 data reported to the Commission
214 regarding performance under each of the targets. Based on this calculation, the baseline
215 value is 407 customers. ComEd Ex. 1.0 at 13.

216 **Q. What are the annual performance goals that ComEd is proposing in order to**
217 **achieve the 10-year service reliability targets goal?**

218 A. In order to achieve a 75% improvement in the service reliability targets over the baseline
219 value of 407 customers, ComEd must reduce the total number of customers who exceed
220 the service reliability targets to 97 customers by the end of the 10-year period.
221 Accordingly, the Plan proposes 10 annual performance goals designed to reduce the total
222 number of customers who exceed the service reliability targets by 31 customers each
223 year, which will achieve the required reduction. Table 5 sets forth these annual
224 performance goals necessary for ComEd to achieve the overall goal ratably over 10 years.
225 *Id.* ComEd will have achieved the annual goal if its performance during the relevant
226 annual period is sufficient as of the end of the relevant annual period to have satisfied the
227 specific goal for that annual period.

228 **C. Customer Benefits Metrics**

229 **Q. Can you describe the next group of performance metrics?**

230 A. Yes. The next four metrics are designed to reduce ComEd's costs of providing electric
231 service through achievement of reductions in: (i) issuance of estimated electric bills, (ii)
232 consumption on inactive meters, (iii) unaccounted for energy, and (iv) uncollectible
233 expense. Because the costs associated with these categories are recovered from

234 customers, achievement of these metrics will realize tangible customer benefits in the
235 form of reduced costs of electric service.

236 **Q. Why are these performance metrics grouped together?**

237 A. Each of the performance goals for these four metrics is based on the assumption that
238 ComEd may fully implement Smart Grid technology, including the full functionality of
239 the technology and that there is no on-site notification requirement prior to disconnection.
240 Accordingly, the annual performance goals associated with these four metrics are
241 dependent on the Commission's approval of ComEd's AMI Plan pursuant to Section 16-
242 108.6 of the Act and on the Commission declining to otherwise impose an on-site
243 disconnection requirement.

244 **1. Estimated Electric Bills (Section 16-108.5(f)(5)).**

245 **Q. What is the Estimated Electric Bills metric described in ComEd's Plan?**

246 A. This metric is the reduction in issuance of estimated electric bills. Under this metric,
247 ComEd will reduce the number of estimated electric bills by 90%, ratably over the 10-
248 year period beginning on January 1, 2013, or, in the event that HB 3036 becomes law,
249 beginning on a date within 14 months after the Commission approves ComEd's AMI
250 Plan.

251 **Q. What is an estimated electric bill?**

252 A. ComEd renders an estimated electric bill when a meter on an account was not read for the
253 applicable monthly billing period. To reflect that the bill is estimated, the word
254 "estimate" is plainly stated on the face of each such bill.

255 **Q. How was the baseline value for estimated electric bills calculated?**

256 A. The estimated electric bills baseline value is the average number of estimated electric
257 bills issued for the years 2008 through 2010. Because estimated electric bills were not
258 tracked during the first 4 months of 2008, the 2008 figure is a prorated estimate based on
259 the 8 months of actual estimated electric bills issued during 2008. Based on this
260 calculation, the baseline value is 7,133,368 estimated electric bills. ComEd Ex. 1.0 at 15.

261 **Q. What are the annual performance goals that ComEd is proposing in order to**
262 **achieve the 10-year estimated electric bills goal?**

263 A. In order to achieve a 90% improvement in estimated electric bills over the baseline value
264 of 7,133,368, ComEd must decrease the number of estimated electric bills issued to
265 713,328 by the end of the 10-year period. Accordingly, the Plan proposes 10 annual
266 performance goals designed to decrease estimated electric bills by 642,004 each year,
267 which will achieve the required reduction. Table 6 sets forth these annual performance
268 goals necessary for ComEd to achieve the overall goal ratably over 10 years. *Id.* at 16.
269 ComEd will have achieved the annual goal if its performance during the relevant annual
270 period is sufficient as of the end of the relevant annual period to have satisfied the
271 specific goal for that annual period.

272 **2. Consumption on Inactive Meters (Section 16-108.5(f)(6)).**

273 **Q. What is the consumption on inactive meters metric described in ComEd's Plan?**

274 A. This metric is the reduction of consumption on inactive meters. Under this metric,
275 ComEd will reduce consumption on inactive meters by 90%, ratably over the 10-year
276 period beginning on January 1, 2013, or, in the event that HB 3036 becomes law,

277 beginning on a date within 14 months after the Commission approves ComEd's AMI
278 Plan.

279 **Q. What is consumption on inactive meters?**

280 A. Consumption on inactive meters occurs when metered electricity has no customer of
281 record to bill for usage. As a result, the costs for the electricity are recovered from all
282 ComEd customers receiving service under ComEd's Rate BES – Basic Electric Service,
283 rather than from the individual retail customer that is responsible for such usage.
284 Consumption on inactive meters generally occurs when the customer of record finalizes the
285 account and there is no immediate successor customer that contacts ComEd to set up new
286 service. ComEd tracks the total monthly kilowatthours ("kWh") of electricity
287 categorized as consumption on inactive meters by way of the regular monthly meter reads
288 and retains such information even though a bill is not generated.

289 **Q. How was the baseline value for consumption on inactive meters calculated?**

290 A. The consumption on inactive meters baseline value is the average consumption on
291 inactive meters for the years 2009 and 2010. Based on this calculation, the baseline value
292 is 516,405,909 kWh. ComEd Ex. 1.0 at 17.

293 **Q. What are the annual performance goals that ComEd is proposing in order to
294 achieve the 10-year consumption on inactive meters goal?**

295 A. In order to achieve a 90% improvement in the consumption on inactive meters over the
296 baseline value of 516,405,909, ComEd must reduce consumption on inactive meters to
297 51,640,589 kWh by the end of the 10-year period. Accordingly, the Plan proposes 10

298 annual performance goals designed to decrease consumption on inactive meters by
299 46,476,532 kWh each year, which will achieve the required reduction. Table 7 sets forth
300 these annual performance goals necessary for ComEd to achieve the overall goal ratably
301 over 10 years. *Id.* ComEd will have achieved the annual goal if its performance during
302 the relevant annual period is sufficient as of the end of the relevant annual period to have
303 satisfied the specific goal for that annual period.

304 **3. Unaccounted For Energy (Section 16-108.5(f)(7)).**

305 **Q. What is the unaccounted for energy metric described in ComEd's Plan?**

306 A. This metric is the reduction of non-technical line loss unaccounted for energy (*i.e.*, losses
307 not related to distribution and transmission losses). Under this metric, ComEd will
308 reduce unaccounted for energy by 50%, ratably over the 10-year period beginning on
309 January 1, 2013, or, in the event that HB 3036 becomes law, beginning on a date within
310 14 months after the Commission approves ComEd's AMI Plan.

311 **Q. What is unaccounted for energy?**

312 A. Unaccounted for energy is unmetered electricity that is not billed to an individual retail
313 customer, such as when theft of service occurs. As a result, the costs of the unmetered
314 electricity are recovered from all ComEd customers, rather than from the individual retail
315 customer that is responsible for such usage.

316 **Q. How was the baseline value for unaccounted for energy calculated?**

317 A. The unaccounted for energy baseline value is the unaccounted for energy for the year
318 2009, or 892,578,406 kWh. ComEd Ex. 1.0 at 18.

319 **Q. What are the annual performance goals that ComEd is proposing in order to**
320 **achieve the 10-year unaccounted for energy goal?**

321 A. In order to achieve a 50% improvement in unaccounted for energy over the baseline
322 value of 892,578,406 kWh, ComEd must reduce unaccounted for energy to 446,289,203
323 kWh by the end of the 10-year period. Accordingly, the Plan proposes 10 annual
324 performance goals designed to decrease unaccounted for energy by 44,628,921 kWh each
325 year, which will achieve the required reduction. Table 8 sets forth these annual
326 performance goals necessary for ComEd to achieve the overall goal ratably over 10 years.
327 *Id.* at 19. ComEd will have achieved the annual goal if its performance during the
328 relevant annual period is sufficient as of the end of the relevant annual period to have
329 satisfied the specific goal for that annual period.

330 **4. Uncollectible Expense (Section 16-108.5(f)(8)).**

331 **Q. What is the uncollectible expense metric described in ComEd's Plan?**

332 A. This metric is the reduction in uncollectible expense. Under this metric, ComEd will
333 reduce its uncollectible expense by \$30,000,000, ratably over the 10-year period
334 beginning on January 1, 2013, or, in the event that HB 3036 becomes law, beginning on a
335 date within 14 months after the Commission approves ComEd's AMI Plan.

336 **Q. What is uncollectible expense?**

337 A. Uncollectible expense is the amount of expense associated with bad debt that ComEd
338 records in its Federal Energy Regulatory Form 1 ("FERC Form 1") Account 904.

339

340 **Q. How was the baseline value for uncollectible expense calculated?**

341 A. The uncollectible expense baseline value is the average uncollectible expense set forth in
342 Account 904 in ComEd's 2008 through 2010 FERC Form 1 submittals. Based on this
343 calculation, the baseline value is \$67,637,205. ComEd Ex. 1.0 at 20.

344 **Q. What are the annual performance goals that ComEd is proposing in order to**
345 **achieve the 10-year Uncollectible Expense goal?**

346 A. In order to achieve a \$30,000,000 improvement in uncollectible expense over the baseline
347 value of \$67,637,205, ComEd must reduce uncollectible expense to \$37,637,205 by the
348 end of the 10-year period. Accordingly, the Plan proposes 10 annual performance goals
349 designed to decrease uncollectible expense by \$3,000,000 each year, which will achieve
350 the required reduction. Table 9 sets forth these annual performance goals necessary for
351 ComEd to achieve the overall goal ratably over 10 years. *Id.* ComEd will have achieved
352 the annual goal if its performance during the relevant annual period is sufficient as of the
353 end of the relevant annual period to have satisfied the specific goal for that annual period.

354 **D. Opportunities for Minority-Owned and Women-Owned Business Enterprises**
355 **(Section 16-108.5(f)(9)).**

356 **Q. What is the opportunities for minority-owned and women-owned business**
357 **enterprises metric described in ComEd's Plan?**

358 A. This metric requires ComEd to design a performance metric regarding the creation of
359 opportunities for minority-owned and women-owned business enterprises ("MWBE")
360 consistent with State and federal law.

361

362 **Q. For purposes of this metric, how does ComEd define MWBE?**

363 A. MWBE refers to a minority-owned or women-owned business that is a for-profit
364 enterprise, regardless of size, physically located in the United States or its trust territories,
365 which is owned, operated and controlled by minority group members or women.

366 **Q. For purposes of this metric, who does ComEd consider to be a “minority group
367 member”?**

368 A. A “minority group member” refers to an individual that is Asian, Black, Hispanic, or
369 Native American.

370 **Q. What constitutes ownership and control of an MWBE for purposes of this metric?**

371 A. For a business to be owned by minority group members or women, the business must be
372 at least 51% owned by such individuals; in the case of a publicly-owned business, at least
373 51% of the stock of the company must be owned by one or more such individuals.

374 **Q. Could you describe the metric that ComEd has designed to create opportunities for
375 MWBE?**

376 A. Yes. Under this performance metric, ComEd has elected to increase its capital
377 expenditures paid to MWBE by 15% over a 10-year period beginning on January 1, 2013.

378 **Q. How was the baseline value for MWBE capital expenditures calculated?**

379 A. The MWBE baseline value is ComEd’s capital expenditures paid to MWBE in 2010, or
380 \$65,000,000. ComEd Ex. 1.0 at 22.

381 **Q. What are the annual performance goals that ComEd is proposing in order to**
382 **achieve the 10-year MWBE goal?**

383 A. In order to achieve a 15% improvement in MWBE capital expenditures over the baseline
384 value of \$65,000,000, ComEd must increase MWBE capital expenditures to \$74,750,000
385 by the end of the 10-year period. Accordingly, the Plan proposes 10 annual performance
386 goals designed to increase MWBE capital expenditures by \$975,000 each year, which
387 will achieve the proposed increase. Table 10 sets forth these annual performance goals
388 necessary for ComEd to achieve the overall goal ratably over 10 years. *Id.* ComEd will
389 have achieved the annual goal if its performance during the relevant annual period is
390 sufficient as of the end of the relevant annual period to have satisfied the specific goal for
391 that annual period.

392 **IV. Conclusion**

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

394 A. Yes.