

**DIRECT TESTIMONY**

**of**

**YASSIR RASHID**

Engineering Department

Energy Division

Illinois Commerce Commission

Tariffs and charges submitted pursuant to  
Section 16-108.5 of the Public Utilities Act.

Commonwealth Edison Company

Docket No. 11-0721

January 13, 2012

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

2 A. My name is Yassir Rashid. My business address is 527 East Capitol Avenue,  
3 Springfield, Illinois 62701.

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

5 A. I have been employed by the Illinois Commerce Commission (“ICC” or  
6 “Commission”) as an Electrical Engineer in the Engineering Department of the  
7 Energy Division since September 2008.

8 **Q. What is the function of the Engineering Department of the Commission?**

9 A. The Engineering Department’s function is to monitor and review planning and  
10 operating practices of Illinois' regulated utilities as part of the Commission’s  
11 responsibilities under the Illinois Public Utilities Act (“Act”) and to provide  
12 information, technical expertise, and recommendations on matters before the  
13 Commission through Staff reports or testimony.

14 **Q. What is your work experience prior to coming to the Commission?**

15 A. Prior to joining the Commission Staff (“Staff”), I worked as an Electrical Engineer  
16 for three different companies in Sudan from 1994 to 1999.

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

18 A. I earned a Bachelor of Science in Electrical Engineering with Honors from the  
19 University of Khartoum, Sudan in 1994. I earned a Postgraduate Diploma in  
20 Business Administration with Merit from the University of Khartoum, Sudan in  
21 1997. I earned a Master of Science in Electrical and Computer Engineering from  
22 Southern Illinois University Carbondale in 2004.

23 **Q. What is the purpose of your testimony in this proceeding?**

24 A. My testimony is intended to convey my opinions and recommendations regarding  
25 two particular aspects of the tariffs and charges submitted by Commonwealth  
26 Edison Company ("ComEd") pursuant to Section 16-108.5 of the Act.  
27 Specifically, I will discuss the following:

- 28 • ComEd's proposal to include the costs of capital additions associated with  
29 specific electric distribution projects in rate base; and
- 30 • ComEd's Operations and Maintenance ("O&M") expenditures in 2010 and  
31 how they relate to O&M expenditures in prior years.

32 The exclusion of other topics from my direct testimony should not be construed to  
33 mean that I have the same opinion as ComEd regarding those topics.

34 **Q. Do you recommend that the Commission make any adjustments for  
35 ComEd's rate base?**

36 A. Yes. Based on my review of ComEd's Schedules F-4, ComEd's direct testimony,  
37 and ComEd's response to Staff data requests ("DR"), I recommend an  
38 adjustment of \$8,900,968 that is related to projects that are cancelled or have a  
39 completion date after the end of 2011. I also provide an analysis to support an  
40 adjustment that Staff witness Richard W Bridal II recommends in his direct  
41 testimony, ICC Staff Ex. 5.0.

42 **Q. Are you sponsoring any schedules as part of your direct testimony?**

43 A. Yes. I prepared Schedule 8.1, which lists the most costly capital projects that  
44 ComEd proposes to include in rate base.

45 **Rate Base Capital Additions**

46 **Q. Did your review of ComEd's capital additions include every investment in**  
47 **plant that ComEd proposes to include in rate base in the instant rate case**  
48 **filing?**

49 A. No. I reviewed information about projects that ComEd included in its witnesses'  
50 testimony, Schedule F-4 and information that ComEd provided in response to  
51 Staff's DRs. I reviewed several higher-cost specific projects that ComEd has  
52 proposed to include in its rate base.

53 **Q. What is the basis of your recommendation that the Commission adjust the**  
54 **amounts allowed for ComEd's capital additions?**

55 A. Section 9-211 of the Act states:

56 The Commission, in any determination of rates or charges, shall  
57 include in a utility's rate base only the value of such investment  
58 which is both prudently incurred and used and useful in providing  
59 service to public utility customers.

60 Although I am not an attorney, in my opinion, Section 9-211 of the Act indicates  
61 that, for the Commission to allow a utility's investments to be included in rate  
62 base, such investments must be prudent and used and useful. Accordingly, I  
63 reviewed ComEd's capital project investments to determine whether those  
64 investments are prudent and used and useful in providing reliable service to  
65 customers.

66 **Q. What criteria did you use to determine whether a specific project**  
67 **investment was prudent and used and useful?**

68 A. The criteria that I used to determine whether a specific project is prudent and  
69 used and useful are contained in Section 9-212 of the Act. Section 9-212 of the  
70 Act explains “prudent” as follows:

71 . . . For purposes of this Section, "prudent" means that at the time  
72 of certification, initiation of construction and each subsequent  
73 evaluation of any construction project until the time of completion,  
74 based on the evidence introduced in any hearings and all  
75 information which was known or should have been known at the  
76 time, and relevant planning and certification criteria, it was prudent  
77 and reasonable to conclude that the generating or production  
78 facility would be used and useful in providing service to customers  
79 at the time of completion. . .

80 Section 9-212 of the Act explains “used and useful” as follows:

81 . . . A generation or production facility is used and useful only if,  
82 and only to the extent that, it is necessary to meet customer  
83 demand or economically beneficial in meeting such demand. No  
84 generation or production facility shall be found used and useful until  
85 and unless it is capable of generation or production at significant  
86 operating levels on a consistent and sustainable basis. . .

87 In light of the above definitions and explanations of “prudent” and “used and  
88 useful,” I studied ComEd’s capital project investments and analyzed the  
89 information that ComEd provided in its witnesses’ direct testimony, Part 285  
90 Filing, and responses to Staff DRs. I opine that in order for an investment in  
91 plant to be “used and useful,” the plant must be necessary to provide service to  
92 customers or must be economically beneficial to customers.

93 **Q. Please explain how you gathered the information you used in your**  
94 **analysis.**

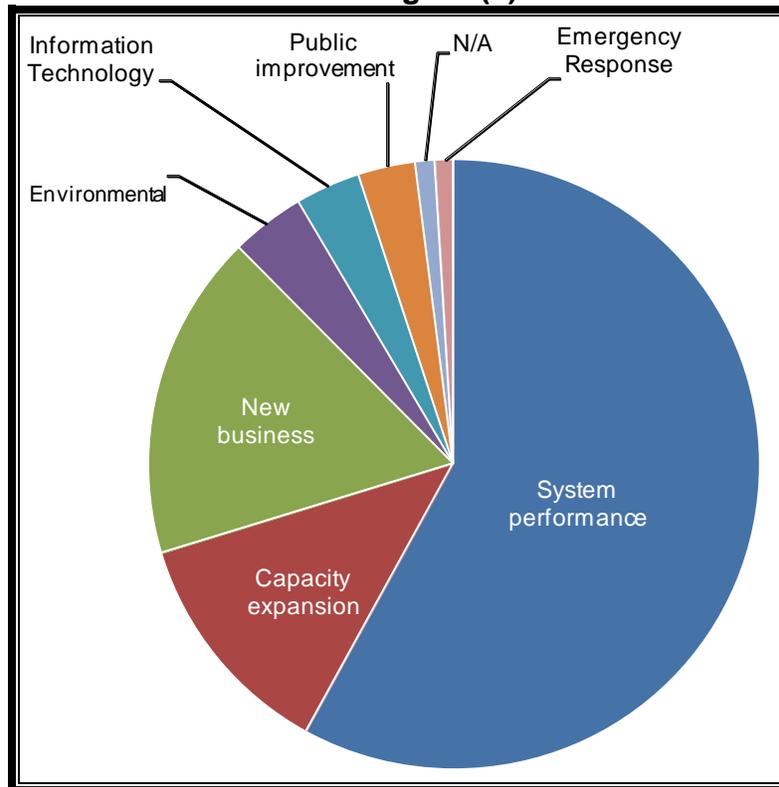
95 A. Pursuant to Section 285.6100 of 83 Illinois Administrative Code (“Code”), utilities  
96 requesting a rate increase must file a Schedule F-4, which includes information

97 about plant additions the utility made since the previous rate case that exceed a  
98 specified cost. According to the requirements of Section 285.6100 of the Code,  
99 ComEd filed a Schedule F-4 that listed each capital addition that exceeded 0.1%  
100 of ComEd's net plant. In addition to reviewing two projects identified on ComEd's  
101 Schedule F-4, I requested information similar to the information included in  
102 Schedule F-4 that pertains to the next thirty most costly electric distribution plant  
103 additions since ComEd's last rate case. Overall, I reviewed information that  
104 ComEd provided on thirty-two capital projects.

105 **Q. Please provide a general description of ComEd's capital additions that you**  
106 **reviewed.**

107 A. I identify the capital projects that I examined in ICC Staff Ex. 8.0, Schedule 8.1.  
108 ComEd categorized the projects I examined as follows: ten projects that pertain  
109 to system performance, with an estimated cost of \$54,417,883; five projects that  
110 pertain to capacity expansion, with an estimated cost of \$11,481,209; eleven  
111 projects that pertain to new businesses, with an estimated cost of \$16,237,836;  
112 one project that pertains to ComEd's center for environmental support, with an  
113 estimated cost of \$3,662,189; one project that pertains to information technology,  
114 with an estimated cost of \$3,291,244; two projects that pertain to public  
115 improvement, with an estimated cost of \$2,841,169; and one project that pertains  
116 to emergency response, with an estimated cost of \$906,769. ComEd also  
117 categorized one project as "N/A" with an estimated cost of \$968,369. Figure (1)  
118 is a depiction of the proportions of the above mentioned expenditures.

**Figure (1)**



119 **Q. What is the total estimated cost of the projects that you reviewed that**  
120 **ComEd proposes to include in rate base?**

121 A. In Schedule F-4 as well as in its response to Staff's DR ENG 1.01, ComEd  
122 provided the estimated cost of the thirty-two projects and the actual completion  
123 cost of twenty-two of those thirty-two projects. ComEd estimated the combined  
124 cost of the thirty-two projects to be approximately \$93,806,668. ComEd listed  
125 the completion date of one incomplete capital project, and the estimated  
126 completion date of four incomplete capital projects as the fourth quarter of 2011.  
127 ComEd listed the estimated completion date of two incomplete capital projects as  
128 the first quarter of 2012. ComEd listed the estimated completion date of one  
129 incomplete capital project as the fourth quarter of 2016. ComEd listed the  
130 completion date of one project (ITN 45020) as "N/A."

131 **Q. Based upon your examination, do you recommend that the Commission**  
132 **disallow the inclusion of the costs of any of these capital projects in**  
133 **ComEd's rate base?**

134 A. Yes. I recommend that the Commission disallow \$968,369 associated with  
135 ComEd's ITN 45020.

136 **Q. Please explain the rationale behind your recommendation that the**  
137 **Commission disallow the cost of ITN 45020 from inclusion in rate base.**

138 A. In its supplemental response to Staff DR ENG 1.01, ComEd indicated that ITN  
139 45020, is cancelled at the request of the customer. Since this project will not be  
140 completed, then it is not used and useful. Therefore, I recommend that the  
141 Commission disallow the \$968,369 associated with ITN 45020 from inclusion in  
142 rate base. My proposed adjustment for this project is reflected in ICC Staff Ex.  
143 5.0, Schedule 5.01.

144 **Q. Do you know whether there are other projects that ComEd included in rate**  
145 **base that have been cancelled?**

146 A. No. Because I reviewed only a limited number of ComEd's capital projects, I am  
147 not aware of whether other projects have been cancelled that are included in  
148 ComEd's proposed rate base. I only identified this project because it was one of  
149 thirty projects that ComEd provided information on in response to Staff's inquiry  
150 about the thirty most costly projects next to the two projects that ComEd included  
151 in Schedule F-4. In its rebuttal testimony, ComEd should state whether there are  
152 other projects that have been cancelled that are included in ComEd's proposed  
153 rate base. If that is the case, I will recommend that the Commission disallow the

154 cost associated with those projects from inclusion in rate base because, similar  
155 to ITN 45020, those projects would fail to meet the “used and useful” criterion.

156 **Q. Based upon your examination, do you recommend that the Commission**  
157 **disallow the inclusion of the costs of other capital projects in ComEd’s rate**  
158 **base?**

159 A. Yes. I recommend that the Commission disallow \$7,932,559 associated with  
160 ComEd’s ITN 45916, ITN 45332, ITN 41216, and ITN 13507.

161 **Q. Please explain the rationale behind your recommendation that the**  
162 **Commission disallow the cost associated with ITN 45916, ITN 45332, ITN**  
163 **41216, and ITN 13507 from inclusion in rate base.**

164 A. In its response to Staff DR ENG 1.01, ComEd indicated that the estimated  
165 completion date of ITN 45916 and ITN 45332 is the first quarter of 2012. ComEd  
166 indicated that the estimated completion date of ITN 45216 is the fourth quarter of  
167 2012. ComEd indicated that the estimated completion date of ITN 13507 is the  
168 fourth quarter of 2016. Since these projects will not be completed by the end of  
169 2011, then they are not used and useful. Therefore, I recommend that the  
170 Commission disallow the \$7,932,559 associated with ITN 45916, ITN 45332, ITN  
171 41216, and ITN 13507 from inclusion in rate base. My proposed adjustment for  
172 these projects is reflected in ICC Staff Exhibit 5.0, Schedule 5.01.

173 **Q. Are you aware of whether other projects that ComEd included in rate base**  
174 **have a completion date after the end of 2011?**

175 A. No. Because I reviewed a limited portion of ComEd’s capital projects, I am not  
176 aware of whether ComEd included other projects with completion dates after the

177 end of 2011 in its proposed rate base. I only identified these projects because  
178 they were listed among thirty projects that ComEd provided information on in  
179 response to Staff's inquiry about the thirty most costly projects next to the two  
180 projects that ComEd included in Schedule F-4. In its rebuttal testimony, ComEd  
181 should state whether other projects with completion dates after the end of 2011  
182 are included in its proposed rate base. If that is the case, I will recommend that  
183 the Commission disallow the cost associated with those projects from inclusion in  
184 rate base because, similar to ITN 45916, ITN 45332, ITN 41216, and ITN 13507,  
185 those projects would fail to meet the "used and useful" criterion.

186 **Q. Based on your comparison of the actual cost of ComEd's capital projects**  
187 **versus the estimated cost, do you support a recommendation for an**  
188 **additional adjustment to ComEd's rate base?**

189 A. Yes. I support Staff witness Bridal's recommendation regarding distribution plant  
190 additions that ComEd planned to complete by the end of 2011. ComEd listed  
191 twenty-two projects that it completed prior to the start of the current proceedings.  
192 ComEd's overall estimated completion cost for these twenty-two projects was  
193 \$52,812,420. ComEd indicated that its overall actual completion cost for these  
194 twenty-two projects was \$52,109,740. Overall, ComEd overestimated the cost of  
195 completing these twenty-two capital projects by approximately 1.33%. Since I  
196 believe it is likely that ComEd's actual completion costs for projects involving  
197 distribution plant additions that it planned to complete by the end of 2011 will be  
198 less than ComEd's estimates, I support Mr. Bridal's adjustment as reflected in  
199 ICC Staff Exhibit 5.0, Schedule 5.01.

200 **ComEd O&M Expenses**

201 **Q. Please describe the source of the information that you used in your**  
202 **analysis of the O & M expenses.**

203 A. Pursuant to Section 285.3025 of the Code, utilities requesting a rate increase  
204 must file a Schedule C-4, which provides comparative operating income  
205 statements by ICC Account number, with operation and maintenance shown by  
206 individual operation and maintenance expense account. I reviewed ComEd's  
207 expenses that pertain to ICC Accounts 580000 through 598000, which include  
208 the electric distribution expenses.

209 **Q. Describe the electric distribution O&M expenses in 2010.**

210 A. According to the information that ComEd included in Schedule C-4, ComEd  
211 spent \$313,141,000 during 2010, which is a \$15,676,000 (5.3%) increase from  
212 ComEd's electric distribution spending in 2009. ComEd's O&M spending on  
213 2010 is close to its O&M spending in 2006 (\$315,590,000). The single account  
214 with the greatest increase in spending in the test year compared to the prior year  
215 is Account 593000 (Maintenance of Overhead Lines), which ComEd increased  
216 by 24% from \$102,661,000 in 2009 to \$127,386,000 in 2010. According to  
217 ComEd's response to Staff DR ENG 1.08, this \$24,725,000 increase "primarily  
218 reflects increased corrective maintenance costs due to increased number of  
219 storms in 2010." The second largest increase is associated with Account 595000  
220 (Maintenance of Line Transformers), which ComEd increased by nearly 73%  
221 from \$2,988,000 in 2009 to \$5,155,000 in 2012. According to ComEd's response  
222 to Staff DR ENG 1.09, this \$2,168,000 increase "primarily reflects an increase

223 attributed to environmental clean-up activity and removal of unused  
224 transformers.” The largest decrease is associated with Account 580000  
225 (Operation, Supervision, and Engineering), which ComEd decreased by 27%  
226 from \$20,476,000 in 2009 to \$14,870,000 in 2010. In its response to Staff DR  
227 ENG 1.02 for explanation on this \$5,607,000 decrease, ComEd stated that “the  
228 [...] decrease primarily reflects a decrease in IT projects, primarily mobile  
229 dispatch in 2010 (\$3.2M). The remaining difference relates to small changes  
230 across a number of expenditure work types (corrective maintenance activity,  
231 capacity expansion projects, training, etc.)”

232 **Q. Based upon your examination, do you have an objection to ComEd’s**  
233 **proposal for the costs of O&M?**

234 A. No, I do not.

235 **Q. Does that conclude your prepared direct testimony?**

236 A. Yes, it does.

**ComEd's Additions to Plant in Service Since the Last Rate Case [1]**

No	ITN	Description	Start date	End date	Estimated Completion Cost	Actual Completion Cost	Category [2]
1	23622	Dearborn 12kV Feeder Ties	Q4-2006	Q3-2011	8,979,819	9,050,000	SP
2	5363	Lower Wacker Drive Rebuild	Q2-2003	Q4-2011	24,387,872		SP
3	45181	Oak Park intelligent substation upgrade	Q4-2009	Q3-2011	7,076,193	8,606,813	SP
4	45916	L10231 upgrade with manual switching capabilities	Q3-2010	Q1-2012	4,302,967		CE
5	45170	Midway system improvement project 3P111001	Q2-2010	Q2-2011	3,924,113	3,455,838	SP
6	41817	XX REDACTED XX	Q4-2009	Q2-2011	3,760,544	3,813,030	NB
7	34756	Tech center environmental support	Q1-2010	Q4-2011	3,662,189		EV
8	45660	XX REDACTED XX	Q4-2010	Q3-2011	3,543,718	1,229,095	NB
9	40357	SCADA communication standardization	Q1-2009	Q2-2011	3,291,244	1,942,083	IT
10	45276	Replace 33 MVA with 40 MVA transformer at TSS 114-2	Q1-2010	Q1-2011	2,951,043	3,382,024	CE
11	45167	Midway system improvement project 3P111000	Q2-2010	Q3-2011	2,912,650	2,618,829	SP
12	45180	CVR at Oak Park TDC505	Q1-2010	Q3-2011	2,004,345	2,137,107	SP
13	13507	O'Hare modernization program	Q3-2003	Q4-2016	1,974,541		NB
14	45177	Midway system improvement project 3P111003	Q2-2010	Q3-2011	1,688,671	1,860,286	SP
15	45674	Retire substation bus at Westmont	Q3-2010	Q4-2011	1,645,092		CE
16	14235	Relieve conduit thermal load at Elgin	Q1-2006	Q2-2011	1,610,813	2,329,966	CE
17	45111	Street lighting project on Arlington Heights Road	Q1-2010	Q3-2011	1,599,280	2,290,068	PI
18	42596	Replace 40 MVA transformer at TSS 87	Q4-2010	Q4-2011	1,491,358		SP
19	45173	Midway system improvement project 3P111002	Q2-2010	Q2-2011	1,246,731	1,176,571	SP
20	42696	Transform overhead lines to underground lines	Q3-2009	Q4-2011	1,241,889	1,170,214	PI
21	39334	XX REDACTED XX	Q4-2010	Q4-2011	1,159,288	1,001,513	NB
22	45229	XX REDACTED XX	Q1-2010	Q3-2011	1,061,876	659,049	NB
23	45265	Eliminate low voltage on L10762 and L13934	Q1-2010	Q2-2011	971,294	1,228,565	CE
24	45020	XX REDACTED XX	N/A	N/A	968,369		N/A
25	45332	XX REDACTED XX	Q3-2010	Q1-2012	963,699		NB
26	43777	Purchase of mobile operation command vehicle	Q4-2009	Q4-2011	906,769		ER
27	43696	XX REDACTED XX	Q1-2010	Q2-2011	824,380	1,105,520	NB
28	39959	XX REDACTED XX	Q2-2009	Q3-2011	782,394	1,101,189	NB
29	34054	XX REDACTED XX	Q3-2009	Q2-2011	740,110	790,909	NB
30	42157	XX REDACTED XX	Q3-2009	Q3-2011	735,894	498,380	NB
31	43678	CO2 upgrade TDC 745 IC Air Rights	Q1-2008	Q3-2011	706,131	662,691	SP
32	41216	XX REDACTED XX	Q3-2009	Q4-2012	691,392		NB

Estimated cost of ALL capital projects	93,806,668	
Estimated cost of COMPLETED capital projects (A)	52,812,420	
ACTUAL cost of completed capital projects (B)		52,109,740
Completed capital projects' RATIO of actual cost to estimated cost [3]		98.67%
Estimated cost of capital projects with completion date Q4-2011	32,093,280	
Estimated cost of capital projects with completion date after the end of 2011	7,932,599	
Estimated cost of a cancelled project	968,369	

[1] Data on projects numbered 1 and 2 is obtained from Schedule F-4 and WPB-2.4

[1] Data on projects numbered 3 through 32 is obtained from ComEd's response to data request ENG 1.01

[3] Completed capital projects' Ratio of actual cost to estimated cost = ((B)/(A))\*100

**[2] Key to Category of the Project**

- SP System performance
- CE Capacity expansion
- NB New business
- EV Environmental
- IT Information Technology
- PI Public improvement
- N/A Cancelled project
- ER Emergency Response