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2012 MAR 28 1 A 10: 22

ORIGINAL

COMMONWEALTH EDISON COMPANY : CHIEF CLERK'S OFFICE
Formula rate tariff and charges authorized : No. 11-0721
by Section 16-108.5 of the Public Utilities Act :

INITIAL BRIEF OF THE UNITED STATES DEPARTMENT OF ENERGY

I - INTRODUCTION - The United States Department of Energy ("DOE" or "the Department") respectfully proffers this initial brief in the above-captioned proceeding. DOE has presented rebuttal testimony of Mr. Dwight Etheridge of Exeter Associates, Inc. That testimony is focused exclusively on distribution loss factors which Commonwealth Edison Company ("ComEd" or "the Company") has proposed. (DOE Exh. 1.0, February 24, 2012) This issue is placed at: "VII.V in the agreed-upon common outline for briefs in this proceeding, which is titled:

COST OF SERVICE AND RATE DESIGN
Embedded Cost of Service Study, Including Distribution Losses

III - BACKGROUND

(A) Distribution Losses and Distribution Loss Factors - In the process of delivering to customers, the Company's distribution system loses a certain amount of energy. The Commission permits the Company to charge retail distribution customers for these losses. To accomplish this, the Company has established Commission-approved distribution loss factors for each rate class. Each class's distribution loss factor is expressed as a percentage of the total amount of energy that ComEd distributes to that class. Each class's distribution loss factor in effect represents the portion of energy that is lost -- that is, in effect consumed -- by the distribution system in the course of delivering energy to that class. In this proceeding, the Company is proposing to increase its distribution loss factors, and thus increase the amounts that it charges for losses, for nearly every customer class. (ComEd Exh. 10.9, p. 31-33)

(B) Transmission Losses and Calculation of Distribution Losses - ComEd develops distribution loss factors based upon the basis of a distribution system loss study. It determines distribution losses by adding: (A) the net output of all generators within the ComEd zone to (B) net transmission interchange. From that total, it subtracts the total of (A) energy deliveries to retail and wholesale customers plus (B) *transmission* losses. (ComEd Exh. 7.1) ComEd's estimated *transmission* loss factor represents the Company's best estimate of the amount of energy that the *transmission* system loses in the course of delivering energy to the ComEd's *distribution* system. Whatever losses ComEd determines to be *transmission* losses cannot be treated as *distribution* losses. Thus, the magnitude of ComEd's *transmission* loss factor directly

and significantly affects the magnitude of ComEd's *distribution* loss factors. In turn, the magnitude of the distribution loss factors directly and significantly affects the magnitude of the distribution losses for which ComEd is permitted to charge its retail customers.

III - DISCUSSION - ComEd's Study Omits a Crucial Adjustment for Transmission Losses

(A) - ComEd's Omission - ComEd has presented a Distribution System Loss Factor Study ("2010 Study") (ComEd Exh. 7.1) which is almost exactly the same as the distribution system loss study that it presented, and the Commission adopted, in ComEd's most recent rate proceeding, Doc. No. 11-0467. (Final Order, p. 291) That study was based on 2009 class loads and distribution facilities, and a transmission loss factor that dated back to the 1990s. (Staff Exh. 11, p. 7; Staff Exh. 22.0, p. 4) The Company now possesses:

- (a) 2010 figures for class loads (zone and delivery) and for distribution facilities (substations and transformers counts) (These new figures will be referred to as "the 2010 system changes."); *and*,
- (b) an updated transmission loss factor.

These new data enable the Company to update the 2009 distribution loss factor study by:

- (a) substituting the newer, more accurate 2010 system changes for the study's 2009 figures, *and*,
- (b) substituting the much newer and more accurate transmission loss factor for the study's outdated transmission loss factor, which dates back to the 1990's.

The Company has opted to update the 2009 study with the more accurate 2010 system changes, but has omitted adjusting that same study for the new and more accurate transmission loss factor.

(2) Effect of ComEd's Omission - As a matter of theory, the 2010 system changes and the significantly changed transmission loss factor *both* cause class distribution loss factors to change. (Staff Exh. 11.0) To adjust for the one but not the other would be illogical.

Moreover, the Company's 2010 study as presently constituted includes a transmission loss factor of 1.6 percent. (ComEd Exh. 18.0, p. 3) ComEd's updated transmission loss factor is 2.31 percent, a nearly fifty percent increase from the outdated 1.6 percent loss factor. (DOE Exh. 1.0, p. 5) If ComEd were permitted to adjust for the 2010 system changes but not adjust its outdated 1.6 percent transmission loss factor, its distribution loss factors, and the resultant distribution loss-related costs for nearly all retail delivery service customers, would increase significantly. Such increases would contradict evidence which demonstrates that distribution loss factors should be decreased by substantial amounts. (DOE Exh. 1.1, p. 2) Some of these increases would range as high as 20 percent. (DOE Exh. 1.0, p. 3) If, by contrast,

ComEd adopts the new 2.31 percent transmission loss factor, all of ComEd retail delivery service customers will pay lower distribution loss-related costs, with decreases ranging from 4 percent to nearly 20 percent. (DOE Exh. 1.1, p. 2)

(3) ComEd's Unpersuasive Reasons for Its Omission - ComEd asserts, first, that there is insufficient time in this proceeding to review the new transmission loss factor. (ComEd Exh. 18, p. 2) In fact, there is no need to review the new factor. It has been adopted as an integral part of a Siemens Power Technologies study that the Company has provided in this proceeding. (ComEd Study Report #7A) Moreover, ComEd's transmission loss factor is, and has been for many years, treated as an exogenous input to its distribution loss factor study. (DOE Exh. 1.0, p. 7) Furthermore, DOE witness Etheridge has stated, and no one disputes, that the new factor is the best available indication of ComEd's present day transmission losses. (DOE Exh. 1.0, p. 7)

Finally, the Commission's final order in Doc. No. 11-0467 specifically directed the Company to update its distribution loss study with information from an updated transmission loss study. (Final Order, p. 291) The Company contends that it is prohibited from incorporating this directive into its distribution loss study because the new statute mandates that "...rate design and cost allocation across customer classes shall be consistent with the Commission's most recent order..." (220 ILCS 5/16-108.5(c) (6)) (ComEd Exh. 11.0, p. 33; ComEd Exh. 18.0, p.2)

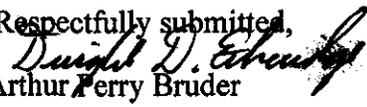
This is very questionable. The statute mandates that rate design be consistent with the most recent *order*. That order includes the very directive – to update the transmission loss factor - that ComEd asserts the statute bars it from following. Moreover, if the statute prohibits departure from the final order regarding transmission loss factor, it must also prohibit departure from the final order in regard to the 2010 system changes. Thus, it would appear that the statute requires adjustment of *both* the 2010 system changes *and* the new transmission loss factor, or adjustment for neither.

IV - RECOMMENDATION - Staff and DOE agree that the Commission should adopt both adjustments or neither adjustment. (Staff Exh. 11.0, p. 3; Staff Exh. 22.0, p. 4; DOE Exh. 1.0, pp. 7-8) Thus, the Commission should either:

(A) adopt the distribution loss study that ComEd submitted as Study Report #7B, and which includes both the 2010 system changes *and* the new transmission loss factor (Staff Exh. 11.0, p.3; Staff Exh. 22, p. 6; DOE Exh. 1.0, p. 8), or, in the alternative,

(B) adopt the distribution loss study which it approved in Doc. No. 10-0467, and which includes *neither* of those adjustments. (Staff Exh.11, pp. 3, 8; Staff Exh. 22, p. 6; DOE Exh. 1.0, p. 9)

Respectfully submitted,

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for 
Arthur Perry Bruder
Attorney for the United States Department of Energy
(202) 586-3409
arthur.bruder@hq.doe.gov
March 27, 2012

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COMMONWEALTH EDISON COMPANY :
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NOTICE OF FILING AND CERTIFICATE OF SERVICE

I, Arthur Perry Bruder, hereby certify that, on March 27, 2012, the foregoing Initial Brief of the United States Department of Energy in the above-captioned proceeding was transmitted:

(1) via overnight service to:

(A) the Chief Clerk of the Illinois Commerce Commission, at 527 E. Capitol Avenue, Springfield, IL 6270, for filing via e-Docket;

(B) each of the Administrative Law Judges, at 160 N. LaSalle St., Suite C-800, Chicago, IL 60601-3104;

(2) via electronic mail to all of the parties of record and counsel who are listed on the service list for the above-captioned proceeding.

P.P. Dwight D. Echeverria
for Arthur Perry Bruder
Attorney for U.S. Department of Energy
1000 Independence Ave, SW
Washington, D.C. 20585
telephone: (202) 586-3409
facsimile: (202) 586-4116
Arthur.Bruder@hq.doe.gov

Dated: March 27, 2012