STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY	:	
	:	
Petition for approval of delivery services tariffs and tariff revisions and of residential delivery services implementation plan, and for approval of certain other amendments and additions to its rates, terms, and conditions	:	No. 01-

Panel Testimony of

LAWRENCE S. ALONGI

Director, Distribution Pricing
Commonwealth Edison Company

and

SHARON M. KELLY, P.E.

Senior Rate Specialist
Commonwealth Edison Company

Witnesses

Q. Please state your names and business address.

A. Lawrence S. Alongi and Sharon M. Kelly. Commonwealth Edison Company, Three Lincoln Centre, Oakbrook Terrace, Illinois 60181-4260.

Q. Mr. Alongi, by whom are you employed and in what position?

A. I am employed by Commonwealth Edison Company ("ComEd" or the "Company") in the position of Director, Distribution Pricing.

Q. Mr. Alongi, please describe your educational background and business experience.

A. I have a Bachelor of Science degree in Electrical Engineering from Northwestern University. I have been employed by Commonwealth Edison Company since July 1974. During my employment by the Company I have had assignments in field engineering, project engineering, distribution planning, system planning, distribution engineering, and distribution pricing. I have held positions as District Engineering Supervisor, Area Engineering Supervisor, Planning Supervisor, Assistant Division Engineer, Division Engineer, and Senior System Rate Administrator. In March 1998, I assumed my present position as Director, Distribution Pricing (the Distribution Pricing Department then was called the Rate Department, and thus my position then was called "Director of Rates"). I have also been a member of the Edison Electric Institute Economic Regulation and Competition Committee since I assumed my present position in 1998.

Q. Mr. Alongi, what are your current duties and responsibilities?

A. My primary duties are to plan and direct the development and implementation of the Company's retail tariffs and revisions to such tariffs. These duties include the planning and direction of the Company's rate design, cost of service activities, and rate administration. I also direct the preparation of the necessary filings of such tariffs with the Illinois Commerce Commission (the "Commission" or "ICC").

Q. Mrs. Kelly, by whom are you employed and in what position?

A. I am employed by Commonwealth Edison Company in the position of Senior Rate Specialist.

Q. Mrs. Kelly, please describe your educational background and business experience.

A. I hold a Bachelor of Science degree in General Engineering from the University of Illinois in Urbana and a Masters of Management degree from Northwestern University. I am a Registered Professional Engineer in the State of Illinois, and I have been a member of the National Economic Research Associates, Inc. (NERA) Marginal Cost Working Group since 1994. I have been employed by the Company since 1978, during which time I have held positions in Marketing Technical Services, Area Marketing, Market Research, Advertising, Economic Analysis, and Distribution Pricing. I assumed my present position in March 1998.

Q. Mrs. Kelly, what are your current duties and responsibilities?

A. I am responsible for the preparation of the Company's marginal cost of delivery services study. I am also involved in work related to rate design.

Purpose

Q. What are the purposes of this testimony?

A. The purposes of this testimony are as follows:

1. Describe and present the results of the Company's marginal cost of delivery services study.
2. Describe the manner in which the Company proposes to assign its ICC-jurisdictional delivery services revenue requirement among retail customer classes.
3. Describe the proposed charges contained in the tariff sheets that the Company has attached hereto.
4. Explain the determination of specific charges proposed in those tariff sheets.
5. Describe revisions to other existing tariffs and tariff sheets that the Company proposes.

Q. Please define the term "revenue requirement" as it is used in this testimony.

A. When used throughout this testimony, the term "revenue requirement" means the Company's State-jurisdictional delivery services revenue requirement, i.e., the portion of the Company's delivery services revenue requirement that is reviewed by the Commission. The Company's revenue requirement is based on the results of an analysis of the 2000 test year, with adjustments. The Company's revenue requirement is addressed in the testimonies of other ComEd witnesses.

Exhibits

Q. Please describe ComEd Exhibits 13.1, 13.2, and 13.3.

A. The following is a brief description of each of ComEd Exhibits 13.1, 13.2, and 13.3:

- ComEd Exhibit 13.1 is the Company's marginal cost of delivery services study.
- ComEd Exhibit 13.2 provides supporting work papers used to complete the Company's marginal cost of delivery services study.
- ComEd Exhibit 13.3 shows the revenues set to recover the marginal costs of distribution-related, fixture-related, and customer-related delivery services for the year 2000, with adjustments, including a proposed credit for high voltage delivery service developed using a marginal cost-based methodology. It also shows revenues for each delivery services customer class at proposed rates. Moreover, the exhibit illustrates the relationship between the revenues at the proposed rates and the revenues set to recover the marginal costs of distribution-related, fixture-related, and customer-related delivery services for the various classes. ComEd Exhibit 13.3 also incorporates proposed charges for metering service developed using an avoided cost-based methodology.

Attachments

Q. What are the attachments to this testimony?

A. The following is a list of the attachments to this testimony and a brief description of each:

1. Attachment A illustrates how the customer classes defined by the Company for the provision of delivery services compare to the customer classes currently utilized by the Company to provide service under bundled service tariffs.
2. Attachment B provides a map depicting how the four customer density levels included in the marginal cost of delivery services study are dispersed throughout the Company's service territory.
3. Attachment C contains the Company's proposed tariff sheets.

   Included in Attachment C are proposed revised tariff sheets from the following tariffs applicable or available to retail customers:

- Rate RCDS – Retail Customer Delivery Service ("Rate RCDS")
- Rate CTC – Customer Transition Charge ("Rate CTC")
- Rate PR – Partial Requirements Contract Service ("Rate PR")
- Rider PPO – Power Purchase Option (Market Index) ("Rider PPO-MI")
- Rider ISS – Interim Supply Service ("Rider ISS")
- Rider AC – Residential Air Conditioner Load Cycling Program ("Rider AC")
- Rider 11 – Service at 69,000 Volts or Higher ("Rider 11")

Attachment C also includes the following proposed new tariffs applicable or available to retail customers:

- Rider HVDS – High Voltage Delivery Service ("Rider HVDS")
- Rider TS – Transmission Services ("Rider TS")

In addition, Attachment C includes proposed revised tariff sheets from the following tariffs applicable or available to Retail Electric Suppliers ("RESs"), which is the term the Company uses in these tariffs to identify Alternative Retail Electric Suppliers ("ARESs") certified by the Commission pursuant to the Illinois Public Utilities Act (the "Act") meeting all of the obligations of ARESs under the Act and applicable regulations, and authorized to provide electric power and energy supply services in the Company's service territory, or Illinois electric utilities, other than the Company, as defined in Section 16-102 of the Act meeting all of the obligations provided in Sections 16-115A and 16-116 of the Act:

- Rate RESS – Retail Electric Supplier Service ("Rate RESS")
- Rider SBO – Single Bill Option ("Rider SBO")

Attachment C also includes the following proposed revised tariff applicable to Metering Service Providers ("MSPs"), which is the term the Company uses in its

tariffs to identify a retail provider of unbundled metering service, other than the Company, certified by the Commission and authorized to engage in the provision of the sixteen processes that comprise Metering Service, as specified in the Company's tariff, to retail delivery services customers in the Company's service territory:

- Rate MSPS – Metering Service Provider Service ("Rate MSPS")

Finally, Attachment C includes tariff sheets from the existing Schedule of Rates that contain proposed revisions to:

- Table of Contents
- Terms and Conditions
- The description of the structure and terms and conditions contained in these proposed new or revised tariffs can be found in the direct panel testimony of Ms. Sally Clair and Mr. Paul Crumrine, ComEd Exhibit 12.0.

4. Attachment D provides the form of public notice that the Company will publish, as described in 83 Illinois Administrative Code Part 255.

5. Attachment E includes a sample calculation of the Transmission Services and Ancillary Transmission Services Components ("TC_cs") that are used to determine the sample CTCs provided in Attachment G. This sample calculation of TC_cs is based upon the formula provided in the Computation Applicable to Rate CTC section of Rider TS. Attachment E also shows a sample calculation of the Transmission Services and Ancillary Transmission Services Charges ("TS&ATS Charges" or "TSCs") applicable to delivery services customers taking service under Rider PPO or Rider ISS. This sample calculation is based upon the formula provided in the Calculation of the Transmission Services Charge section of Rider TS. Finally, Attachment E includes a sample calculation of a Transmission Services Recovery

Charge ("TSRC") for cost recovery in the event of a RES's failure to remit payment for transmission, ancillary transmission, and/or related services. This sample calculation is based upon the formula provided in the Cost Recovery From Customers Served By RESs section of Rider TS.

6. Attachment F shows sample calculations of the Market Value Energy Credits ("MVECs") and Load Weighted Average Market Values ("LWAMVs") for use in the Company's Rider PPO-MI, Rider ISS, and Rate CTC, as applicable.
7. Attachment G provides sample calculations of the Customer Transition Charges ("CTCs") for the CTC Customer Classes defined in Rate CTC using market value credits for electric power and energy that are equivalent to the LWAMVs developed for each corresponding class in Rider PPO-MI.
8. Attachment H shows sample calculations of the Interim Supply Energy Charges ("ISECs") equivalent to the MVECs developed for each corresponding class in Rider PPO-MI plus 10%, for use in the Company's Rider ISS.
9. Attachment I shows how the specific charge proposed for the Duplicate Information Fee included in Terms and Conditions was determined.
10. Attachment J shows how the specific charges proposed for the Split Load Direct Access Service Request ("DASR") Fees and the Point-to-Point DASR Fee included in Rate RCDS were determined.
11. Attachment K shows how the specific charges proposed for the Monthly Administration Charge included in Rider PPO were determined.

12. Attachment L shows how the specific charges proposed for the Meter Equipment Removal Charges and the MSP-Requested Work Charges included in Rate MSPS were determined.
13. Attachment M shows how the specific charges proposed for the Nonstandard Switching Fee included in Rate RCDS and the Meter Reading Charges included in Rate MSPS were determined.
14. Attachment N provides supporting work papers used to develop the high voltage delivery services credit in Rider HVDS using a marginal cost-based methodology.
15. Attachment O shows how the specific amount of the Single Bill Credit in Rate RCDS was determined using a net avoided cost-based methodology. This credit amount is restated in Rider SBO, for informational purposes.
16. Attachment P shows how the specific Standard Metering Service Charges in Rate RCDS were determined using an avoided cost-based methodology.

<u>Marginal Cost of Delivery Services Study</u>

Q. What is the purpose of the marginal cost of delivery services study?

A. The purpose of the marginal cost of delivery services study is to determine the incremental costs that the Company incurs to provide delivery services to its various customer classes. The study computes the costs for delivery services associated with incremental changes in the level of peak electrical demand and the number of customers.

The purpose of the marginal cost of delivery services study is not to establish the Company's revenue requirement; it only reflects the marginal costs associated with adding customers and load to the delivery system. Therefore, the Company's revenue

requirement is not equal to the revenues that would be produced by rates set to recover the marginal costs for non-transmission-related delivery services.

However, a marginal cost of delivery services study can be useful in assigning the Company's revenue requirement to the Company's various customer classes. It can also provide guidance in the design of the components of a delivery services rate.

ComEd's use of marginal costs for these purposes, rather than embedded costs, is supported in the direct testimonies of Kenneth Gordon, Ph.D., and Jeff D. Makholm, Ph.D., ComEd Exhibits 2.0 and 15.0, respectively.

Q. Please give an overview of the methodology utilized to perform the marginal cost of delivery services study.

A. First, the appropriate costs to be included in the study were identified. That is, only those costs that are incurred in the provision of delivery services were included in the marginal cost of delivery services study. Next, the customer classes used in the study were determined to properly assign the costs to provide delivery services to the appropriate customer groups causing the Company to incur the costs. Then the marginal costs for delivery services were calculated for each of the customer classes.

After computing the marginal costs for delivery services for each of the customer classes and for the Company overall, revenues based on the recovery of marginal costs for delivery services, with the exclusion of revenues based on the recovery of transmission-related costs that are collected at rates included in applicable Federal Energy Regulatory Commission ("FERC") tariffs, were computed. Finally, revenues at the proposed rates to be filed with the ICC were developed. In both cases, the revenues were computed using billing determinants for the calendar year 2000 that had been

adjusted to provide billing determinants that would have been experienced in 2000 under normal weather conditions.

Q. Please explain the first step in performing the marginal cost of delivery services study.

A. First, the appropriate costs to be included in the study were identified. Only those costs that are incurred in the provision of delivery services should be included in the marginal cost of delivery services study. Marginal energy costs and marginal production capacity costs are costs associated with the commodity, electricity. However, they are not associated with the costs to deliver that commodity. Therefore, they are not relevant to a study that is performed to determine the marginal costs of delivery services. As a result, marginal energy costs and marginal production capacity costs were excluded from the study. On the other hand, the Company does incur transmission-related, distribution-related, fixture-related, and customer-related costs in the provision of delivery services. Therefore, these costs were identified as the appropriate costs to include in the marginal cost of delivery services study.

Q. Please describe the retail customer classes as they are defined for use in the marginal cost of delivery services study and in the proposed tariff revisions for provision of delivery services to retail customers as well as certain other tariff revisions proposed by the Company, and describe how they are different from retail customer classes currently identified by the Company for the purposes of the provision of services under bundled service tariffs.

A. Five (5) residential and fifteen (15) nonresidential customer classes are defined in the Company's proposed tariff revisions for the provision of delivery services to retail

customers, as well as in other tariff revisions proposed by the Company, as applicable. For the purposes of preparing the marginal cost of delivery services study, these twenty customer classes were identified. While the names of the customer classes used in the study are slightly different from those used in the tariffs, the definitions of the classes are the same.

The five residential delivery service customer classes included in the study and in the tariff for the provision of delivery services are as follows:

1) Single Family Without Space Heat
2) Multi Family Without Space Heat
3) Single Family With Space Heat
4) Multi Family With Space Heat
5) Fixture-included Lighting

The fifteen nonresidential delivery service customer classes included in the study and in the tariff for the provision of delivery services are as follows:

1) With Only Watt-hour Only Meters
2) 0 kW up to and including 25 kW
3) Over 25 kW up to and including 100 kW
4) Over 100 kW up to and including 400 kW
5) Over 400 kW up to and including 800 kW
6) Over 800 kW up to and including 1,000 kW
7) Over 1,000 kW up to and including 3,000 kW
8) Over 3,000 kW up to and including 6,000 kW
9) Over 6,000 kW up to and including 10,000 kW

10) Over 10,000 kW

11) Railroad

12) Pumping

13) Fixture-included Lighting

14) Street Lighting - Dusk to Dawn

15) Street Lighting - All Other Lighting

The classes defined in the marginal cost of delivery services study and in the Company's proposed tariff revisions for the provision of delivery services to retail customers are, in some instances, different from the customer classes currently identified by the Company for the purposes of the provision of services under bundled service tariffs. Because customer load in kilowatts (kW) determines in large part the facilities that need to be provided to deliver electric power and energy to customers, it is appropriate to identify customer classes on the basis of load. Current bundled service tariffs for nonresidential general service account for this differentiation by having nonresidential general service customers with larger loads identified and charged differently from nonresidential general service customers with smaller loads. The customer classes used in the marginal cost of delivery services study refine the assignment of the costs to provide delivery services to the appropriate customer groups causing the Company to incur the costs. That is, the nonresidential customer classes used in the study and in the tariff further differentiate the nonresidential general service classes by the magnitude of customers' kW load for which electric power and energy is delivered to customer premises.

Moreover, some of the existing Rate 6 – General Service in lieu of demand customers are included in the 0 kW up to and including 25 kW customer class by virtue of the fact that such retail customers have demand meters in place at their premises. For the purposes of delivering electric power and energy to customers, the Company's costs are generally not affected by whether the electric power and energy delivered are provided on a firm, non-firm, or stand-by basis. For that reason, there was no need in the marginal cost of delivery services study to have interruptible or standby customer classes. The customers in the bundled service interruptible class, of which there are approximately sixty-five (65), have been subsumed into whatever delivery services customer class is appropriate for each of the customers in the class based upon the customer's kW load for which electric power and energy are delivered to each such customer's premises. The same is true for the approximately eighty (80) customers in the bundled service standby class.

On the other hand, the nature of the delivery services provided to customers in the residential and nonresidential fixture-included lighting classes, the dusk to dawn and all other lighting street lighting classes, the railroad class, and the pumping class is inherently different from the delivery services provided to nonresidential general service and residential customers. Specifically, the concept of service to a single contiguous customer premises is not appropriate for these six classes. In addition, for the fixture-included lighting classes, the Company provides fixtures and other equipment as a provision of service. As a result, it is appropriate for each of these six classes to retain its individual class status in the marginal cost of delivery services study and in the retail delivery services tariff.

With respect to the residential delivery services classes, the classes defined in the marginal cost of delivery services study and in the Company's proposed revisions to the retail delivery services tariff are the same as the customer classes currently identified by the Company for the purposes of the provision of services under bundled service tariffs.

Attachment A illustrates the relationships between the customer classes currently in existence for the provision of services under bundled service tariffs and the customer classes defined in the marginal cost of delivery services study and in the proposed revisions to the retail delivery services tariff.

Q. What are the major cost components of the marginal cost of delivery services study?

A. There are two primary categories of costs relevant in the marginal cost of delivery services study. The categories are marginal capacity costs and marginal customer costs.

Q. What are marginal capacity costs?

A. Marginal capacity costs are the costs incurred to serve an incremental kW of load. Specifically with respect to delivery services, there are transmission capacity costs and distribution capacity costs. These costs reflect the fact that the Company must increase the load carrying capacity of its electrical system to deliver electric power in response to additional demand. For each of these two elements of capacity, the marginal cost is measured at the time of the peak kW load on that system element, because additional load at other times would not necessitate capacity additions.

Q. How is the marginal cost of transmission capacity calculated?

A. The marginal transmission capacity cost in the marginal cost of delivery services study is a measure of the cost per kW for transmission plant associated with added load on the transmission system at the time of the peak load on the transmission system. The amount of transmission plant necessary to serve an additional kW of load coincident with the system peak was determined by dividing the actual and estimated investment costs for load-related transmission plant additions over the period 1994 through 2003 by the actual and estimated increases in transmission load over the same time period. Detailed transmission budgets have not been prepared for periods beyond 2003.

After determining the transmission capacity investment cost on a per kW basis, an annualized cost per kW of carrying the transmission investment was computed. The carrying charges include depreciation, which is the recovery of the original investment, return to investors, and related taxes. Carrying charges on general plant assignable to the transmission capacity were also included. Then annual operation and maintenance ("O&M") and administrative and general ("A&G") expenses were added to obtain a total. The resultant total is the annual marginal cost for transmission capacity on a per kW basis.

Once the annual marginal cost for transmission capacity was computed on a per kW basis, it was utilized to compute the overall marginal transmission capacity cost for the Company. For each customer class, the annual per kW marginal transmission capacity cost was multiplied by the class's load on the transmission system coincident with the Company's transmission system peak. The resulting marginal transmission

capacity costs for each of the customer classes were then added together to obtain the Company's overall annual marginal cost for transmission capacity.

The calculations performed to determine the annual marginal transmission capacity cost are provided in the Transmission subsection of the Marginal Capacity Costs section of ComEd Exhibit 13.1.

Q. How is the marginal cost of distribution capacity calculated?

A. The marginal distribution capacity cost in the marginal cost of delivery services study is a measure of the marginal cost per kW of the standard distribution facilities necessary to deliver electricity from the transmission system to the service connections at the customers' premises. For the majority of the Company's customers, it is the load-related cost of the distribution system. For some of the Company's customers with large loads, it is the cost of certain dedicated facilities associated with serving the customers' loads.

For each of the customer classes, two distribution capacity components were identified, the noncoincident class peak ("NCP") component and the coincident peak component. The NCP component of the marginal distribution capacity cost includes the costs for standard system elements that are likely to be sized to accommodate individual customers' maximum loads. For nonresidential customer classes with customer demands up to 3,000 kW, the fixture-included and street lighting customer classes, the pumping customer class, and the residential customer classes, the investment costs of the transformer, switchgear, and secondary line were included in the NCP component, while for nonresidential customer classes with customer demands over 3,000 kW and the railroad customer class, the investment costs of the local facilities were included in the NCP component.

The coincident peak component, on the other hand, includes the costs for standard system elements necessary to serve a geographic area or larger group of customers that can be sized with consideration given to diversity between individual customers' loads. For nonresidential customer classes with customer demands up to 3,000 kW, the fixture-included and street lighting customer classes, the pumping customer class, and the residential customer classes, the investment costs of Transmission Distribution Centers ("TDCs"), 34 kV lines, Distribution Centers ("DC"), primary lines, and primary taps were included in the coincident peak component, while for nonresidential customer classes with customer demands over 3,000 kW and the railroad customer class, the investment costs of the TDCs were included in the coincident peak component.

For nonresidential customer classes with customer demands up to 3,000 kW, the fixture-included and street lighting customer classes, the pumping customer class, and the residential customer classes, the coincident peak components and NCP components of the marginal distribution capacity investment costs were determined by customer class, by up to three types of voltage levels entering customer premises, and by four density levels when applicable. For each customer class, these component investment costs were averaged across the voltage levels and then weighted by the density levels of the class to obtain a single coincident peak component investment cost per kW and a single NCP component investment cost per kW for the class.

For nonresidential customer classes with customer demands over 3,000 kW, the marginal distribution capacity investment costs per kW were determined through the use of a regression analysis that included an observation for each customer in each of the classes. For customers in the Over 3,000 kW up to and including 6,000 kW

nonresidential customer class, the fitted value cost per kW from the regression analysis at the mean demand level of 4,150 kW was used. For customers in the Over 6,000 kW up to and including 10,000 kW nonresidential customer class, the fitted value cost per kW from the regression analysis at the mean demand level of 7,590 kW was used. For customers in the Over 10,000 kW nonresidential customer class, the fitted value cost per kW from the regression analysis at the mean demand level of 27,150 kW was used. To determine the coincident peak component for each class, the weighted average cost per kW of a TDC for the class was used. The per kW NCP component for each class was then computed by subtracting the weighted average cost of the TDC for the class from the fitted value cost for the class. For the railroad customer class, the per kW coincident peak component and per kW NCP component of the marginal distribution capacity investment cost per kW were determined through the use of an analysis that included an observation for each point of supply for the class.

After determining the coincident peak component and the NCP component of the marginal distribution capacity investment cost for each customer class on a per kW basis, annualized costs per kW of carrying the distribution investment cost components were computed. Just as with the marginal transmission capacity cost, the carrying charges include depreciation, return to investors, and related taxes. Carrying charges on general plant assignable to distribution capacity were also included, as were annual O&M and A&G expenses. The resultant component totals are the annual marginal costs for each class for distribution capacity on a per kW basis for added load coincident with the Company's system peak on the distribution system and added load coincident with each individual class's peak on the distribution system.

Once the annual marginal costs for the distribution capacity components were computed on a per kW basis, they were utilized to compute the overall annual marginal distribution capacity cost for the Company. For each customer class, the product of the annual per kW marginal coincident distribution capacity cost component and the class's load on the distribution system coincident with the Company's distribution system peak was added to the product of the annual per kW marginal NCP distribution capacity cost component and the class's annual NCP on the distribution system. The resulting marginal distribution capacity costs for each of the customer classes were then added together to obtain the Company's overall annual marginal cost for distribution capacity.

The calculations performed to determine the annual marginal distribution capacity cost are provided in the Distribution subsection of the Marginal Capacity Costs section of ComEd Exhibit 13.1.

Q. Is the number of customer density levels used in the marginal cost of delivery services study the same as the number used in the previous marginal cost of delivery services study submitted in ICC Docket No. 99-0117?

A. Yes. The Company utilized the 1999 Load Factor Method ("LFM") analysis to provide the following four customer density levels:

1. Light Density – 0 to 2,500 kVA per square mile
2. Medium Light Density – 2,500 to 15,000 kVA per square mile
3. Medium Heavy Density – 15,000 to 30,000 kVA per square mile
4. Heavy Density – Over 30,000 kVA per square mile

Attachment B provides a map depicting how the four customer density levels are dispersed throughout the Company's service territory.

Q. Did the Company utilize annual noncoincident class peaks in this marginal cost of delivery services study as it did in the marginal cost of delivery services study submitted in ICC Docket No. 99-0117?

A. Yes. The use of the annual NCPs recognizes the fact that all areas within the distribution system do not reach their maximum loadings at the same hour as the Company's system peak hour, or even on the same day as the Company's peak day. Therefore, to determine the overall marginal distribution capacity cost for each customer class the Company multiplied the NCP component of the marginal distribution capacity investment cost for each customer class by the annual NCP of the applicable customer class.

Q. What are marginal customer costs?

A. Marginal customer costs are the annual costs resulting from adding a customer to the system, typically without regard to the level of capacity used or the number of kilowatt-hours (kWhs) consumed by the customer. These costs include the costs of standard meters, instrument transformers, service connections, and customer accounting and collecting. The calculations performed to determine the annual marginal customer costs are provided in the Marginal Customer Costs section of ComEd Exhibit 13.1.

Q. How were the marginal costs of standard meters calculated?

A. First, the standard meter appropriate for each customer class was identified and investment costs for meters with ten (10) year service lives and thirty (30) year service lives were identified. Then the annualized cost of carrying the meter investment cost was computed for each customer class. Just as with other investment costs, the carrying charges include depreciation, return to investors, and related taxes. Carrying charges on

general plant assignable to meters were also included, as were annual O&M and A&G expenses. The overall marginal cost of meters per customer class was determined by taking into account the number of standard meters for each customer class. For most customer classes, the number of standard meters per customer is one. However, for the railroad and pumping customer classes, a standard meter is provided for each of the customer's noncontiguous premises included in a single customer account. Moreover, for the fixture-included customer class and some customers in the street lighting customer class, no metering is provided.

Q. Has there been a change in what is considered to be standard metering equipment?

A. Yes. In the marginal cost of delivery services study submitted in ICC Docket No. 99-0117, the cost of instrument transformers was included as part of the cost of the standard metering installation, as applicable. The costs of standard instrument transformers are now computed separately in accordance with rulings in ICC Docket No. 99-0013 that identifies instrument transformers as being separate from metering equipment.

Q. How were the marginal costs of standard instrument transformers calculated?

A. First, the standard instrument transformers and their associated investment costs appropriate for each customer class were identified. Then the annualized cost of carrying the instrument transformer investment cost was computed for each customer class. Just as with other investment costs, the carrying charges include depreciation, return to investors, and related taxes. Carrying charges on general plant assignable to instrument transformers were also included, as were annual O&M and A&G expenses. The overall

marginal cost of instrument transformers per customer class was determined by taking into account the number of standard instrument transformer installations for each customer class. There are no instrument transformers provided as standard for the residential classes, the with only watt-hour only meter class, the nonresidential classes with customer demands not exceeding 100 kW, and the lighting classes.

Q. How were the marginal costs of the service connections calculated?

A. For the residential customer classes, investment costs for standard overhead and underground service connections were determined by density level and by the number of dwelling units. These costs were then weighted accordingly to obtain a single investment cost per service connection per residential customer class. Investment costs for service connections for the other customer classes, as applicable, were also determined. Then the annualized cost of carrying the service connection investment cost was computed for each customer class. Again, as with other investment costs, the carrying charges include depreciation, return to investors, and related taxes. Carrying charges on general plant assignable to service connections were also included, as were applicable annual O&M and A&G expenses. The overall marginal cost of service connections per customer class was determined by taking into account the number of standard service connections for each customer class.

Q. What is included in customer accounting and collecting costs?

A. Customer accounting and collecting costs include expenses for meter reading, billing, customer service, and uncollectibles. In determining these customer-related marginal costs, the Company used the same methodology used in the marginal cost of delivery

services study submitted in ICC Docket No. 99-0117. In addition, the Company further refined its methodology to separately identify customer accounting and collecting costs associated with metering service. Customer accounting and collecting costs associated with metering service include meter reading costs, a portion of customer service supervision expenses, a portion of customer records and collecting expenses, and a portion of uncollectible costs. For the determination of the marginal costs for meter reading, the Company determined applicable meter reading costs for standard meters based on the estimated average cost to read a meter, with separate meter reading costs identified for visually read meters and interval demand recording meters. For customer service supervision expenses, the Company assigned a portion of the costs to metering service based upon an identification of customer service supervision costs associated with metering service. Similarly, for customer records and collecting expenses, the Company assigned a portion of the costs to metering service based upon an identification of customer records and collecting expenses associated with metering service. For the remaining portion of customer records and collecting expenses, the Company identified costs that are incurred on behalf of nonresidential customers with demands over 1,000 kW, and assigned those costs to the customers to which they were applicable. Finally, the Company determined uncollectibles based upon customer class responsibility for uncollectibles and the estimated amount of uncollectibles that would be incurred by the Company given its revenue requirement to be collected under tariffs for delivery services on file with the ICC.

Q. Were any other costs considered in the marginal cost of delivery services study?

A. Yes. The annual marginal costs for the lighting fixtures that the Company provides to the fixture-included lighting customer classes were included. The calculations performed to determine these costs are provided in the Marginal Lighting Fixture Costs section of ComEd Exhibit 13.1.

Q. Has the general methodology used in the marginal cost of delivery services study changed from the methodology which was used for the previous marginal cost of delivery service study performed by the Company and filed in ICC Docket No. 99-0117?

A. The general methodology employed to determine marginal costs has not changed. The differences are as follows:

1. Interval recording meters were considered to be standard for nonresidential customer classes with customers having demands in excess of 400 kW.
2. Costs associated with metering service were identified separately as previously described herein.
3. The average MW load was used to determine the distribution capacity costs for customer classes with customers having loads in excess of 3,000 kW.
4. The weighted average cost of the TDC was used to determine the coincident component of the distribution capacity costs for customer classes with customers having loads in excess of 3,000 kW.
5. Company O&M expenses, A&G, and general plant values were updated to reflect the costs for the year 2000.
6. Information from the 1999 LFM analysis was utilized.

7. Billing determinants that would be experienced under normal weather conditions for the year 2000 were utilized.
8. The Company's recent estimates of the cost of money were used in calculating the full life annual levelized premium carrying charge ("ALPCC") factors.
9. Company cost figures were updated to reflect costs for the year 2000.

Q. How were the marginal costs utilized once they were developed in the marginal cost of delivery services study?

A. In general, for each customer class, the marginal costs for distribution capacity in dollars were divided by the applicable kW or kWh billing determinants for the class to obtain a unit charge for each customer class. In addition, the marginal customer costs for each customer class were divided by the applicable customer-related billing determinants to obtain a unit charge for each customer class, as applicable. These unit charges, as well as the applicable fixture unit charges for the fixture-included lighting customer classes were then multiplied by the applicable billing determinants to obtain the revenues the Company would receive at charges set to recover the marginal costs of distribution-related, fixture-related, and customer-related delivery services. This computation is provided in ComEd Exhibit 13.3. ComEd Exhibit 13.3 incorporates an adjustment to distribution facilities charges, as applicable, for a high voltage delivery service credit. ComEd Exhibit 13.3 also includes adjustments to incorporate standard metering service charges developed using an avoided cost-based methodology.

The revenues do not include the recovery of the marginal costs for transmission-related delivery services because revenues to recover transmission-related costs are currently collected under tariffs approved by FERC.

Assignment of the Revenue Requirement

Q. How were the marginal unit charges and revenues used to develop the Company's proposed rates?

A. The results of the marginal cost of delivery services study were appropriately used to assign the Company's revenue requirement to customer classes and design the components of the delivery services tariff.

As shown in ComEd Exhibit 13.3, the revenues the Company would receive at charges set to recover the marginal costs of distribution-related, fixture-related, and customer-related delivery services, with the previously noted adjustments, were computed for each customer class. Each of these class marginal revenue values was then multiplied by a ratio, the numerator of which is the Company's revenue requirement and the denominator of which is the overall revenue that the Company would receive at rates set to recover the marginal costs for distribution-related, fixture-related and customer-related delivery services. The resultant class revenue values are identified as the Equal Percentage of Marginal Cost ("EPMC") revenue requirements for the customer classes that were used to develop the rates in the proposed revisions to the Company's retail delivery services tariff.

Q. What is the amount of the Company's revenue requirement?

A. The amount of the Company's revenue requirement is $1,786,970,000. The computations and supporting documentation used to determine this revenue requirement amount are addressed principally in the direct testimony of ComEd witness Mr. Jerome Hill, ComEd Exhibit 4.0.

Q. How does the Company propose to assign its revenue requirement among its retail customer classes?

A. The Company believes that the design of its delivery services rates should be determined on the basis of equal percentage of marginal cost principles. For that reason, the Company used the EPMC revenue requirement for each of the customer classes provided in ComEd Exhibit 13.3 as the revenue requirement for each class for which it developed the rates in the proposed revisions to the Company's retail delivery services tariff. That is, the Company's proposed rate design aligns revenues from the classes by an equal percentage of marginal cost recovery. The establishment of this rate design is rational, cost-based, and does not create inappropriate subsidies across customer classes.

Q. Please explain what is meant by EPMC.

A. EPMC, or Equal Percentage of Marginal Cost, refers to an assignment of revenue requirements according to an equal percentage of the marginal cost of serving each customer class. The underlying purpose of using EPMC principles is to assign the Company's total revenue requirement to its customer classes in proportion to the marginal costs that the Company incurs to serve each customer class. That is, an EPMC assignment of the revenue requirement is "cost-based."

Rate Design

Q. How were the specific charges included in the proposed revisions to the retail delivery services tariff developed?

A. ComEd Exhibit 13.3 shows the Company's proposed Monthly Customer Charges, Standard Metering Service Charges, Distribution Facilities Charges, Point of Supply

Charge, High Voltage Delivery Service Credit, and Fixture Charges for each customer class, as applicable, to recover the revenue requirement. For each customer class with a Monthly Customer Charge, the computation of the Monthly Customer Charge reflects EPMC with an adjustment to account for the Standard Metering Service Charge which is determined using an avoided cost-based methodology as shown in Attachment P. In addition, for applicable customer classes with demand-based Distribution Facilities Charges, the computation of the Distribution Facilities Charge reflects EPMC with an adjustment to account for the High Voltage Delivery Service Credit which is determined using a marginal cost-based methodology as shown in Attachment N. Overall, the proposed rate design incorporates EPMC for each customer class. As a result, the Company's proposed revenue assignment and rate design provide for marginal cost recovery parity among all the customer classes as well as among individual customers within most of the classes.

The column in ComEd Exhibit 13.3 identified as "Proposed Rates as a Percent of EPMC" illustrates the relationship between the revenues at proposed rates and the revenues at charges set to recover the marginal costs of distribution-related, fixture-related, and customer-related delivery services. The fact that each percentage is within one percentage point of 100% shows that the Company has set its proposed rates so that there is marginal cost recovery parity among the customer classes with no subsidization among the classes.

Q. Did the Company consider any rate design scenarios that deviated from an EPMC assignment?

A. Yes. The Company considered alternative rate designs for the residential customer classes which caused deviation from EPMC by varying degrees. The Company also considered use of an Equal Percentage of Embedded Cost (EPEC) model. By using an EPMC assignment, the Company's proposed delivery services charges for retail customers send economically appropriate price signals to such customers.

Rate RCDS

Q. Please describe the charges contained in Rate RCDS - Retail Customer Delivery Service.

A. Rate RCDS contains ten proposed charges which have specific prices listed. These are the Monthly Customer Charge, the Point of Supply Charge, the Standard Metering Service Charge, the Distribution Facilities Charge, the Fixture Charge, the Split Load DASR Fee (meter by meter), the Split Load DASR Fee (percentage of customer load or first through the meter), the Point-to-Point DASR Fee, the Nonstandard Switching Fee, and the Monthly Charge Per Unit of Special Equipment.

In addition, Rate RCDS contains a proposed Single Bill Credit applicable to each bill of those retail delivery services customers receiving electric power and energy from a RES that is providing billing of the Company's delivery services under Rider SBO. This amount is restated in Rider SBO for informational purposes to ensure that a RES providing such billing is informed of the credit amount that the Company applies to the bills of retail customers under such circumstances.

Rate RCDS also contains seven other proposed charges that have no specific prices listed, but which are incorporated by reference to other tariffs. These are: The Customer Transition Charge, which is incorporated by reference to Rate CTC; Additional Facilities Charges, which are incorporated by reference to the Company's Terms and

Conditions and are applicable to fixture-included lighting delivery services customers for the provision of additional facilities; Charges for Addition and Removal of Lighting Units or Substitution of Equipment, which are incorporated by reference to the Company's Terms and Conditions and are applicable to fixture-included lighting delivery services customers that request addition, removal, or substitution of lighting units or related equipment; Transmission Services and Ancillary Transmission Services Charges**,** which are incorporated by reference to applicable FERC-approved tariff(s); Facilities Charges, which are incorporated by reference to the Company's Rider 6 – Optional or Non-Standard Facilities ("Rider 6"); Meter Charges, which are incorporated by reference to the Company's Rider 6 and Rider 7 – Meter Lease ("Rider 7"); and the Late Payment Charge, which is incorporated by reference to the Company's Terms and Conditions.

Q. Please further describe the proposed Monthly Customer Charge of Rate RCDS and its purpose.

A. The proposed Monthly Customer Charge of Rate RCDS is a fixed charge per month that is designed to recover costs incurred by the Company regardless of the amount of electric power and energy delivered to the retail delivery services customer. These costs include the cost of standard metering installations (except avoided metering service costs due to meter purchase deferrals) and service connections, as well as costs of standard meter reading, billing, and other standard customer-related services. To appropriately reflect the differences in such standard customer-related costs for various categories of customers, the Company has proposed a separate Monthly Customer Charge for fourteen of the twenty delivery services customer classes defined in the rate. For the other six classes, the Company's proposed delivery services rate is consistent with the

corresponding bundled service rate. That is, the Company proposes that a Monthly Customer Charge will not apply to the residential and nonresidential fixture-included lighting classes, the dusk to dawn and all other lighting street lighting classes, or the pumping class. In addition and also consistent with the corresponding bundled service rate, the Company proposes that rather than apply a Monthly Customer Charge to the railroad class, a Point of Supply Charge will apply.

Q. Please further describe the proposed Point of Supply Charge of Rate RCDS and its purpose.

A. The proposed Point of Supply Charge of Rate RCDS is similar to the Monthly Customer Charge in that it is a fixed charge per month that is designed to recover costs incurred by the Company regardless of the amount of electric power and energy delivered to the customer. These costs include the cost of standard metering installations (except the avoided metering service costs due to meter purchase deferrals) as well as costs of standard meter reading, billing, and other standard customer-related services. However, unlike the Monthly Customer Charge, the Point of Supply Charge is determined on the basis of and assessed for each point of supply, which is a railroad customer's traction power substation site.

Q. Please further describe the proposed Standard Metering Service Charge of Rate RCDS and its purpose.

A. The proposed Standard Metering Service Charges of Rate RCDS are designed to reflect the costs that the Company would avoid if delivery services customers obtained Metering Service from MSPs. The Company analyzed which costs it could avoid due to the

provision of Metering Service to retail delivery services customers by MSPs. As described in the direct panel testimony of Ms. Kathy Leitzell and Mr. Michael Meehan, ComEd Exhibit 7.0, the Company expects low levels of switching by retail customers to MSPs. In such a situation, the Company will not avoid any O&M costs related to the provision of metering service. In fact, the only costs the Company will avoid are the result of the deferral of purchases of new meters due to meters being removed from service and returned to stock. The computation of these charges is provided in Attachment P. For most customer classes, the proposed Standard Metering Service Charge is a fixed charge per month. For those customer classes that do not have Monthly Customer Charges or a Point of Supply Charge, the Standard Metering Service Charge is kilowatt-hour based, except that the fixture-included lighting classes have no Standard Metering Service Charge.

Q. Please further describe the proposed Distribution Facilities Charge of Rate RCDS and its purpose.

A. The proposed Distribution Facilities Charge of Rate RCDS is intended to recover the cost of standard distribution facilities and distribution equipment as well as operating and maintenance costs necessary to deliver electric power and energy to retail customers in a standard manner. Consequently, whenever possible, the Company designed its proposed Distribution Facilities Charge for nonresidential customers as a charge per kilowatt of demand to appropriately reflect the fact that distribution equipment investment costs are primarily dependent on the electric power being delivered in response to customer demand. To appropriately reflect the differences in such standard distribution equipment costs for various categories of customers, the Company has proposed a separate

Distribution Facilities Charge for eighteen of the twenty retail delivery services customer classes defined in the rate. In the case of the residential and nonresidential fixture-included lighting classes, the Company proposes, consistent with the corresponding bundled service rate, to apply a monthly Fixture Charge applicable to the number and type of fixtures provided to the customer, as described below, rather than a Distribution Facilities Charge.

Nine of the fifteen nonresidential retail delivery services customer classes listed in Rate RCDS are defined only in terms of demand. For customers in these nine "demand-based" classes and for customers in the railroad class, the Company proposes to apply the Distribution Facilities Charge on a monthly basis to the highest 30-minute Demand Peak Period demand delivered by the Company to the customer under Rate RCDS in the most recent twelve monthly billing periods, which includes the current monthly billing period. The Demand Peak Period is defined in Rate RCDS as the hours of 9:00 a.m. to 6:00 p.m. on Monday through Friday, except on days that certain holidays are observed. The Demand Off-Peak Period is defined as all other hours.

For customers in the with only watt-hour only meters, the pumping, the dusk to dawn and all other lighting street lighting customer classes, and the residential customer classes (other than the residential fixture-included lighting class), the Company proposes to apply a per kilowatt-hour Distribution Facilities Charge to kilowatt-hours delivered in each monthly billing period. The use of a per kilowatt-hour Distribution Facilities Charge is consistent with the corresponding bundled service rate. To appropriately reflect the difference in standard distribution-related costs for these classes, the Company has proposed a separate Distribution Facilities Charge for each class.

Q. Please describe the method by which the specific charges proposed for the Monthly Customer Charge, the Point of Supply Charge, and the Distribution Facilities Charge, of Rate RCDS were determined.

A. As previously noted and shown in ComEd Exhibit 13.3, for each customer class with a Monthly Customer Charge, the computation of the Monthly Customer Charge reflects EPMC with an adjustment to account for the Standard Metering Service Charge which is determined using an avoided cost-based methodology. That is, except for the adjustment to account for the Standard Metering Service Charge, the proposed rate design sets the Monthly Customer Charge at an equal percentage of the corresponding marginal cost unit charge. As a result, for the most part, all customer-related costs are appropriately recovered through the Monthly Customer Charge. The same approach is used in the determination of the Point of Supply Charge applicable to the railroad class. However, this approach is not appropriate for the pumping, the street lighting, or the fixture-included lighting classes because these classes do not have a proposed rate component to allow for the recovery of customer-related costs. For each of these classes, the recovery of customer-related costs is included in the Distribution Facilities Charge or Fixture Charges, as applicable, proposed for the class.

A similar approach is used in the computation of the Distribution Facilities Charge. For most customer classes, the computation of the Distribution Facilities Charge reflects EPMC with an adjustment, as applicable, to account for the High Voltage Delivery Service Credit which is determined using a marginal cost-based methodology. That is, the proposed rate design sets the Distribution Facilities Charge at an equal percentage of the corresponding marginal cost unit charge which incorporates an

adjustment to account for the High Voltage Delivery Service Credit. As a result, for the most part, all distribution-related costs are appropriately recovered through the Distribution Facilities Charge. Again, however, this approach is not appropriate for the pumping, the street lighting, or the fixture-included lighting classes because, as noted previously, the recovery of customer-related costs is included in the Distribution Facilities Charge or Fixture Charges, as applicable, proposed for the class.

ComEd Exhibit 13.3 consists of four pages. The first page shows the proposed charges for the four principal residential classes. The second and third pages show the proposed charges for twelve of the fifteen nonresidential classes, including the with only watt-hour only meters customer class, the nine "demand-based" customer classes, the railroad class, and the pumping class. The fourth page shows the proposed charges for the two fixture-included lighting classes and the two street lighting classes.

ComEd Exhibit 13.3 includes two additional columns of information which summarize the kilowatt-hour consumption of each class and the overall cost per kilowatt-hour of the proposed rate design for four of the five residential customer classes and fourteen of the fifteen nonresidential customer classes. For the "demand-based" nonresidential customer classes, the overall cost per kilowatt-hour shows that the proposed delivery services charges result in a relatively smooth declining cost per kilowatt-hour as a function of increasing kilowatt demand.

Q. Please further describe the proposed Fixture Charge of Rate RCDS and its purpose.

A. The proposed Fixture Charge of Rate RCDS is a fixed monthly charge per standard fixture that is designed to recover costs incurred by the Company for the furnishing, installing, and maintaining such standard fixtures, as well as other delivery services costs.

The Company has proposed a separate Fixture Charge for each of the ten standard fixtures available from the Company for municipal street lighting, as well as for each of the six standard fixtures available from the Company for private outdoor lighting for both nonresidential and residential delivery services customers. The determination of these charges is provided in ComEd Exhibit 13.3.

Q. Please further describe the proposed Split Load DASR Fees of Rate RCDS and the purpose of these fees.

A. The proposed Split Load DASR Fees of Rate RCDS are fixed charges per transaction that are designed to recover costs incurred by the Company to manually process a DASR for a retail customer that splits its load among the supply options as set forth in Rate RCDS. To properly reflect the differences in costs to process DASRs for load splits by meter versus load splits by percentage or by first through the meter, the Company proposes a separate Split Load DASR Fee for load splits by meter versus load splits by percentage or by first through the meter. Attachment J shows how these charges were determined.

Q. Please further describe the proposed Point-to-Point DASR Fee of Rate RCDS and its purpose.

A. The proposed Point-to-Point DASR Fee of Rate RCDS is a fixed charge per transaction that is designed to recover costs incurred by the Company to manually process a DASR for a retail customer for which the electric power and energy requirements are delivered over the transmission facilities located in the Company's service territory pursuant to any applicable tariff using point-to-point transmission services as set forth in Rate RCDS. Attachment J shows how this charge was determined.

Q. Please further describe the proposed Nonstandard Switching Fee of Rate RCDS and its purpose.

A. The proposed Nonstandard Switching Fee of Rate RCDS is a charge that is designed to recover costs incurred by the Company in the event that a nonresidential retail customer switches to a different provider of electric power and energy supply services with such switch effective on a date other than the Company's normally scheduled meter reading or billing cycle date for such retail customer and such nonstandard switch requires the Company to visit the customer's premises to read Company-provided meters that do not record meter usage data on a half-hour interval basis. The proposed Nonstandard Switching Fee is applied on the basis of the number of Company-provided meters that are read on each visit to the retail customer's premises. Separate Nonstandard Switching Fee charges are provided for the first meter read and each additional meter read on the same visit to the retail customer's premises. Attachment M shows how this charge was determined.

Q. Please further describe the proposed Monthly Charge Per Unit of Special Equipment contained in Rate RCDS and its purpose.

A. The proposed Monthly Charge Per Unit of Special Equipment contained in Rate RCDS is a fixed monthly charge designed to recover the cost of furnishing, installing, and maintaining special equipment requested by municipal street lighting customers. The Company has proposed a separate Monthly Charge Per Unit of Special Equipment for each of the four types of special equipment available from the Company. These special equipment charges are determined as shown on ComEd Exhibit 13.3.

Q. Please further describe the proposed Single Bill Credit contained in Rate RCDS and its purpose.

A. The proposed Single Bill Credit contained in Rate RCDS is a fixed credit of $0.03 that is applied to each bill of those retail customers receiving electric power and energy from a RES that is providing billing of the Company's delivery services under Rider SBO. This credit reflects the Company's net avoided cost resulting from such billing arrangements.

Q. Please describe how the specific proposed Single Bill Credit amount of Rate RCDS was determined.

A. Attachment O shows how the proposed Single Bill Credit of Rate RCDS was determined. It shows that the Company's average cost to process a delivery services bill for a non-SBO delivery services customer is $0.399 and the Company's average cost to process delivery services bill information for an SBO customer is $0.365. The difference of $0.034, rounded to the nearest cent, which equals $0.03 per bill, is the average net avoided cost per bill that is processed for a delivery services customer billed under the Single Bill Option. At this time, ComEd has not factored in any extra labor cost to perform the manual work around to process billing of past due unpaid bundled service balances required due to the decision in the uniformity proceeding, Docket No. 00-0494. As a result, the credit is overstated.

<u>Distribution Loss Factors</u>

Q. Please explain how the proposed Distribution Loss Factors ("DLFs") shown in Rate RCDS were determined.

A. The Company performed a Real Power Loss Study and from that study, DLFs attributable to each delivery services customer class were determined. The description of the Company's Real Power Loss Study and the determination of DLFs from that study are contained in the direct testimony of Mr. Michael Born, ComEd Exhibit 17.0.

<u>Transmission Services and Ancillary Transmission Services</u>

Q. Please describe the purpose of Attachment E.

A. Attachment E includes a sample calculation of the TC_cs that are used to determine the sample CTCs of Attachment G. This sample calculation of the TC_cs is based upon the formula provided in the Computation Applicable to Rate CTC section of Rider TS. Attachment E also provides a sample calculation to illustrate the method used to determine the TSC applicable to nonresidential retail delivery services customers served under Rider PPO or any retail delivery services customers served under Rider ISS for the electric power and energy supplied by the Company to the customer thereunder. This sample calculation is based upon the formula provided in the Calculation of the Transmission Services Charge section of Rider TS and is determined in accordance with the Company's transmission services revenue requirement and ancillary transmission services charges on file with the FERC as of June 1, 2001. The Company's transmission services revenue requirement will be revised as described in the direct testimony of Ms. Jennifer Sterling, ComEd Exhibit 16.0.

Actual calculations of TSCs applicable to nonresidential retail delivery services customers served under Rider PPO or any retail delivery services customers served under Rider ISS for the electric power and energy supplied by the Company to the customer thereunder will be filed with the Commission for informational purposes simultaneously

with the filing of actual calculations for the MVECs and LWAMVs of Rider PPO, ISECs of Rider ISS, and CTCs of Rate CTC, in accordance with the schedule stated in Rider TS.

Finally, Attachment E includes a sample calculation of the TSRCs for cost recovery in the event of a RES's failure to remit payment for transmission, ancillary transmission, and/or related services. This sample calculation is based upon the formula provided in the Cost Recovery From Customers Served By RESs section of Rider TS.

Rate CTC

Q. Please describe the charges contained in Rate CTC – Customer Transition Charge.

A. Rate CTC contains two charges. The Customer Transition Charge, which is defined by a formula in the rate, and the Late Payment Charge, which is incorporated by reference to the Company's Terms and Conditions.

Rate CTC defines the formula used to determine the cents per kilowatt-hour Customer Transition Charge for each of the CTC Customer Classes defined in Rate CTC. The formula contained in Rate CTC conforms to the definition of "Transition Charge" provided in Section 16-102 of the Act. CTCs shall not be less than zero.

Attached as Attachment G are sample calculations, based upon customer demand and energy data available to the Company at this time, that show the determination of preliminary CTCs for each of the CTC Customer Classes for an annual period. The market values ("MVs") used in Attachment G are equivalent to the LWAMVs developed for each corresponding class in Rider PPO-MI which are shown in Attachment F.

The first page of Attachment G shows the calculation of sample CTCs for each of the CTC Customer Classes for an annual period. The pages that follow show the monthly amounts of base rate revenue, revenue for standard delivery of energy (including all

standard charges contained in Rate RCDS and the transmission services component TC_c of Rider TS), market value energy credit, and mitigation for each of the CTC Customer Classes during the annual period and summarizes the information for use on the first summary page. The data contained in Attachment G appropriately reflect nonresidential customer demand and energy data for the three-year period through June 30, 1999, and residential energy data for the two year period through January 31, 2001.

The calculations contained in Attachment G will be revised and filed with the Commission for informational purposes to reflect residential customer energy data for the three-year period through January 31, 2002, when such data become available. Thereafter, these calculations will be revised and filed with the Commission for informational purposes in accordance with the provisions stated in the rate.

Rate CTC also provides for customer-specific CTCs to be calculated for certain retail customers. Such customer-specific CTCs are calculated in the same fashion as the class CTCs described above, except that customer-specific billing information is used to determine the base rate revenue, revenue for standard delivery of energy (including all standard charges contained in Rate RCDS and the transmission services component TC_c of Rider TS), and the time of use MVECs from Rider PPO-MI, instead of the LWAMV, are applied to the customer's specific load profile.

<u>Rate PR</u>

Q. Please describe the proposed charges contained in Rate PR – Partial Requirements Contract Service.

A. Rate PR contains no specific charges but rather provides for the determination of charges for partial requirements bundled service to be contained in a contract between the

Company and a retail customer taking delivery services under Rate RCDS for which the Company is supplying bundled electric service for a portion of the electric power and energy delivered to such customer's premises. Such charges shall include the Company's cost of providing delivery services, the market values for electric power and energy applicable to the load profile of the electric power and energy that is supplied under Rate PR, any other costs that the Company incurs in providing any applicable services under Rate PR, and customer transition charges for the electric power and energy supplied and delivered under Rate PR.

Rider PPO (Market Index)

Q. Please describe the proposed charges contained in Rider PPO – Power Purchase Option (Market Index).

A. Rider PPO-MI contains four proposed charges. The Monthly Administration Charge, the MVEC which is defined by a formulae in the rider, the TSC, as previously described, and the Late Payment Charge which is incorporated by reference to the Company's Terms and Conditions.

In addition, Rider PPO-MI provides a formula to determine the LWAMV for use in Rate CTC.

The proposed Monthly Administration Charge is a fixed charge per month that is designed to recover costs incurred by the Company to administer the nonresidential retail customer's power purchase option account. These costs include the cost to perform comparison analyses for customers; the cost to prepare, explain, execute, and process contracts for service under the power purchase option; the cost of clerical record keeping,

the cost of on-going account maintenance; and the cost of developing and distributing materials to educate customers about the power purchase option.

To appropriately reflect the differences in such administration costs for various categories of nonresidential customers, the Company has proposed a separate Monthly Administration Charge for each of the nonresidential customer classes. Attachment K shows how these specific proposed charges were determined.

The MVEC applies to the kilowatt-hours supplied by the Company to nonresidential retail customers under the provisions of Rider PPO-MI and delivered to such customers under the terms of Rate RCDS. The MVEC is determined using the formulae defined in Rider PPO-MI for each of the retail delivery services customer classes defined in the Customer Classes section of the Definitions part of Rate RCDS. The MVEC is differentiated by season and is applied on the basis of either time of use or non-time of use depending on the provisions stated in the rider. In addition, the formulae to determine MVECs include variables to account for distribution and transmission losses of each customer class for the particular time period being calculated. The MVECs and corresponding LWAMVs are determined for residential delivery services customer classes only for purposes of determining residential customer class CTCs pursuant to Rate CTC and ISECs pursuant to Rider ISS.

The TSCs are charges per kilowatt-hour applicable to all kilowatt-hours supplied under Rider PPO-MI and are determined by a formula in Rider TS. A sample calculation of these charges is attached as Attachment E as previously noted in this testimony.

Late Payment Charges are incorporated by reference to the Company's Terms and Conditions.

The LWAMV is determined by a formula in the rider and is provided for use in Rate CTC.

Attachment F contains sample calculations that the Company used to develop sample MVECs and LWAMVs using the formulae defined in Rider PPO-MI. These calculations will be revised and filed with the Commission for informational purposes to reflect updated market values in accordance with the schedule stated in the rider.

Rider ISS

Q. Please describe the proposed charges contained in Rider ISS – Interim Supply Service.

A. Rider ISS contains four proposed charges. These are the ISEC, the TSC, the CTC, and the Late Payment Charge.

The ISEC is a market-based energy charge that is defined by formulae in the rider and is applied on the basis of either time of use or non-time of use depending on the applicable customer class. The value of the ISECs applicable to each customer class determined by the formulae in Rider ISS equate to the value of the corresponding MVECs determined by the formulae in Rider PPO, plus 10%.

Attachment H contains sample calculations that the Company used to develop preliminary ISECs using the formulae defined in Rider ISS. These calculations will be revised and filed with the Commission for informational purposes in accordance with the schedule stated in the rider.

The TSCs are charges per kilowatt-hour applicable to all kilowatt-hours supplied under Rider ISS and are determined in accordance with Rider TS as described previously. The calculation of these charges is attached as Attachment E and is explained earlier in this testimony.

The CTC is incorporated by reference to Rate CTC.

The Late Payment Charge is incorporated by reference to the Company's Terms and Conditions.

Rider HVDS

Q. Please describe the proposed credit contained in Rider HVDS – High Voltage Delivery Service.

A. Rider HVDS contains a credit per kilowatt applicable to that portion of the demand used for billing each month under Rate RCDS which is served from the Company-owned lines that enter the customer's premises at a voltage of 69,000 volts or higher. This credit was determined using a marginal cost-based methodology and reflects the differences in the costs to provide standard distribution facilities to customers served at a voltage of 69,000 volts or higher compared to the costs to provide standard distribution facilities to customers served at lower voltage levels. Attachment N provides work papers used in the computation of the credit.

Rider TS

Q. Please describe the proposed charges contained in Rider TS – Transmission Services.

A. Rider TS contains charges related to the provision of transmission services and ancillary transmission and related services. For example, the formula provided in the Computation Applicable to Rate CTC section is used to determine the TC_cs that are used to determine CTCs. The formula provided in the Calculation of the Transmission Services Charge section is used to determine the TSC applicable to delivery services customers taking service under Rider PPO or Rider ISS. Finally, the formula provided in the Cost

Recovery From Customers Served By RESs section is used to determine the TSRC for cost recovery in the event of a RES's failure to remit payment for transmission, ancillary transmission, and/or related services. As previously noted, sample calculations for each of these formulae are provided in Attachment E.

Rate RESS

Q. Please describe the proposed charges contained in Rate RESS - Retail Electric Supplier Service.

A. Rate RESS contains three proposed charges that have no specific prices listed but which are incorporated by reference to other tariffs. These are:

- The Transmission Services and Ancillary Transmission Services Charges, which the RES may pay on behalf of the retail customers for which it provides electric power and energy services and which are incorporated by reference to applicable FERC-approved tariffs.
- Meter Charges, which are incorporated by reference to the Company's Rider 6 and Rider 7.
- The Late Payment Charge, which is incorporated by reference to the Company's Terms and Conditions.

Rider SBO

Q. Please describe the proposed charges contained in Rider SBO – Single Bill Option.

A. Rider SBO contains a proposed Late Remittance Charge**,** which is assessed to a RES in the event that the RES does not timely remit payments due to the Company from the Company's retail delivery services customers for which the RES is providing billing of the Company's delivery services. The timely remittance requirements for such payments are stated in the rider as RES Continuing Obligation (6). The Late Remittance Charge is

accrued daily and is equal to a monthly rate of 1.5% of the amounts not remitted including unpaid amounts from previous months and previously assessed Late Remittance Charges.

In addition, Rider SBO restates and explains the proposed Single Bill Credit of Rate RCDS that is applied to each bill of those retail customers receiving electric power and energy from a RES that is providing billing of the Company's delivery services under Rider SBO. This credit reflects the Company's net avoided cost resulting from such billing arrangements.

Rate MSPS

Q. Please describe the proposed charges contained in Rate MSPS – Metering Service Provider Service.

A. Rate MSPS contains three proposed charges which have specific prices listed. These are the Meter Reading Charges, the Metering Equipment Removal Charges, and the MSP-Requested Work Charges.

Rate MSPS also contains two proposed charges that have no specific prices listed but which are incorporated by reference to either meter replacement costs or other tariffs. These are the Lost Equipment Charges, which are determined on a case-by-case meter replacement cost basis and are intended to recover the Company's costs to replace a Company-provided meter after any such meter is removed from a retail customer's premises by an MSP and that MSP fails to return such meter to the Company; and the Late Payment Charge, which is incorporated by reference to the Company's Terms and Conditions.

The proposed Meter Reading Charges of Rate MSPS are applicable to MSPs and are intended to recover the Company's costs of obtaining meter readings from Company-provided meters at a retail customer's premises that elects to be provided with Metering Service from an MSP in situations as described in the rate.

Attachment M shows how these charges were determined.

Q. Please further describe the proposed Meter Equipment Removal Charges of Rate MSPS and their purpose.

A. The proposed Meter Equipment Removal Charges of Rate MSPS are applicable to MSPs and are intended to recover the Company's costs of removing Company-provided meters from the premises of a retail customer in the over 10,000 kW customer class or railroad class or in other certain circumstances, because of safety, reliability, or data integrity risks, which at the determination of the Company require the Company rather than the MSP to remove Company-provided meters from the retail customer's premises.

The proposed Meter Equipment Removal Charges are applied on the basis of the number and type of Company-provided metering equipment to be removed from the retail customer's premises on each visit to the retail customer's premises. Meter Equipment Removal Charges are provided for single-phase meters, three-phase and transformer-rated meters (at or under 500 volts), transformer-rated meters (over 500 volts), instrument transformers, including current transformers and potential transformers, and cellular telephones. For each of these items of metering equipment, separate Meter Equipment Removal Charges are provided for the first item and each additional item of such metering equipment removed on the same visit to the retail customer's premises. Attachment L shows how these charges were determined.

Q. Please further describe the proposed MSP-Requested Work Charges of Rate MSPS and their purpose.

A. The proposed MSP-Requested Work Charges of Rate MSPS are intended to recover the Company's costs of performing work at the request of an MSP and are applicable to the MSP that requests such work. The MSP-Requested Work Charges are applied on the basis of an appropriate hourly rate for the type of work requested. An hourly rate for MSP-Requested Work Charges is provided for single-phase work, three-phase and transformer-rated (at or under 500 volts) work, and transformer-rated (over 500 volts) work. Attachment L shows how these charges were determined.

Proposed Revisions to Existing Tariffs

Q. Please describe the revisions that the Company proposes to make to its existing tariff sheets and the purpose of those proposed revisions.

A. The Company proposes to revise several of its existing tariff sheets to reflect the applicability of existing tariffs to the proposed revised delivery services tariffs and to clarify the meaning and applicability of existing terms and conditions. Attachment C contains the proposed revised tariff sheets. The Company also is updating its Table of Contents. The revision of Terms and Conditions includes the addition of a proposed new Duplicate Information Fee. The determination of this fee is provided in Attachment I. Finally, consistent with the filing requirements of Title 83 of the Illinois Administrative Code, several format changes have been incorporated into the existing tariff sheets of this filing, including a larger typeface to allow for electronic image transfer (facsimile) and improved legibility.

Q. Does this conclude your testimony?

A. Yes, it does