

Rebuttal Testimony of Robert R. Stephens

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A My name is Robert R. Stephens and my business address is 16690 Swingley Ridge
3 Road, Suite 140, Chesterfield, MO 63017.

4 **Q ARE YOU THE SAME ROBERT R. STEPHENS THAT FILED DIRECT TESTIMONY**
5 **IN THIS PROCEEDING?**

6 A Yes, I am.

7 **Q WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

8 A I will respond to the Direct Testimony of ICC Staff witness William R. Johnson and the
9 Rebuttal Testimonies of ComEd witnesses Charles S. Tenorio, Bradley L. Bjerning
10 and Michael T. O'Sheasy, as they relate to issues that I addressed in my direct
11 testimony.

12 **Q WHAT ISSUES DID YOU ADDRESS IN YOUR DIRECT TESTIMONY?**

13 A My direct testimony is summarized at page 2 of that document. Briefly, with respect
14 to ComEd's embedded cost of service study, I recommended that the Illinois
15 Commerce Commission ("ICC" or "Commission") direct the Company and all
16 interested parties to review the merit of segregating the primary delivery system costs
17 into single-phase and three-phase components and assigning the single-phase costs
18 exclusively to secondary customers. The parties should also discuss the best method
19 to estimate the single-phase primary cost to be assigned to secondary customers. I
20 recommended that the Commission take a modest step in this regard to refining

1 ComEd's embedded cost of service ("ECOS") studies in the current case, by
2 assigning 10% of single-phase primary voltage costs to secondary customers.

3 Regarding revenue allocation, I recommended that the Commission take the
4 third of the four steps toward cost of service in the plan established in
5 Docket No. 07-0566 and continued in Docket No. 10-0467.

6 **Q HAS ANY PARTY RECOMMENDED IN TESTIMONY THAT THE COMMISSION**
7 **MOVE FULLY TO COST OF SERVICE IN THIS CASE?**

8 A No. Accordingly, my rebuttal testimony does not address further this revenue
9 allocation issue and instead deals with cost of service issues.

10 **Q HAS YOUR REVIEW OF THE DIRECT TESTIMONY OF STAFF AND OTHER**
11 **INTERVENORS OR COMED'S REBUTTAL TESTIMONY CAUSED YOU TO**
12 **CHANGE ANY OF THE RECOMMENDATIONS SET FORTH IN YOUR DIRECT**
13 **TESTIMONY?**

14 A Generally, no. However, the Direct Testimony of the Coalition to Request Equitable
15 Allocation of Costs Together ("REACT") witness Harry L. Terhune reinforces my
16 position on the single-phase primary costs issue and causes me to expand my
17 recommendation. Mr. Terhune concludes as follows:

18 "Based on my analysis of the information that ComEd has now
19 provided, the appropriate approximate adjustment to remedy the
20 over-allocation of costs of "Shared Distribution Lines" to the ELLC
21 and HV Over 10 MW customer classes would be to reduce their
22 allocation of costs from "shared distribution lines" by about one-third.
23 That is, it appears that about 36% of the costs assigned to the ELLC
24 and HV Over 10 MW customer classes under ComEd's ECOS for
25 Shared Distribution Lines represents the cost of single- and two-
26 phase lines, for which those customer classes make use for less than
27 1% of their demand from Shared Distribution Lines. Thus, the Shared

1 Distribution Lines allocation to those two classes should be reduced
2 by about one-third.” (REACT Ex. 2.0 at 38-39)

3 Given Mr. Terhune’s testimony, I believe it would be reasonable for the Commission
4 to consider assigning more than the 10% of primary voltage costs to secondary
5 customers I recommended in my direct testimony. In fact, 20% of such costs would
6 still be well below Mr. Terhune’s estimate in this case and IIEC’s estimate in the last
7 case and, thus, would constitute conservative movement in this regard, should the
8 Commission elect not to adopt fully Mr. Terhune’s recommendation at this time,
9 pending the results of the investigation that I have recommended.

10 **Response to ICC Staff Witness William R. Johnson, ICC Staff Ex. 1.0**

11 **Q WHAT IS YOUR UNDERSTANDING OF MR. JOHNSON’S OVERALL**
12 **RECOMMENDATION RELATED TO THE PROPER ECOS STUDY TO BE USED IN**
13 **THIS CASE?**

14 A Mr. Johnson recommends that Commission approve the ECOS methodology
15 presented in ComEd Exhibit 3.14. That ECOS incorporates the findings and
16 recommendations presented in the CA Distribution Study, ComEd Exhibit 3.07, other
17 than those pertaining to the allocation of costs associated with 4 kV facilities.

18 **Q DOES MR. JOHNSON’S RECOMMENDATION TO UTILIZE COMED’S**
19 **EXHIBIT 3.14 AS THE PROPER ECOS STUDY IN THIS CASE CAUSE YOU TO**
20 **ADDRESS MORE CLOSELY THE MERIT OF COMED EXHIBIT 3.07, WHICH IT**
21 **REFLECTS?**

22 A Yes. Since Mr. Johnson has essentially endorsed the ComEd Exhibit 3.14 ECOS
23 study, I will comment on the underlying CA Distribution Study, ComEd Exhibit 3.07,

1 which forms the basis for ComEd Exhibit 3.14. As I will discuss in my response to
2 ComEd witness O'Sheasy, I disagree with some of the conclusions in the CA
3 Distribution Study, presented in ComEd Exhibit 3.07 and, accordingly, disagree with
4 incorporation of that study's results into the ECOS study in ComEd Exhibit 3.14.

5 **Q DID MR. JOHNSON ALSO COMMENT ON THE OTHER CA ENERGY**
6 **CONSULTING STUDY CALLED THE "CA COST ALLOCATION SURVEY" WHICH**
7 **WAS ATTACHED TO COMED WITNESS BRADLEY L. BJERNING'S DIRECT**
8 **TESTIMONY AS COMED EXHIBIT 3.09?**

9 A Mr. Johnson notes at page 17, lines 371 through 373 of his testimony that "the CA
10 Cost Allocation Survey stated that ComEd's costing practices are well within the
11 range of those reported in the survey."

12 **Q IN YOUR OPINION, EVEN ASSUMING, ARGUENDO, THAT THE CA COST**
13 **ALLOCATION SURVEY IS CORRECT, DOES THIS MEAN THAT COMED'S COST**
14 **ALLOCATION PRACTICES COULD NOT BE REFINED AND IMPROVED?**

15 A Of course not. Indeed, I have presented in my direct testimony one such refinement
16 and improvement, through better definition of the primary voltage system costs by
17 whether they are single-phase or three-phase related. This is why I recommended
18 that the Commission direct ComEd and interested parties to evaluate this issue
19 further and to take a modest step toward this refinement and improvement.

1 **Response to ComEd Witness Charles S. Tenorio, ComEd Ex. 6.0**

2 **Q AT PAGE 30 OF HIS REBUTTAL TESTIMONY, MR. TENORIO STATES THAT HE**
3 **IS NOT CERTAIN WHAT YOU MEANT BY YOUR COMMENT THAT**
4 **“CUSTOMERS WHO USE THREE-PHASE SERVICE ALREADY PAY HIGHER**
5 **COSTS THAN CUSTOMERS WHO ONLY REQUIRE SINGLE-PHASE SERVICE.”**
6 **HOW DO YOU RESPOND?**

7 **A** I provided an explanation in my response to ComEd Data Request No.
8 ComEd-IIEC 2.01, which I attached to this testimony as IIEC Ex. 3.1.

9 Mr. Tenorio's response to my comment first admits that on a total dollar basis,
10 that three-phase customers pay more for delivery service. He then includes a
11 presentation of delivery service costs expressed on a cents per kWh basis at page
12 30, lines 519 through 522, to suggest that on a cents per kWh basis, this is not the
13 case. Large, high load factor, customers consume a large number of kWh, and do so
14 in a way that is an extremely efficient use of the distribution facility investments and
15 expenses that are involved. This is especially true for higher voltage customers, such
16 as primary voltage or higher, who utilize none of the lower voltage parts of the
17 system. It makes obvious sense that such customers' cost per kWh for delivery
18 service would be low. In contrast, smaller, relatively low load factor customers who
19 take service at secondary voltages consume relatively few kWh for the amount of
20 distribution system investment and expense that they utilize. Accordingly, their
21 delivery service cost per kWh delivered is relatively high. It is for this reason that
22 comparisons between classes of their delivery service charges on a per kWh basis
23 are meaningless, apples-to-oranges, comparisons. This is especially true when one
24 considers that very little of the distribution system cost varies with the amount of
25 energy transported. Thus, even if Mr. Tenorio's comparison were apt, which it is not,

1 a better measure would be the cost per kW of load, rather than the per kWh cost of
2 energy delivered.

3 **Response to ComEd Witness Bradley L. Bjerning, ComEd Ex. 7.0**

4 Q AS EXPRESSED AT PAGE 27 THROUGH 28 OF HIS TESTIMONY,
5 MR. BJERNING HAS A CONCERN THAT THE INVESTIGATION WHICH YOU
6 PROPOSED IN YOUR DIRECT TESTIMONY “CONSIDERS ONLY THE EXTENT
7 TO WHICH PRIMARY VOLTAGE CUSTOMERS DO NOT USE SINGLE-PHASE
8 PRIMARY LINES AND DOES NOT CONSIDER THE EXTENT TO WHICH
9 SECONDARY VOLTAGE OR SINGLE-PHASE CUSTOMERS DO NOT USE OR
10 REQUIRE A THREE-PHASE PRIMARY VOLTAGE CONFIGURATION.” HOW DO
11 YOU RESPOND?

12 A My response is threefold. First, I did not propose to limit the investigation in the way
13 that Mr. Bjerning suggests. The parties should be able to consider Mr. Bjerning’s
14 issue as well.

15 Second, secondary voltage and single-phase customers (to the extent there is
16 a difference between the two groups) all require a three-phase primary voltage
17 system to receive electric energy. This is because power is generated, transmitted,
18 and distributed in a three-phase configuration at the highest levels. The only
19 customers who do not use the three-phase primary voltage system are those who
20 take service at higher voltages, namely, members of the High Voltage Delivery class,
21 who take service at 69 kV and above. Otherwise, all lower voltage customers utilize
22 the three-phase primary system. Thus, Mr. Bjerning’s concern is essentially a red
23 herring. However, to the extent Mr. Bjerning wishes to consider such possibility, this

1 is exactly the kind of issue that should be brought up in the context of the
2 investigation which I recommend the Commission initiate.

3 Finally, Mr. Bjerning goes on to discuss the testimony of a Staff witness in the
4 last ComEd rate case. He emphasizes the cost that the Staff witness believed
5 primary customers may create on the system. While I do not believe that the Staff
6 witness's concerns in this regard were well founded (as I addressed in my direct
7 testimony), I certainly agree that those concerns could be examined in the
8 investigation that I recommend.

9 **Q AT PAGES 28 THROUGH 30, MR. BJERNING PRESENTS HIS BELIEF AS TO**
10 **WHAT MAY BE INVOLVED WITH ANALYZING COMED'S DISTRIBUTION**
11 **SYSTEM TO REVIEW HOW PRIMARY OR SECONDARY VOLTAGE CUSTOMERS**
12 **USE PRIMARY DISTRIBUTION FACILITIES IN A 4 KV, SINGLE-PHASE OR**
13 **THREE-PHASE CONFIGURATION. HOW DO YOU RESPOND?**

14 **A** To begin, Mr. Bjerning utilizes or relies at least to some degree on the testimony of
15 ComEd witness Michael T. O'Sheasy, I will reply to Mr. O'Sheasy's testimony later in
16 this testimony.

17 In his response, Mr. Bjerning suggests that estimation of a reasonable split of
18 primary service costs to secondary voltage customers requires a "path of service"
19 study. He goes on to suggest that such a study would require additional field
20 sampling and numerous assumptions to assign the costs of ComEd's various primary
21 voltage circuits. The fact that ComEd may have to do additional work to refine its cost
22 of service estimates should not be a deterrent to pursuing refinement and
23 improvement of its cost allocation methods.

1 Further, the “path of service” study, or even the concept, is not well defined in
2 either Mr. Bjerning’s or Mr. O’Sheasy’s testimony. It is not clear that such a study
3 would be necessary to provide a reasonable estimate of the single-phase primary
4 facilities that would be affected. Nonetheless, this too could be part of the
5 investigation and workshops that I proposed in my direct testimony, where I
6 specifically included cost estimation techniques as one of the items to be
7 investigated. It simply is premature for ComEd to try to dismiss the idea that its cost
8 of service studies and methods could be improved on by segregating the primary
9 delivery system costs into single-phase and three-phase components and assigning
10 the single-phase costs exclusively to secondary customers, or to essentially conclude
11 that such a refinement is not worth the effort.

12 **Q IN THAT REGARD, HAS COMED PREVIOUSLY RESISTED REFINING ITS COST**
13 **OF SERVICE STUDIES AND/OR RATE DESIGNS IN ORDER TO TAKE INTO**
14 **ACCOUNT DIFFERENCES IN VOLTAGE LEVELS?**

15 **A** Yes, it has. In fact, ComEd has some history of resisting refinements to its cost of
16 service study and/or rate designs. With regard to the voltage level of service alone, I
17 would point out that this resistance goes back all the way to the original delivery
18 service rate case, Docket No. 99-0117. In that case, ComEd resisted the
19 establishment of a meaningful transmission voltage discount or establishment of a
20 separate High Voltage delivery class or credit to appropriately recognize that

1 transmission voltage customers do not utilize to any significant degree the primary or
2 secondary voltage parts of the delivery system.¹

3 Similarly, in Docket No. 07-0566, ComEd resisted the idea that its primary
4 distribution costs could be segregated between primary and secondary voltage levels
5 and that customers' service voltage should be differentiated to reflect that they utilize
6 different parts of the system. According to the Commission's order in that case,

7 ComEd contends that a primary/secondary cost differentiation is
8 neither practical nor necessary. ComEd says it is not required to
9 record its gross plant or accumulated depreciation on its books in a
10 manner that would facilitate changing the ECOS to recognize the
11 primary/secondary distinction. (Order, Docket No. 07-0566, Sept. 10,
12 2008, at page 206)

13 In that case, the Commission, in spite of ComEd's resistance, ordered that
14 ComEd's ECOS study was deficient in this regard and that the matter be investigated.
15 (Id. at 207). This led to Docket No. 08-0532, wherein the Commission ultimately found
16 that ComEd could and should make such a refinement to its cost of service study and
17 rate design.

18 In the 2010 rate case, Docket No. 10-0467, ComEd resisted IIEC's specific
19 proposed adjustment related to single phase primary facilities, which was different
20 from my recommendation here. What I am proposing here is further refinement to
21 improve the accuracy of ComEd's cost of service study, in a measured way through
22 an investigation or workshops that ultimately may result in an even more refined and
23 correct cost study and fairer rates. Just as it has in the past, the Commission should
24 reject ComEd's resistance to further improvement of its ECOS study in this regard.

¹See ComEd's response to the positions of IIEC, the United States Department of Energy, and Alliant Energy Resources as shown at page 49-50 of the Commission's Aug. 26, 1999 Order in Docket No. 99-0117. In its subsequent rate case, Docket No. 01-0423, ComEd presented, IIEC supported, and the Commission approved, a significant credit for high voltage delivery customers.

1 Q AT PAGE 30 OF HIS TESTIMONY, MR. BJERNING STATES THAT IF THE
2 COMMISSION SUPPORTS THE INVESTIGATION OF SEGMENTING COMED'S
3 DISTRIBUTION SYSTEM, COMED WILL LIKELY HIRE AN "INDEPENDENT
4 PARTY" TO WORK WITH COMED STAFF AND INTERESTED PARTIES TO
5 DETERMINE THE STUDY SCOPE AND REQUIREMENTS AND TO PERFORM
6 THE NECESSARY SAMPLING, COST ALLOCATIONS, AND
7 RECOMMENDATIONS TO MEET THE COMMISSION'S DIRECTIVES. HOW DO
8 YOU RESPOND?

9 A I have no objection to Mr. Bjerning's testimony in this regard, per se, but would
10 recommend that before it hires its "independent" party, it consult with Staff and
11 interested parties to seek to their input and potential agreement on the independent
12 party that should be utilized.

13 **Response to ComEd Witness Michael T. O'Sheasy, ComEd Ex. 11.0**

14 Q AT PAGES 4 THROUGH 6 OF HIS TESTIMONY, MR. O'SHEASY OF
15 CHRISTENSEN ASSOCIATES ENERY CONSULTING, LLC, DISCUSSES THE CA
16 DISTRIBUTION STUDY AS IT RELATES TO CHANGING THE ALLOCATION OF
17 "COMBINATION POLES" FROM THE 50/50 SHARING BETWEEN PRIMARY AND
18 SECONDARY VOLTAGE TO 100% PRIMARY.² HOW DO YOU RESPOND?

19 A This recommendation, which is included in the CA Distribution Study, provided as
20 ComEd Ex. 3.07, should be rejected. Accordingly, use of the cost of service study
21 provided in ComEd Ex. 3.14 should be rejected as well. Although ComEd does not
22 endorse this particular cost of service study as the one to be used in this case, Staff

²ComEd refers to the Primary Voltage system as "Shared."

1 witness Johnson recommends its approval as the basis for revenue allocation and
2 rate design in this case.

3 **Q CTA/METRA WITNESS JAMES G. BACHMAN ADDRESSES THIS ISSUE IN HIS**
4 **DIRECT TESTIMONY. DO YOU AGREE WITH MR. BACHMAN'S OBJECTION TO**
5 **THE USE OF COMED EX. 3.07 IN THIS REGARD?**

6 A Yes, I do. Mr. Bachman addresses this issue at pages 11 through 13 of his direct
7 testimony, CTA/METRA joint Exhibit 1.0, where he criticizes the substitution of the
8 ComEd consultant's (CA) engineering judgment for ComEd's.

9 I have some additional concerns in this regard as well.

10 **Q HAVE YOU REVIEWED THE CA DISTRIBUTION STUDY PROVIDED AS COMED**
11 **EX. 3.07?**

12 A Yes, I have. The issue of combination poles is addressed at pages 10 through 11 of
13 that study. The sum total of CA's reasoning for recommending that combination pole
14 costs be assigned 100% to primary service (referred to as "shared costs" in the study)
15 is contained in the passage below.

16 "The reasoning behind this recommendation is that the combination
17 pole exists to accommodate primary lines first and foremost. The
18 attachment of secondary lines is a convenience for secondary service.
19 If, for example, secondary customers asked that their voltage level of
20 service be changed from secondary voltage to primary voltage, the
21 pole requirement would not change. However, the utility would not be
22 able to transmit power efficiently if it did not have the primary service
23 level at the pole's location (i.e. a utility cannot have secondary service
24 without primary service).

25 In addition, the height and class of the pole is dictated by the primary
26 service requirements, and not the secondary service requirements. To
27 hang additional secondary lines from the pole generally does not
28 require additional pole cost. The pole height is generally determined by
29 clearances for primary voltage wire and space requirements for cable

1 TV/telephone facilities. The project team confirmed this industry
2 practice with ComEd engineering.” (ComEd Ex. 3.07 at 11.)

3 Mr. O’Sheasy’s judgment in this regard, as shown in the excerpt from the
4 study quoted above and reiterated in his rebuttal testimony at pages 4 through 5, is
5 not reasonable. It should be rejected in favor of the more reasonable allocation
6 previously used by ComEd of 50/50 split between primary and secondary voltage.

7 **Q WHY DO YOU BELIEVE THE STUDY’S CONCLUSION RELATED TO**
8 **COMBINATION POLES IS NOT REASONABLE?**

9 A To begin, it is based on a questionable premise that the combination pole exists to
10 accommodate primary lines first and foremost. While I agree that the height and
11 class pole may be dictated by the primary service requirements, this in itself does not
12 mean that it exists solely, or even first and foremost, for accommodating primary
13 lines. It totally ignores the fact that secondary lines are also needed for service in
14 those areas (or they would not exist) and that in the absence of the combination
15 poles, other poles would have been needed to provide secondary service anyway.
16 Mr. O’Sheasy and the study are silent in this regard.

17 The study claims, and Mr. O’Sheasy reiterates, that “the attachment of
18 secondary lines is a convenience for secondary service.” However, Mr. O’Sheasy
19 cannot say with certainty which level of service is more “convenienced” by shared
20 poles. This economy of scale and scope is essentially ignored in Mr. O’Sheasy’s
21 recommendation that the entire cost of the pole should be assigned to primary
22 voltage. Clearly the secondary system “benefits” from the existence of the poles and,
23 absent the primary facilities, the secondary system would account for significant, but
24 yet unspecified, costs as well. Until and unless a more specific apportionment of this

1 economy of scale and scope can be accomplished, the prior allocation of combination
2 poles on a 50/50 basis between the primary and secondary voltages is more
3 reasonable. The extreme position of assigning 100% of the cost to one service
4 voltage or the other is unreasonable and represents a fundamental flaw in the
5 reasoning contained in the study.

6 In a way, Mr. O'Sheasy's position on the combination pole issue is analogous
7 to other shared costs. For example, it would be like saying the entire ComEd billing
8 system exists only because residential customers require bills to be printed and
9 mailed (assuming that commercial and industrial customers *could* be billed
10 electronically and pay entirely through electronic funds transfer, for example.) Mr.
11 O'Sheasy's logic would suggest that the entire billing system exists for the residential
12 customers and therefore 100% of the cost should be allocated to them and that other
13 customer classes should be excluded from paying the costs, as their use of the
14 system is only a "convenience." Not only is this an unreasonable position, but it also
15 violates Mr. O'Sheasy's own position on the "allocation by exclusion" principle which I
16 will discuss later in this testimony. Accordingly, the CA Distribution Study is flawed
17 and ComEd Ex. 3.14, which is based on the CA Distribution Study, must be rejected.

1 **Q** **AT PAGE 5 OF HIS TESTIMONY, MR. O’SHEASY RECOMMENDS THAT “THE**
2 **ENTIRE COST OF THE COMBINATION POLE SHOULD BE ALLOCATED TO THE**
3 **PRIMARY SERVICE LEVEL, WHICH WILL RESULT IN THE COST OF THE POLE**
4 **BEING PAID BY CUSTOMERS SERVED AT BOTH THE PRIMARY AND**
5 **SECONDARY SERVICE LEVELS.” ARE THE COSTS OF THE COMBINATION**
6 **POLES PAID BY CUSTOMERS SERVED AT BOTH THE PRIMARY AND**
7 **SECONDARY SERVICE LEVELS UNDER THE EXISTING COMED ALLOCATION?**

8 **A** Yes. Under the current 50/50 allocation method, both primary and secondary
9 customers pay for the cost of combination poles. If Mr. O’Sheasy’s recommendation
10 were followed, secondary customers would not pay their fair share.

11 **Q** **AT PAGES 6 THROUGH 11 OF HIS TESTIMONY, MR. O’SHEASY ADDRESSES**
12 **YOUR POSITION IN DIRECT TESTIMONY THAT SINGLE-PHASE PRIMARY**
13 **SYSTEM COSTS SHOULD NOT BE ALLOCATED TO CUSTOMERS AT HIGHER**
14 **VOLTAGES SUCH AS TRANSMISSION VOLTAGE OR PRIMARY VOLTAGE AND**
15 **A SIMILAR POSITION SET FORTH IN THE DIRECT TESTIMONY OF REACT**
16 **WITNESS HARRY L. TERHUNE, REACT EX. 2.0. DO YOU HAVE ANY OVERALL**
17 **OBSERVATIONS ABOUT MR. O’SHEASY’S TESTIMONY IN THIS REGARD?**

18 **A** Yes, I do. Although Mr. O’Sheasy goes to some length to explain why he doesn’t
19 think ComEd can practically perform the analysis and appropriately include the results
20 in a cost of service study, he generally does *not* refute the overall concept that
21 single-phase primary voltage facilities exist to serve exclusively, or nearly exclusively,
22 secondary voltage customers. Rather, he resorts to arguments about this refinement
23 not being commonly used in electric industry, that it would be complicated, or that it

1 could somehow result in further and further refinement of the cost of service studies
2 that could become unwieldy. I will address specific claims by Mr. O'Sheasy below.

3 **Q AT PAGE 7 OF HIS TESTIMONY, MR. O'SHEASY STATES AS FOLLOWS:**

4 **"BASED ON MY EXPERIENCE AND THE RESEARCH CA**
5 **CONDUCTED AS PART OF THE SURVEY OF APPROACHES TO A**
6 **DISTRIBUTION COST ALLOCATION BY VOLTAGE, ('CA COST**
7 **ALLOCATION SURVEY') COMED EX. 3.09, THIS APPROACH IS**
8 **NOT COMMONLY USED IN ELECTRIC INDUSTRY."**

9 **HOW DO YOU RESPOND?**

10 A I do not have specific information as to how common it is for utilities to split the costs
11 of primary distribution facilities into single-phase, dual-phase or three-phase and
12 assign the costs of the single-phase and dual-phase facilities to secondary voltage
13 customers. However, whether it is common is beside the point. I am aware that it
14 has been done in other jurisdictions, for example, Wisconsin and Michigan and, as
15 mentioned above, it is conceptually correct to do so. Furthermore, the referenced CA
16 Cost Allocation Survey provides virtually no guidance in this regard, as it only
17 includes responses from 16 utilities,³ out of the over 3,000 electric utilities in the U.S.
18 Furthermore, the "electric industry" includes more than just U.S. utilities. Accordingly,
19 the minute sample in Mr. O'Sheasy's survey can hardly be characterized as
20 representing the electric industry as a whole.

21 If Mr. O'Sheasy is suggesting that there is no industry support for the concept
22 of ensuring that primary voltage customers do not pay for system costs that they do
23 not use, then he is mistaken. Aside from the current examples mentioned above, as I
24 mentioned in my direct testimony, the 1992 National Association of Utility Regulatory
25 Commissioners' "Electric Utility Cost Allocation Manual" states the following at page

³Not all 16 respondents identified in the survey addressed these questions.

1 97, which supports the concept of the allocation of the estimated costs of the single-
2 phase distribution system to secondary voltage customers only.

3 “Cost analysts developing the allocator for distribution of substations or
4 primary demand facilities must ensure that only the loads of those
5 customers who benefit from these facilities are included in the
6 allocator. For example, the loads of customers who take service at
7 transmission level should not be reflected in the distribution substation
8 or primary demand allocator. Similarly, when analysts develop the
9 allocator for secondary demand facilities, the loads for customers
10 served by the primary distribution system should not be included.”

11 **Q DOES MR O’SHEASY OVERSTATE THE RESULT OF THE CA SURVEY?**

12 A Yes he does. The overstatement is illustrated by the Survey conclusion that “the
13 issue of single-phase vs. three-phase service is not investigated closely in most
14 jurisdictions.” (ComEd Ex. 3.09 at pages 2, 11). In fact, as indicated at page 16 of the
15 survey, it appears that only 11 utilities responded to the relevant question in the
16 survey (Question F). Consequently, it is unclear how Mr. O’Sheasy and his
17 associates can make the logical leap that the issue is “not investigated closely in
18 most jurisdictions,” when the survey on this point represents only 11 utilities, most of
19 which are east coast utilities.⁴

20 **Q AT PAGE 8 OF HIS TESTIMONY, MR. O’SHEASY CLAIMS THAT**
21 **“SINGLE-PHASE TAPS SPLIT OFF OF THESE THREE-PHASE PRIMARY LINES**
22 **IN ORDER TO SERVE SINGLE-PHASE PRIMARY SERVICE LEVEL CUSTOMERS**
23 **AND/OR TO SERVE SECONDARY SERVICE LEVEL CUSTOMERS REQUIRING**
24 **SINGLE-PHASE SERVICE.” HOW DO YOU RESPOND?**

25 A I would simply point out that Mr. O’Sheasy’s statement is misleading if one infers that
26 there are a significant number of single-phase primary service customers. There are

⁴See Table 4 of ComEd Ex. 3.09 for a list of survey respondents.

1 not on the ComEd system or on any other utility system of which I am aware. As I
2 indicated in my direct testimony, the number of primary service level customers who
3 take single-phase service on the ComEd system is *de minimis*.

4 **Q AT PAGE 10 OF HIS TESTIMONY, MR. O'SHEASY INDICATES THAT HE IS NOT**
5 **FAMILIAR WITH ANY UTILITY PROPOSING THE KIND OF SEPARATION THAT**
6 **YOU HAVE PROPOSED IN YOUR TESTIMONY. HOW DO YOU RESPOND?**

7 A Such a separation has been conducted by other utilities. Mr. O'Sheasy even
8 acknowledges one of them, Wisconsin Electric Power Company which made⁵ such a
9 separation.

10 Mr. O'Sheasy goes on to indicate that he has not examined WEPCo's
11 methodology for relevance to ComEd. Had Mr. O'Sheasy read the WEPCo witness's
12 testimony on this point, he would have discovered the WEPCo had proposed the kind
13 of separation I propose be considered here. The WEPCo witness testified as follows:

14 "It is appropriate, therefore, that the residential and single-phase
15 general secondary customers pay a portion of the costs for all the
16 feeders that they use (virtually the entire system), while the primary
17 customers should only pay for a portion of the few hundred feeders
18 that they actually use. In this analysis we have further defined the
19 distribution system to differentiate between the three-phase system
20 and the single-phase system. Feeders originate at substations in
21 three-phase configuration. Primary customers and three-phase general
22 secondary customers (and the very rare three-phase residential
23 customers) are served from the three-phase portion of the feeders.
24 Many feeders eventually split into three single-phase lines in order to
25 serve the more geographically dispersed residential and small general
26 secondary customers. These single-phase lines do not serve the
27 primary and large general secondary customers, and therefore should
28 not have these costs allocated to them. This differentiation between
29 single-phase and three-phase feeders is a refinement of our
30 methodology (compared to that used in our previous rate case –
31 Docket 05-UR-104)." (Direct Testimony of Eric A. Rogers, Docket No.

⁵Mr. O'Sheasy refers to this utility "proposing" such a split. However, this is a misnomer, as I indicated clearly at page 5 of my direct testimony that the Wisconsin Public Service Commission in 2012 approved the cost of service study which included the separation that I indicated.

1 05-UR-106, PSC REF#: 164646, at page Direct-WEPCO/WG-Rogers-
2 24, emphasis added).

3 **Q AT PAGES 10 THROUGH 11 OF HIS TESTIMONY, MR. O'SHEASY OPINES THAT**
4 **PRIMARY SERVICE LEVEL COSTS SHOULD NOT BE ALLOCATED IN COST OF**
5 **SERVICE ACCORDING TO PHASE OF SERVICE FOR TWO REASONS. IS THAT**
6 **CORRECT?**

7 A Yes he identifies two reasons. First he says: "Allocating by phase of service requires
8 determining the *path of service* for specific customers, which is time consuming and
9 not commonly done in the industry." Second he says: The proposals of Messrs.
10 Stephens and Terhune amount to 'allocation by exclusion'."

11 **Q HOW DO YOU RESPOND?**

12 A Neither of Mr. O'Sheasy's stated reasons is legitimate. With regard to his first reason,
13 I disagree with his claims that allocating by phase of service requires determining the
14 "path of service" for specific customers, which is time consuming and not commonly
15 done in the industry. To begin, the conclusion that Mr. O'Sheasy reaches is exactly
16 the kind of issue that should be addressed by the stakeholders in the investigation
17 process that I have recommended. The Commission should not refuse to investigate
18 the issue on the basis of one witness's opinion. I also disagree with Mr. O'Sheasy's
19 point because it is not likely to be necessary to investigate and trace out each of the
20 circuits in order to come up with a useful estimate of cost associated with single-
21 phase primary voltage facilities and to properly assign such estimated cost to
22 secondary customers. Mr. O'Sheasy's claim appears to be something of a red

1 herring, apparently designed to discourage the Commission from investigating the
 2 issue further.

3 Mr. O'Sheasy's second claim is that my proposal amounts to "allocation by
 4 exclusion." He complains that I have identified a particular type of equipment not
 5 used by certain customers and proposed excluding that equipment from their cost
 6 allocation. This is absolutely true. However, what Mr. O'Sheasy fails to mention is
 7 that my proposed treatment is common in the industry and, in fact, is utilized in
 8 ComEd's own cost of service study. Table 1 below provides examples of cost of
 9 service items that are not allocated to certain classes in the ComEd cost of service
 10 study, because they are not utilized by such classes, just as I have proposed for
 11 single-phase primary voltage facilities. Mr. O'Sheasy is either unaware of these
 12 items, or has chosen to ignore them in his discussion.

TABLE 1	
Examples of ComEd's "Allocation by Exclusion"	
<u>Cost Item</u>	<u>Not Allocated to (Example)</u>
High Voltage ESS	Classes Other than High Voltage
Fixed Including Lighting ("FIL")	Classes Other than the FIL class
Secondary Voltage Distribution Lines	LL, VLL, ELL, HV and Railroad Classes
Primary Voltage Transformers	Classes Other than SL, ML, LL, VLL, ELL, HV
Secondary Voltage Distribution Substations	Railroad Class
Secondary Voltage Transformers	Railroad Class

13 Allocating costs away from customer classes that do not contribute to such
 14 costs is the very essence of cost allocation and the fact that the allocation factor for
 15 some classes is zero is common. Mr. O'Sheasy's suggestion to the contrary, as

1 relates to single-phase primary distribution assets, is not well founded and should be
2 rejected.

3 **Q AT PAGE 11, MR. O'SHEASY CLAIMS THAT THE ALLOCATION WHICH YOU**
4 **HAVE PROPOSED BE INVESTIGATED "MAY INVITE ALLOCATION**
5 **EXCLUSIONS TO ANY CUSTOMER GROUP THAT CAN IDENTIFY TYPES OF**
6 **EQUIPMENT THAT IT DOES NOT USE AS INTENSELY AS AN ALLOCATION**
7 **FACTOR WOULD INDICATE" AND THAT THIS MAY PRODUCE A PROCESS IN**
8 **WHICH THE ECOS STUDY BECOMES INCREASINGLY MORE**
9 **DISAGGREGATED AND COMPLEX. HOW DO YOU RESPOND?**

10 **A** To the extent that Mr. O'Sheasy is arguing that cost of service studies should not be
11 refined over time and more properly represent cost-causation, then I have to
12 disagree. Obviously, there are some practicable limitations as to how refined a cost
13 study can be, since we cannot have individual rates for every single customer, but the
14 particular item that I have suggested be further investigated is a very large dollar item
15 and there is potentially a strong justification for more refined allocation of it to the
16 customer classes. There is nearly \$7 billion of primary or "shared" investment in
17 Distribution Plant contained in FERC Accounts 364 through 367, the allocation of
18 which should be determined by the results of the single-phase/three-phase
19 refinement. The Commission should not be persuaded by, and should in fact reject,
20 Mr. O'Sheasy's concerns in this regard.

21 **Q DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

22 **A** Yes, it does.