

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Commonwealth Edison Company)
) **ICC Docket No. 13-0387**
Tariff filing to present the Illinois Commerce)
Commission with an opportunity to consider)
revenue neutral tariff changes related to rate)
design authorized by subsection 16-108.5(e) of)
the Public Utilities Act)

REBUTTAL TESTIMONY

OF

BRADLEY O. FULTS

ON BEHALF OF THE COALITION TO

REQUEST EQUITABLE ALLOCATION OF COSTS TOGETHER

REACT

COMPRISED OF:

- A. FINKL & SONS, Co.**
- AUX SABLE LIQUID PRODUCTS, LP**
- CHARTER DURA-BAR**
- THE CITY OF CHICAGO**
- COMMERCE ENERGY, INC.**
- FLINT HILLS RESOURCES, LP**
- FUTUREMARK PAPER COMPANY**
- INTERSTATE GAS SUPPLY, INC.**
- THE METROPOLITAN WATER RECLAMATION DISTRICT**
- OF GREATER CHICAGO**
- PDV MIDWEST REFINING, LLC**
- UNITED AIRLINES, INC.**

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1 REBUTTAL TESTIMONY OF BRADLEY O. FULTS

2 I.

3 INTRODUCTION

4 Q. Please state your name and business address.

5 A. My name is Bradley O. Fults. My business address is 8908 Prestwick Circle North,
6 Brooklyn Park, MN 55443.

7
8 Q. On whose behalf are testifying?

9 A. I am testifying on behalf of the Coalition to Request Equitable Allocation of Costs
10 Together (collectively, "REACT").¹

11
12 Q. Have you testified in this proceeding?

13 A. Yes. I prepared written Direct Testimony (identified as REACT Exhibit 1.0) on behalf of
14 REACT.

¹ The REACT members currently include: A. Finkl & Sons, Co.; Aux Sable Liquid Products, LP; Charter Dura-Bar (f/k/a Wells Manufacturing, Inc.); The City of Chicago; Commerce Energy, Inc.; Flint Hills Resources, LP; FutureMark Paper Company; Interstate Gas Supply, Inc.; The Metropolitan Water Reclamation District of Greater Chicago; PDV Midwest Refining, LLC; and United Airlines, Inc. The opinions herein do not necessarily represent the positions of any particular member of REACT.

15

16 **Q. What is REACT?**

17 A. As explained in my Direct Testimony, REACT is an *ad hoc* coalition, with diverse
18 members including some of the largest commercial, industrial and governmental delivery
19 service customers of Commonwealth Edison Company's ("ComEd"), including
20 customers in both the Extra Large Load Delivery Class (referred to herein as the "ELLC"
21 class) and the over 10 MW High Voltage Delivery Class (referred to herein as the "HV
22 Over 10 MW" class).² REACT also includes Retail Electric Suppliers ("RES") that are
23 active in ComEd's service territory. Since its inception and participation in the 2007
24 ComEd Rate Case (ICC Docket No. 07-0566), REACT has worked to ensure that
25 ComEd's rates are designed in a manner that accurately and equitably reflects the costs
26 incurred by ComEd.

27

28 REACT does not seek to attack or change ComEd's "bottom line" -- on the contrary,
29 REACT respects ComEd's need for appropriate overall cost recovery to maintain and
30 improve the electric distribution system. In other words, REACT is not questioning the
31 "size of the pie" that constitutes ComEd's rate base. REACT's focus, however, is to
32 ensure that the ComEd "pie" is split up appropriately so that charges to particular
33 customer classes fairly and equitably reflect cost of service to those customer classes.

² ComEd witness Mr. Tenorio suggests that not all of REACT's customer members fall within the ELLC and HV Over 10 MW classes. (*See* ComEd Ex. 6.0 at 26:462-27:469.) Mr. Tenorio's suggestion is disingenuous, since it disregards a billing arrangement about which ComEd is aware, pursuant to which a customer is responsible for an account that is within the ELLC/HV Over 10 MW classes and, therefore, effectively stands in the shoes of a member of the ELLC/HV Over 10 MW classes and entirely shares the interests of REACT in seeking accurate cost allocation for the ELLC and HV Over 10 MW classes.

34 This is entirely consistent with straightforward cost causation principles that are well
 35 recognized by the Illinois Commerce Commission (“Commission”). (See, e.g., ICC
 36 Docket No. 07-0566, Final Order dated Sept. 10, 2008, at 205 (“Cost-causation principles
 37 seek to ensure that all customers are paying their fair share for distribution service.”).)

38
 39 My Direct Testimony includes a more extended explanation of REACT’s viewpoint,
 40 REACT’s participation in prior ComEd Rate Cases and related cases, the inappropriate
 41 and inequitable effect of ComEd’s historic approach to cost allocation, and the outcomes
 42 of prior relevant Commission proceedings. (See REACT Ex. 1.0 at 8:159-17:401.)
 43 Unfortunately, ComEd’s historic and current approach to rate design, which would be
 44 perpetuated by the proposals that ComEd has made in this case, continue to violate cost
 45 causation principles and unfairly saddle the ELLC and HV Over 10 MW classes with
 46 costs for electric distribution facilities that are of zero or *de minimis* value to those
 47 classes.

48
 49 **II.**

50 **PURPOSE OF REBUTTAL TESTIMONY**

51 **Q. What is the purpose of your Rebuttal Testimony?**

52 A. The primary purpose of my Rebuttal Testimony is to reiterate to the Commission that the
 53 illustrative rates and flawed Embedded Cost of Service Study (“ECOSS”) presented by
 54 ComEd would have a significant adverse impact upon REACT members as well as other
 55 customers in the ELLC and HV Over 10 MW classes, if the Commission were to accept
 56 them. My Rebuttal Testimony also reiterates REACT’s concerns about the way in which

57 ComEd collects the Illinois Electricity Distribution Tax and allocates costs associated
 58 with Unaccounted For Energy.

59

60 **Q. Does your Rebuttal Testimony directly respond to portions of ComEd’s Rebuttal**
 61 **Testimony?**

62 A. Yes. My Rebuttal Testimony makes the following points directly in response to
 63 ComEd’s Rebuttal Testimony:

64 1. Regardless of how ComEd wants to refer to the rates set forth in its Direct and
 65 Rebuttal Testimony, the Commission should be aware that those “illustrative”
 66 rates as they would apply to the ELLC and HV Over 10 MW classes have not
 67 been justified and should be rejected. The “illustrative” rates have been
 68 “proposed” by ComEd as rates that the Commission could adopt, even though
 69 ComEd is taking no position on these rates. Such a result would be unjust and
 70 unfair.

71 2. The “annual impact” tables in my Direct Testimony are representative of the rate
 72 impacts that would be experienced by the ELLC and HV Over 10 MW accounts
 73 of REACT members.

74 3. ComEd should not be allowed to recover the Illinois Electricity Distribution Tax
 75 (“IEDT”) as a per kWh fee. This cost should correctly be recovered in ComEd’s
 76 Distribution Facilities Charge.

77 4. Unaccounted For Energy (“UFE”) is a significant cost impact to large users, and
 78 ComEd should be ordered to prepare a study of the causes and proper allocation
 79 of UFE.

80

81 **Q. Is REACT sponsoring other Rebuttal Testimony?**

82 A. Yes. In addition to my own Rebuttal Testimony, REACT is sponsoring the Rebuttal
83 Testimony of Harry L. Terhune (REACT Ex. 5.0) and Jeffrey Merola (REACT Ex. 6.0).
84 Both Mr. Terhune and Mr. Merola provided Direct Testimony in this proceeding. (*See*
85 REACT Exs. 2.0 and 3.0, respectively.)

86

87 Mr. Terhune's Rebuttal Testimony addresses issues relating to his detailed analysis about
88 specific delivery service facilities that are not used by ELLC and HV Over 10 MW
89 classes or are used in only a *de minimis* manner, and discusses ComEd's failure to rebut
90 that analysis and the rate design implications of that analysis.

91

92 Mr. Merola's Rebuttal Testimony addresses issues relating to ComEd's failure to
93 accurately allocate Customer Care Costs in a manner that reflects the Commission's prior
94 Order on this issue and the current supply-related Customer Care Costs that ComEd
95 incurs.

96

97

III.

98

99

100

**IMPACT OF COMED'S ILLUSTRATIVE RATE DESIGN
INVESTIGATION RATES UPON ELLC AND HV OVER 10 MW CLASSES**

101

102

Q. Have you reviewed ComEd's Rebuttal Testimony regarding rate design?

103

A. Yes. ComEd witness Mr. Tenorio responds to my Direct Testimony regarding ComEd's

104

illustrative Rate Design Investigation ("RDI") rates and the level of the rate increases

105

since the 2005 and 2007 ComEd Rate Cases.

106

107

Q. How do you respond?

108

A. As an initial matter, the Commission should note that Mr. Tenorio's Rebuttal Testimony

109

confirms that if the Commission were to accept ComEd's illustrative rates, the rate

110

impacts upon the customers in the ELLC and HV Over 10 MW classes, in fact, would be

111

very significant. This is an inescapable fact. Although the rate increases experienced by

112

each individual customer will vary based upon individual usage, the overall dollar impact

113

in many instances would be massive.

114

115

Further, ComEd's attempt to somehow mask those rate impacts by putting them "in

116

context" with cost increases in other products and services never really gets to the point

117

of explaining what the ELLC and HV Over 10 MW classes have done since the 2005

118

ComEd Rate Case to justify the enormous rate impacts. It should be clear to the

119

Commission that the members of those classes have done nothing that would justify an

120

enormous rate increase; if they had, ComEd surely would have pointed it out by now.

121

122 Further, it is curious and problematic that ComEd would try to defend its rate increases by
123 pointing to things like college tuition and prescription drugs as comparable items (notably
124 without attribution to the source of that information). (See ComEd Ex. 6.0 at 27:479-82.)
125 College tuition and prescription drugs are obviously not comparable to electric delivery
126 services. Moreover, it is common knowledge that the recent increases in college tuition
127 and prescription drugs are widely considered as out of control and unsustainable. (See,
128 e.g., President Barack Obama, Remarks by the President on College Affordability at the
129 State University of New York Buffalo (Aug. 22, 2013), available at
130 [http://www.whitehouse.gov/the-press-office/2013/08/22/remarks-president-college-
132 affordability-buffalo-ny](http://www.whitehouse.gov/the-press-office/2013/08/22/remarks-president-college-
131 affordability-buffalo-ny) (“The system’s current trajectory is not sustainable.”); Laurie
133 Essig, *Obama’s Right: The Cost of Higher Ed Is Not Sustainable*, THE CHRONICAL OF
134 HIGHER EDUCATION, Jan. 27, 2012, available at
135 [http://chronicle.com/blogs/brainstorm/obamas-right-cost-of-higher-ed-not-
137 sustainable/43535](http://chronicle.com/blogs/brainstorm/obamas-right-cost-of-higher-ed-not-
136 sustainable/43535); Andrew Pollack, *Doctors Denounce Cancer Drug Prices of \$100,000*
138 *a Year* N.Y. Times, April 25, 2013, available at
139 [http://www.nytimes.com/2013/04/26/business/cancer-physicians-attack-high-drug-
141 costs.html?pagewanted=all&_r=0](http://www.nytimes.com/2013/04/26/business/cancer-physicians-attack-high-drug-
140 costs.html?pagewanted=all&_r=0) (“The doctors and researchers ... [contend] “that the
142 prices of drugs used to treat that disease are astronomical, unsustainable and perhaps
143 even immoral.”).) Therefore, it is very odd that ComEd would point to those numbers
144 when ComEd’s own numbers show an increase of 50.45% for the ELLC class, in
comparison to a 43% increase for college tuition, and an increase of 29.32% for the HV
Over 10 MW class, in comparison to a 22% increase for prescription drugs. In short,
even using ComEd’s numbers, it is not persuasive to suggest that ComEd’s rate increases

145 for the ELLC and HV Over 10 MW customer classes are acceptable; the increases for
146 those classes, respectively, are *substantially higher* than the increases in the costs of
147 college tuition and prescription drugs for the same period.

148

149 **Q. Aside from those general impressions, how do you respond to Mr. Tenorio?**

150 A. First, Mr. Tenorio improperly suggests that we may have misinterpreted ComEd's
151 "illustrative rates" as rates that are actually being "proposed" by ComEd. While ComEd
152 stated at several places in its Direct and Rebuttal Testimony that these are "illustrative
153 rates" and ComEd is not taking a position on whether the Commission should adopt any
154 of the illustrative rates, ComEd advanced the "illustrative rates" as an option for the
155 Commission to adopt. (*See, e.g.*, ComEd Ex. 6.0 at 26:457-59.) One of the reasons that
156 REACT is participating in this proceeding is to explain that those rates have not been
157 justified, and, therefore, should be rejected by the Commission. If ComEd wants to
158 somehow distance itself from its "illustrative" rates that is fine, but that does not mean
159 that REACT is, therefore, obligated to accept those rates as something that is legitimate
160 for imposition by the Commission.

161

162 Second, Mr. Tenorio attempts to down play the massive, unjustified rate increase of more
163 than 134% for all customers in the ELLC class and more than 55% for all customers in
164 the HV Over 10 MW class when compared to rates approved in ICC Docket No. 05-
165 0597. Mr. Tenorio incorrectly asserts that my analysis and corresponding rate increase
166 are not representative for all ELLC and HV Over 10 MW customers.

167

168 As discussed in my Direct Testimony, REACT was organized in direct response to
169 ComEd's proposed rate increase in the 2007 ComEd Rate Case (ICC Docket No. 07-
170 0566) that would have increased delivery service rates for the ELLC class and HV Over
171 10 MW class. In that proceeding, ComEd proposed to more than double the rates for
172 these customers: a 140.4% increase for ELLC class customers; and a 129.4% for HV
173 Over 10 MW class customers (*see* REACT Ex. 1.0 at 9:183-86.) Mr. Tenorio does not
174 challenge that fact.

175
176 Mr. Tenorio fails to acknowledge that the Commission did not approve ComEd's
177 proposed 2007 rates for the ELLC and HV Over 10 MW classes of customers as was
178 explained in my Direct Testimony. (*See id.* at 10:223-11:233.) He further fails to
179 acknowledge that the Commission was highly critical of ComEd's ECOSS -- noting its
180 "substantial deficiencies" -- and was troubled that ComEd would seek to justify massive
181 rate increases based on the unpersuasive analysis contained in that ECOSS. (*See id.* at
182 10:210-11:242; ICC Docket No. 07-0566, Final Order dated Sept. 10, 2008, at 213.) In
183 fact, the Commission rejected ComEd's proposed rate increases upon its largest
184 customers in that case, allowing ComEd to increase its rates only one-quarter of the
185 amount it sought based on its deficient ECOSS. (*See* ICC Docket No. 07-0566, Final
186 Order dated Sept. 10, 2008, at 213.) The Commission also ordered ComEd to undertake
187 specific additional studies of the costs associated with service to its largest customers,
188 and initiated the 2008 Special Investigation Proceeding to further analyze ComEd's cost
189 allocation methodology. (*See id.* at 207, 237; ICC Docket No. 08-0532, Initiating Order
190 dated Sept. 10, 2008, at 1-4.) The results of the 2008 Special Investigation led to revised

191 rates structures being approved in the 2010 ComEd Rate Case (ICC Docket No. 10-
192 0467). (See ICC Docket No. 10-0467, Final Order dated May 24, 2011 at 264
193 (recognizing the need for “further refinement” of the ECOSS in future rate cases).)

194
195 The Commission has indicated throughout the 2007, 2008, and 2010 proceedings
196 concerns regarding ComEd’s ECOSS and costs allocated to various customer classes,
197 such as the ELLC and HV Over 10 MW classes. To date, ComEd has never explained
198 what its largest customers did to cause the significant proposed increases in rates that
199 were in effect on January 1, 2007.

200

201 **Q. What additional analysis did ComEd provide in its Rebuttal Testimony?**

202 A. Since 2007, REACT repeatedly has asked ComEd for rate impact analyses for the ELLC
203 and HV Over 10 MW customers. Finally, after approximately six years, ComEd
204 provided in its Rebuttal Testimony a study showing the cost impact for all ELLC class
205 customers and HV Over 10 MW class customers. (See ComEd Ex. 6.12.)

206

207 ComEd analyzed the actual 2012 billing data for each ELLC and HV Over 10 MW class
208 customer. Mr. Tenorio explains that it is important to look at all the customers within a
209 rate class, noting that within a rate class, some customers will be more impacted than
210 others because each customer’s unique usage and billing determinants are different. (See
211 ComEd Ex. 6.0 at 34:595-96.) This is true.

212

213 In explaining the analysis results, Mr. Tenorio states that 17 out of 45 ELLC customers
214 would see increases less than the 134% increase shown in Table 1 of my Direct
215 Testimony. (*See id.* at 32:554-63.) That means, of course, that even under ComEd's
216 analysis, 28 of the 45 ELLC customers would see an increase of at least 134%, and some
217 would see increases above 134%, ranging up to 153.52%. (*See id.* at 32:560-62.)

218
219 For the HV over 10 MW customers, Mr. Tenorio states that eight out of 24 customers
220 would see increases less than the 55% increase shown in Table 2 of my Direct
221 Testimony. (*See id.* at 32:564-33:579.) That means, of course, that even under ComEd's
222 analysis, 16 of the 24 HV Over 10 MW customers would see an increase of at least 55%,
223 and some would see increases well above 55%, ranging up to 87.69%. (*See id.* at
224 33:575-77.)

225

226 **Q. How do you interpret ComEd's rate impact analysis?**

227 A. ComEd has confirmed that customers in the ELLC class and the HV Over 10 MW class
228 are facing the potential for extremely high rate increases. ComEd's analysis shows that
229 approximately 64% of the relevant customers (44 of the 69 total ELLC and HV Over 10
230 MW) would see an increase that is *higher* than what is shown in Tables 1 and 2 of my
231 Direct Testimony.

232

233 To the extent that Mr. Tenorio's analysis is intended to suggest that my analysis has been
234 deficient, he is wrong -- REACT has never had the class-wide billing data to perform this

235 analysis on a customer level. But in any case, even ComEd's analysis illustrates very
236 clearly the enormous rate impacts faced by the ELLC and HV Over 10 MW classes.

237

238 It is also important to understand that individual customers look at the cost impact for
239 their own facility, and not on a class basis. Most of the REACT members are near or fall
240 within the 64% of customers that -- even under ComEd's analysis -- would see increases
241 approximately equal to or more than was reflected in my Direct Testimony.

242

243 **Q. Why would REACT members experience the higher percentage increase?**

244 A. Based on the data ComEd has provided, it appears that the REACT members would
245 experience higher increases as a results of steps that they have taken to be proactive in
246 trying to lower their energy costs and become more competitive. Some use electricity on
247 a more uniform basis. This allows them to increase their utilization factor (peak demand
248 compared to average demand) and spread fixed distribution related costs over more kWh.
249 Others try to run some operations during the off-peak periods (night and weekends) in an
250 attempt to avoid the higher peak period costs.

251

252 ComEd's rate changes, including its treatment of the Illinois Electricity Distribution Tax
253 that recovers this cost on a per kWh basis, have tended to penalize these more efficient
254 customers.

255

256 **Q. Mr. Tenorio testifies that ComEd distribution rates increases for the 2007 to 2014**
257 **period can be compared to expected increases over time for other items such as**
258 **home heating oil, unleaded gasoline, hospital services, college tuition, bread and**
259 **drugs? (See ComEd Ex. 6.0 at 27:479-82.) Do you agree with this analogy?**

260 A. No. My introductory comments above convey why, as a general matter, the Commission
261 should have deep skepticism of ComEd's attempt at making comparisons to other goods
262 and services. In addition, in the specific context of how the ComEd actually achieves
263 rate increases before the Commission, it is important to understand that ComEd has put in
264 place an annual rate increase methodology through its formula rates. The Energy
265 Infrastructure Modernization Act ("EIMA") allows ComEd to invest \$2.6 Billion over 10
266 years for system modernization. As part of EIMA, ComEd annually updates its rates
267 each January, presumably implementing an increase because of the new investment and
268 other costs. Under EIMA, ComEd is only really looking at its costs of operation and
269 revenue requirement to set the level of its rates.

270
271 The other market areas cited by Mr. Tenorio are market based, and those prices can
272 fluctuate over time. That is, those other prices can decrease as well as increase. Also,
273 competition within those other market segments give customers a choice. The electric
274 distribution service in northern Illinois is a monopoly system owned and operated by
275 ComEd. Customers have no opportunity to choose among higher and lower priced
276 distribution systems. This is very different from college tuition, to use one of ComEd's
277 examples, where a prospective student has literally thousands of options, ranging from
278 the most expensive private universities, to state colleges, junior colleges, for-profit

279 colleges, and on-line colleges, not to mention the option of simply not going to college.
 280 The same applies to each of ComEd’s other suggested comparators -- none of them is
 281 substantively equivalent to a monopoly system for a service that is not optional to
 282 participate in modern day life, and is certainly not optional for a large commercial or
 283 industrial operation doing business in northern Illinois.

284

285 **Q. Are the percentage increases shown by Mr. Tenorio appropriate?**

286 A. Mr. Tenorio introduces a lot of different numbers and tries to suggest a number of
 287 different perspectives to downplay the disproportionate, massive rate increases that have
 288 been implemented and are still faced by the ELLC and HV Over 10 MW classes.
 289 Perhaps a good way to “cut to the chase” is to look at the Commission’s own statistics
 290 documenting historic overall electric rate increases. The table below, excerpted from the
 291 Commission’s website, shows those increases for ComEd since its 2005 Rate Case:

292
 293

**Table 1.
 ComEd Rate Increase Percentage Since ComEd 2005 Rate Case**

ICC Docket Number	Percentage Increase Granted
05-0597	0.50%
05-0597	4.94%
07-0566	15.06%
10-0467	7.61%
11-0721	-7.62%
12-0321	3.30%

294
 295
 296

Source: <http://www.icc.illinois.gov/downloads/public/ri/2013%20September%20Rate%20Case%20History.xlsx>

297 **Q. What does this analysis show?**

298 **A.** Mr. Tenorio’s attempt to downplay the impact of ComEd’s historic and proposed rate
 299 increases on the ELLC and HV Over 10 MW classes simply cannot be squared with this
 300 data, which show that ComEd’s overall rate increases have been substantially lower (to
 301 say the least) than the increases that even Mr. Tenorio admits have been applied to
 302 members of the ELLC and HV Over 10 MW classes.

303

304 **IV.**

305
 306 **THE COMMISSION SHOULD ORDER COMED**
 307 **TO RECOVER THE ILLINOIS ELECTRICITY**
 308 **DISTRIBUTION TAX IN ITS DISTRIBUTION FACILITY CHARGE**
 309

310 **Q. In your Direct Testimony you recommended that the Illinois Electric Distribution**
 311 **Tax (“IEDT”) be recovered in the distribution delivery service charge. How did**
 312 **ComEd respond?**

313 **A.** ComEd did not take issue with any of my factual statements about the history of the
 314 IEDT, how the IEDT works, or the inequitable impact ComEd’s changed IEDT collection
 315 methodology has had upon large customers. (See REACT Ex. 1.0 at 29:634-30:680.)
 316 ComEd Witness Mr. Tenorio only responded by stating that this charge is recovered on a
 317 per kWh basis, as this is how ComEd is assessed the charge. Mr. Tenorio further cited
 318 that this issue was addressed in the ComEd’s 2010 Rate Case. (See ComEd Ex. 6.0 at
 319 35:628-36:657.)

320

321

322 **Q. Should the fact that ComEd is assessed the IEDT on a per kWh basis be**
323 **determinative of how ComEd collects this tax from its customers?**

324 A. No. Indeed, historically neither the Commission nor ComEd itself viewed this fact as
325 being determinative. As explained in my Direct Testimony, ComEd has been assessed
326 this tax on a per kWh basis since 1998, but up until 2011, ComEd collected this tax
327 through its Distribution Facility Charge ("DFC"). This is because the history of this tax
328 reveals that it was not intended to be assessed based upon usage.

329

330 **Q. Should the fact that this issue was address in 2010 prevent the Commission from**
331 **examining it in the instant proceeding?**

332 A. Absolutely not. As ComEd well knows, Commission decisions are not binding
333 precedent, which is demonstrated by the fact that in its 2010 Rate Case, ComEd itself
334 proposed to *change* the way it recovered the IEDT from the way that was previously
335 approved by the Commission.

336

337 **Q. Why is this issue important to REACT?**

338 A. As explained in my Direct Testimony at page 30, this is one the rate changes that tends to
339 punish the large high-load factor customers who are using ComEd's system efficiently.
340 Even though ComEd may pay the tax on per kWh basis, it is my understanding that the
341 tax was originally based on a percentage of invested capital. While the 1997
342 restructuring law changed the tax collection method, the underlying theory of the tax did
343 not change, as reflected by ComEd's rate design that was in effect until 2011. (*See*
344 REACT Ex. 1.0 at 29:639-46.)

345

346 **Q. What is your recommendation regarding how the Commission should address the**
347 **IEDT in this proceeding?**

348 A. The Commission should direct ComEd to recover the IEDT in its DFC, just as it had
349 prior to the 2010 ComEd Rate Case.

350

351

V.

352

**THE COMMISSION SHOULD ORDER COMED TO MORE
353 ACCURATELY ASSIGN UNACCOUNTED FOR ENERGY**

354

355 **Q. In your Direct Testimony you recommend that the Commission order ComEd to**
356 **perform a study regarding the causes of Unaccounted For Energy (“UFE”) charges.**
357 **How did ComEd respond?**

358 A. Mr. Tenorio responded that ComEd does not assess a UFE charge and that this issue
359 should not be part of this proceeding. (*See* ComEd Ex. 6.0 at 38:692, 703-04.) ComEd
360 witness Ms. Brinkman also stated that ComEd has no UFE charge and that this is a
361 wholesale electricity matter. (*See* ComEd Ex. 5.0 at 10:211-17.)

362

363 **Q. Are these statements responsive to your recommendation?**

364 A. Not entirely. It is correct that ComEd does not assess a UFE charge upon customers to
365 collect for “unaccounted” energy. Likewise, ComEd does not have a distribution loss
366 charge on its distribution bill issued to customers to collect for “lost” energy. However,
367 ComEd does set the distribution loss percentages, which are part of this proceeding. (*See*
368 ComEd Ex. 2.0 at 56:740-43.) Using those distribution loss percentages, Retail Electric
369 Suppliers (“RESs”) serving retail electric customers must increase deliveries for each

370 customer by the appropriate distribution loss factor (“DLF”). In this proceeding, ComEd
371 has proposed a different DLF for each customer class. (*See id.*, Table CST-D26, at
372 57:758.) The DLF becomes a real cost on each customer invoice received from each
373 customer’s RES.

374

375 The UFE is similar to the distribution loss concept, in that ComEd recovers UFE by
376 having PJM increase deliveries for RESs. As shown in my Direct Testimony, the UFE
377 can be as high at 2.3%. This translates into a real cost to customers when their RESs
378 must purchase additional kWh to satisfy the UFE, increasing the price to customers.

379

380 **Q. Why should the Commission be concerned about the UFE charge?**

381 A. In order for the Commission to determine in this proceeding whether ComEd’s proposed
382 distribution loss percentages are just and reasonable, the Commission needs to be
383 confident that ComEd is properly determining what energy is being “lost” as opposed to
384 being “unaccounted for.” Moreover, the Commission should ensure that ComEd is
385 taking appropriate steps to reduce the amount of energy that is either “lost” or
386 “unaccounted for.”

387

388 As the Illinois retail electric market has matured, suppliers are starting to list UFE as a
389 line item cost like the DLF, and that the source of the UFE is ComEd. There are
390 unaddressed concerns about the basis for this charge as well as whether and how this cost
391 can be determined in advance. At a minimum, this situation results in a lack of

392 transparency and the potential for over-recovery or double recovery through the DLF and
 393 UFE charges.

394

395 **Q. What is your recommendation regarding ComEd’s UFE charge?**

396 A. The Commission should order ComEd to perform a study regarding the causes of UFE,
 397 directing ComEd to provide additional information that would enable the Commission
 398 and interested parties to determine whether the UFE is being calculated properly and
 399 allocated appropriately among customer classes.

400

401

VI.

402

CONCLUSION AND RECOMMENDATIONS

403 **Q. Please summarize your overall conclusions and recommendations.**

404 A. REACT positions can be summarized as follows:

405 • ComEd’s attempt to downplay the rate increases faced by the ELLC and HV Over
 406 10 MW classes is unpersuasive. In fact, even ComEd’s analysis shows that the
 407 increases for these customers would be enormous under ComEd’s illustrative rate.

408 • ComEd’s illustrative rates showing the next step increase in its delivery services
 409 rates to the ELLC and HV Over 10 MW classes are not justified. As shown in
 410 Mr. Terhune’s Direct and Rebuttal Testimony, ComEd improperly allocated costs
 411 to the ELLC and HV Over 10 MW customer classes by charging them for
 412 facilities that they do not use at all or only use in a *de minimis* manner. Further,
 413 as shown in Mr. Merola’s Direct and Rebuttal Testimony, ComEd has failed to
 414 accurately allocate its supply-related Customer Care Costs.

415 • ComEd should not be allowed to recover the Illinois Electricity Distribution Tax
 416 as a per kWh fee. This cost should correctly be recovered in ComEd’s
 417 Distribution Facilities Charge, just as it was prior to the 2010 ComEd Rate Case.

418 • ComEd has failed to address its UFE, which is similar to ComEd’s distribution
 419 loss factors that are being revised in this proceeding. The Commission should
 420 order ComEd to perform a study regarding the causes of UFE, directing ComEd
 421 to provide additional information that would enable the Commission and

422 interested parties to determine whether the UFE is being calculated properly and
423 allocated appropriately among customer classes.

424

425 **Q. Does this conclude your Rebuttal Testimony?**

426 A. Yes.