STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY	:	
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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.	:	No. 13-0387

INITIAL BRIEF OF COMMONWEALTH EDISON COMPANY

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INITIAL BRIEF OF COMMONWEALTH EDISON COMPANY

Commonwealth Edison Company ("ComEd"), by its counsel, in accordance with the Rules of Practice of the Illinois Commerce Commission (the "Commission" or "ICC") and the scheduling order of the Administrative Law Judges, submits this Initial Brief.

I. INTRODUCTION / STATEMENT OF THE CASE

Pursuant to Section 16-108.5(e) of the Public Utilities Act ("PUA") (220 ILCS 5/16-108.5(e)), ComEd filed tariffs to initiate this proceeding and provide the Commission and interested stakeholders with an opportunity to consider revenue requirement neutral changes to the allocation of delivery service costs among its rate classes, as well as possible changes to the rate design formula of Rate DSPP – Delivery Service Pricing and Performance ("Rate DSPP"). Brinkman Dir., ComEd Ex. 1.0, 3:56-4:66. This proceeding thus allows the Commission to evaluate possible revenue requirement neutral tariff changes for delivery services provided by ComEd. *Id.*, 4:69-71. This proceeding, however, is not about determining, or adjusting, ComEd's Commission-approved delivery service revenue requirement. *See* Section 16-108.5(e) of the PUA (220 ILCS 5/16-108.5(e)). Accordingly, ComEd did not propose any revenue requirement changes in this proceeding.

Along with its tariff filing, ComEd presented testimony, various embedded cost of service studies ("ECOSSs"), and corresponding rate design analyses highlighting the impact of the changes that would occur were the Commission to adopt any number of possible reallocations among customer classes of the costs of providing delivery service. *Id.* 5:93-7:117. Importantly, ComEd is proposing no changes to its Commission-approved: 1) rate design provisions of Rate DSPP; 2) rate design formula for determining delivery service charges; and 3) methodologies used to allocate costs across delivery service classes. *Id*. 7:120-23. Instead, consistent with Commission directives arising from ComEd's last general delivery service rate case, ComEd has provided the Commission with information to help it decide whether and to what extent ComEd's current ECOSS and rate design should be changed. *See* Docket No. 10-0467 ("2010 Rate Case"), Order dated May 24, 2011 as clarified in Docket No. 11-0721 ("2011 Formula Rate Case), Order dated May 29, 2012.

It is ComEd's position that allocation of costs and the assignment of revenue requirement responsibilities should be based on cost-causation principles. However, in this proceeding, ComEd is not recommending that the Commission adopt any particular changes to its current ECOSS, Rate DSPP cost allocation or rate design. *Id*. 7:130-34. Rather, ComEd looks to the Commission to evaluate the costs and benefits of various Staff and Intervenor proposals for modifications to the current ECOSS and rate design.

While ComEd generally did not take a position on these topics, there are certain issues about which ComEd does have a position. These issues concern the proper application of the law, potential negative impacts on revenue requirement neutrality, sound regulatory policy, or requests to reverse recent Commission decisions. For example, the City of Chicago and the Citizens Utility Board ("City/CUB"), and the Illinois Attorney General ("AG") each ask the

Commission to abandon its modified straight-fixed-variable ("SFV") rate design for residential customers, approved only 28 months ago in the 2010 Rate Case Order. As explained herein, City/CUB points to no new reason or change in circumstances warranting a reversal of the Commission's recent conclusion, and sound regulatory policy fully supports the use of an SFV rate design approach. Another example is REACT's[1] request to reduce ComEd's delivery service revenue requirement by approximately $190 million pursuant to a "Customer Care Cost" adjustment. Not only has the Commission rejected a similar argument from REACT in prior proceedings, this proceeding is not the forum to seek to adjust, let alone reduce, ComEd's delivery service revenue requirement. For the reasons set forth herein, the Commission should reject this REACT proposal.

In conclusion, the evidentiary record presents the Commission with a great deal of information to assess whether, and to what extent, ComEd's current ECOSS and rate design should be changed.

II. COST OF SERVICE AND ALLOCATION ISSUES

A. Overview

In its direct filing, ComEd presented a Rate Design Investigation ("RDI") ECOSS and six additional illustrative ECOSSs. Bjerning Dir., ComEd Ex. 3.0, 1:13-2:33. The RDI ECOSS is consistent with the ECOSS submitted to support the compliance filing made in accordance with the Commission's Order in the 2010 Rate Case, but it has been updated to (1) reflect ComEd's proposed updated standard meter service allowances and meter rentals; (2) remove references to two cost categories that are out of date; (3) incorporate updated information pertaining to

[1] REACT, "The Coalition to Request Equitable Allocation of Costs Together", is an *ad hoc* coalition comprised of some ComEd customers and competitive retail electric suppliers. REACT Pet. to Intervene, ¶ 1 (filed June 13, 2013). While these entities comprise REACT for purposes of this proceeding, REACT has reserved the right for each of its members to take individual positions in this proceeding. *Id*. ¶ 4.

distribution losses;[2] and (4) use the revenue requirement originally presented in the recently filed ComEd Formula Rate Update proceeding, Docket No. 13-0318 ("2013 FRU Case").[3] *Id.*, 19:373-21:410. The RDI ECOSS formed the basis for each of the additional six illustrative ECOSSs that ComEd provided in its direct filing. *Id.*, 23:422-423. The following additional cost studies were provided to incorporate the results relating to the various Commission directives:

- ComEd Ex. 3.10 is the ECOSS that incorporates all the findings and recommendations presented by Christensen Associates Energy Consulting, LLC ("CA") in its report, *Meeting, Commonwealth Edison's Distribution Allocation Requirements from Illinois Commerce Commission Order 10-0467*, ("CA Distribution Study"). ComEd Ex. 3.07. In particular, ComEd Ex. 3.10 incorporates the CA Distribution Study's findings and recommendations related to direct observation, the allocation of the costs associated with 4 kilovolt ("kV") facilities, sampling circuits, and treatment of assets used to serve Extra Large Load ("ELL") Delivery Class. Bjerning Dir., ComEd Ex. 3.0, 23:425-432;
- ComEd Ex. 3.12 is the ECOSS that incorporates only the CA Distribution Study's findings related to the allocation of costs associated with 4 kV facilities. *Id.*, 25:442-446;
- ComEd Ex. 3.14 incorporates the CA Distribution Study's findings related to direct observation, sampling circuits, and treatment of assets used to serve the

[2] See the direct testimony of Mr. Michael F. Born, ComEd Ex. 4.0.

[3] Note that ComEd also provided the 2013 FRU ECOSS (ComEd Ex. 3.04), which was submitted in its direct filing for the 2013 FRU Case. The 2013 FRU ECOSS differs in two ways from the RDI ECOSS in that it does not (1) reflect ComEd's proposed updated standard meter service allowances and meter rentals; and (2) remove references to two cost categories that are out of date.

ELL Delivery Class and excludes CA's findings related to the allocation of the costs associated with 4 kV facilities. *Id.*, 27:456-462;

- ComEd Ex. 3.16 is the ECOSS that incorporates the results of the Indirect Uncollectible Cost Study (ComEd Ex. 3.08). *Id.*, 28:472-29:477;
- ComEd Ex. 3.17 is the ECOSS that uses non-coincidental peak ("NCP") allocation factors that are determined on the basis of delivery classes for nonresidential and lighting customers but reduces the NCPs for the residential delivery classes proportionately so that the sum of these individual NCPs equals a single weather normalized NCP determined for the entire sector of residential customers. *Id.*, 30:487-496; and
- ComEd Ex. 3.18 is the ECOSS that uses NCP allocation factors that are determined on the basis of customer sectors. *Id.*, 32:506-512.

In addition to these seven ECOSSs, as Staff and Intervenors stated their positions, ComEd either verified the accuracy of a submitted ECOSS (*see* ComEd Exs. 7.01 and 7.02) or prepared additional ECOSSs to capture a proposal (*see* ComEd Exs. 14.01 and 14.02). In providing all these data, ComEd submitted evidence capturing the implications of all the revenue requirement neutral changes related to delivery service cost allocation that Staff and Intervenors have proposed.

ComEd has not taken a position regarding any ECOSS but has expressed concerns regarding certain proposals seeking to change the current Commission-approved ECOSS, as discussed further in Section II.C. of this Initial Brief. Ultimately, it is ComEd's position that the Commission should approve a cost of service study that is based on the Commission's long-standing commitment to cost causation principles. This will ensure that costs are allocated to customer classes fairly, with appropriate consideration of the impacts, practicality, and fairness of the methodologies and approaches proposed.

B. Potentially Uncontested Issues

1. Indirect Uncollectible Costs

At page 204 of the 2010 Rate Case Order, the Commission stated:

> In the future, (in ComEd's next rate case or rate design case) ComEd shall include the segregated indirect uncollectible costs in a cost of service study in a manner that Mr. Bodmer set forth in his rebuttal testimony. This study shall be part of ComEd's initial rate case filing in ComEd's next rate case.

In response to this Commission directive, ComEd prepared the Indirect Uncollectible Cost Study (ComEd Ex. 3.08), the results of which are reflected in the illustrative ECOSS identified as ComEd Ex. 3.16. Commission Staff ("Staff") and the AG both recommend that the Commission include the impacts of the Indirect Uncollectible Cost Study in the Commission-approved ECOSS in this proceeding.[4] Johnson Reb., Staff Ex. 4.0, 12:257-14:308; Rubin Dir., AG Ex. 1.0, 5:106-6:125. No other party commented on the Indirect Uncollectible Cost Study.

C. Potentially Contested Issues

1. Cost Allocation of Primary/Secondary Distribution System

a. Studies and Analysis Regarding Changes to Cost Allocations to Primary Service

(i) Extra Large Load and High Voltage Over 10 MW

REACT presented an analysis of the use of facilities that operate at 4 kV or are in a single-phase or two-phase configuration and how those costs should be allocated to customers in the Extra Large Load ("ELL") Delivery Class and a subdivision of the High Voltage ("HV")

[4] While commending ComEd on this particular study, City/CUB do not appear to take a position as to whether the Commission should adopt it. Bodmer Dir., City/CUB Ex. 1.0C, 12:194-199.

Delivery Class including only customers with loads over 10 megawatts ("HV Over 10 MW customers"). Terhune Dir., REACT Ex. 2.0, 23:549-33:781. REACT argues that based on this analysis the allocation of costs for such facilities should be limited to only the proportional *de minimis* use characteristic of the ELL and HV Over 10 MW customers. *Id.*, 34:806-813. In the RDI ECOSS and other illustrative ECOSSs, these costs are contained in the Shared Distribution Lines sub-function. Bjerning Reb., ComEd Ex. 7.0, 25:423-426. REACT proposes that the allocation in the ECOSS in the Shared Distribution Lines sub-function to the ELL and HV Over 10 MW customers should be reduced by one-third, or $9,261,212. Terhune Dir., REACT Ex. 2.0, 38:900-39:916; Bjerning Reb., ComEd Ex. 7.0, 27:436-447. However, REACT did not indicate to which other customers those costs should be reallocated. Bjerning Reb., ComEd Ex. 7.0, 5:62-68.

Subject to the concerns expressed in Section II.C.1.b. herein regarding the related REACT study, ComEd does not take a position with respect to this REACT proposed adjustment.

(ii) Single-Phase/Three Phase (Shared) Primary Separation

In the 2010 Rate Case, the Illinois Industrial Energy Consumers ("IIEC") argued in favor of further segmenting the primary voltage system costs between single-phase and three-phase sub-functions because these facilities serve largely different customer groups. Stephens Dir., IIEC Ex. 1.0, 4:81-88. In particular, IIEC claimed that single-phase distribution assets exist and serve exclusively or almost exclusively customers who take service at secondary voltages or secondary service customers. *Id.* IIEC continues to believe that customers who take service at primary voltages or primary service customers should not be allocated single-phase primary system costs as these facilities are used exclusively or almost exclusively by secondary service customers. *Id.* The RDI ECOSS identifies the costs of single-phase primary circuits as costs incurred to serve both primary and secondary service customers (included as shared costs in Shared Distribution Lines category of the ECOSS) because the circuits operate at primary voltage levels. *Id.*, 9:191-193. IIEC estimates that single-phase primary costs constitute 25% to 33% of primary facility costs. *Id.*, 11:244-245. IIEC argues for a 20% reassignment of primary voltage costs, thereby reallocating costs from the Shared Distributions Lines sub-function to the Secondary Voltage Distributions Lines sub-function in the ECOSS. Stephens Reb., IIEC Ex. 3.0, 3:3-9. ComEd calculated that this IIEC proposed adjustment would shift $54.26 million in costs away from nonresidential customers. Bjerning Sur., ComEd Ex. 14.0, 5:52. Of that amount, residential customers would absorb a $52.57 million cost increase, with the balance, $1.69 million, allocated to lighting customers. *Id*.

Subject to the concerns expressed in Section II.C.1.b. herein regarding a related IIEC study proposal, ComEd does not take a position with respect to this IIEC proposed adjustment.

(iii) Cost Allocation of Combination Poles

Combination poles in ComEd's distribution system carry equipment that serves both the secondary and primary voltage levels. O'Sheasy Reb., ComEd Ex. 11.0, 2:24-25. ComEd historically allocated the costs associated with these poles as 50% secondary costs and 50% primary costs. CA Distribution Study, ComEd Ex. 3.07 at 11. The CA Distribution Study concluded that while direct observation can provide information regarding the number of shared poles, it did not provide a basis for reallocating their costs. *Id.* CA concluded that the current 50/50 split of combination poles costs across secondary and primary voltages should be removed and that 100% of the costs of combination pole costs should be allocated to shared costs.

IIEC and CTA/Metra[5] take exception to this conclusion in the CA Distribution Study. ComEd takes no position with regard to this topic. However, the following paragraphs provide a brief review of the record in this regard.

CTA/Metra claims that CA inappropriately substituted its judgment for ComEd's engineers' judgment regarding the allocation of costs associated with combination poles. Bachman Dir., CTA/Metra Joint Ex. 1.0, 11:242-262. As part of its field review of combination poles, sizes of the poles and equipment on these combination poles were observed and recorded. O'Sheasy Reb., ComEd Ex. 11.0, 4:64-68. However, CA determined that its field observations were not helpful to a determination as to how the costs of such poles should be allocated. *Id.*, 4:71-76. Instead, this determination should be based on what caused the poles to be installed, or in other words, what caused the cost to be incurred. *Id.* Accordingly, CA interviewed ComEd distribution engineering personnel as to their construction practices. *Id.* CA's resulting recommendation to allocate 100% of the combination pole costs to shared costs was based on what it learned about ComEd's engineering construction practices as well as the experience of the CA project team.

IIEC argues that CA's determination to allocate 100% of combination pole costs to shared costs is not reasonable because it is based on a questionable premise that these poles exist to accommodate primary lines first and secondary customers would not pay their fair share of these costs. Stephens Reb., IIEC Ex. 3.0, 10:14-14:10. CA's recommendation is based upon the fact that a primary voltage system is necessary to serve a secondary voltage system efficiently. O'Sheasy Sur., ComEd Ex. 17.0, 4:83-86. Therefore, combination poles exist first to attach primary lines and to meet necessary safety clearances over roadways and from buildings.

[5] The Chicago Transit Authority and Northeast Regional Commuter Railroad Corporation d/b/a Metra ("CTA/Metra")

O'Sheasy Reb., ComEd Ex. 11.0, 4:82-84. The attachment of secondary lines to these poles is a convenience for secondary service. *Id.*, 4:84-85. Furthermore, secondary service customers would still be allocated an appropriate share of the costs of these poles under the CA Distribution Study's recommendation, just less costs than under the current methodology. Under the current method, 50% of the costs are directly allocated to secondary service and then these same customers are also responsible for a share of the 50% that is directly allocated to shared costs. Under CA's recommendation, the 50% directly allocated to secondary service customers is eliminated; however, these customers are responsible for a portion of the 100% of the combination pole costs allocated to shared costs. *Id.*, 5:96-107. It is CA's position that if its recommendation is accepted, the result will be a fairer cost allocation to secondary voltage service customers than the allocation under the current methodology. O'Sheasy Sur., ComEd Ex. 17.0, 2:25-29. Staff recommends that the Commission adopt CA's proposal regarding allocation of combination poles. Johnson Reb., Staff Ex. 4.0, 4:85-7:153.

b. Studies and Analysis Proposed Regarding Future Changes to Cost Allocations to Primary Service

(i) Shared Distribution Line Proportional Cost Assignment Study

IIEC, REACT and CTA/Metra all recommend that the Commission direct ComEd to undertake new studies that would further segment ComEd's distribution system as a prelude to reallocating its costs among the various customer classes.[6] These proposals thus present the same basic question – whether ComEd's distribution system can or should be further segmented in the interests of improving interclass cost allocation. No party in this proceeding disputes the Commission's long standing commitment to the application of the principle of cost-causation

[6] Because ComEd's concerns are the same for all of these studies, the proposed studies will be addressed together in this Section II.C.b.(i) of this Initial Brief.

when setting rates and the related ideal that the costs of the system should be borne by the cost causers. And of course statutorily, the Commission must favor allocating costs based on the concept of cost causation. 220 ILCS 5/1-102(a)(iv); 220 ILCS 5/16-108(c). However, as noted by ComEd witness Michael O'Sheasy, the proposed studies are "asking if the onion can be peeled back, if certain pieces can be subdivided and then allocated in a different fashion." O'Sheasy, 9/25/13, Tr., 349:4-6. These proposed studies thus all raise the fundamental question of whether ComEd's distribution system can or should be segmented in such a manner. ComEd does not take a position as to whether these proposed studies should be undertaken. However, ComEd has addressed several concerns that the Commission may want to consider when assessing these proposals. These concerns include the value of the information that would likely result from these studies, certain fairness questions that arise in determining the scope of the studies, as well as the burdens or costs of undertaking the studies. Each of these concerns will be addressed in the remainder of this section.

The methodologies/approaches that IIEC[7] and REACT[8] suggest for their proposed studies necessarily require determining the path of service for specific customers. The likely value of that sort of undertaking is at best problematic.

Generally, as dictated by least-cost principles, ComEd's distribution system is designed such that primary lines originate out of substations at three-phase service from which single-phase taps are split off to serve single-phase primary service level customers and/or secondary

[7] IIEC recommends that a study be undertaken to analyze whether to segregate the primary delivery system costs into single-phase and three-phase components and assign the single-phase components exclusively to secondary customers and to determine the method to estimate such costs. Stephens Dir., IIEC Ex. 1.0, 11:233-240.

[8] REACT asserts that the Commission should "direct ComEd to perform a statistically valid sampling study to determine, with a further degree of accuracy, the appropriate allocation of single-, two-, and three-phase primary lines costs as well as 4 kV costs" to the ELL Delivery Class and HV Over 10 MW customers based on their actual use of those facilities. Terhune Dir., REACT Ex. 2.0, 39:913-916.

service level customers requiring single phase service. O'Sheasy Reb., ComEd Ex. 11.0, 8:154-161. However, in certain instances, single-phase primary taps have been installed consistent with standard construction practices and may be replaced with three-phase taps when and if changes occur in load requirements. *Id.* Accordingly, path of service analysis provides, at best, insight based on conditions prevailing at the time of the study. But those conditions may and likely will change from time to time. O'Sheasy Reb., ComEd Ex. 11.0, 10:206-209. Of course ComEd is not alone in facing such ever-changing circumstances. The systems of other utilities are similarly dynamic. ComEd's consultant considered this very subject in preparing its report, the *Survey of Approaches to Distribution Cost Allocation By Voltage* ("CA Cost Allocation Study"), ComEd Ex. 3.09. CA queried utilities similar to ComEd regarding the allocation of costs by phase of service. The CA Cost Allocation Study results indicated that the "[d]istinction between single-phase and three-phase is not much of a costing issue for the survey respondents …." ComEd Ex. 3.09 at 16. CA thus concluded that, for cost of service purposes, the allocation of primary service costs according to phase of service is not standard practice in the electric utility industry. O'Sheasy Reb., ComEd Ex. 11.0, 10:194-196. CA's representative thus testified in this proceeding that studying paths of service may not be a useful exercise as paths can change. *Id.*, 10:206-209. As Mr. O'Sheasy testified regarding a study of the allocation of single and two-phase primary lines, "Not only would it be complicated, but it would basically be a snapshot in time. I'm not sure that snapshot in time wouldn't change." O'Sheasy, 9/25/13, Tr., 346:24-347:2. Due to the fact that such paths are variable, level of service, such as transmission, primary, and secondary, is the typical cost of service methodology used by utilities. *Id.*, 10:209-212.

ComEd also addressed certain basic questions of fairness attendant to undertaking these sorts of studies. Here particular customers, such as REACT, IIEC and CTA/Metra[9], identified equipment that they believe is not used to serve them to the same extent it serves others and propose excluding it from their cost allocation in the ECOSS. O'Sheasy Reb., ComEd Ex. 11.0, 11:213-216. This approach is short-sighted. Other customers likely make similar use of the equipment at issue in the studies. Conversely, there is likely to be other equipment that other customers do not use or use only in a *de minimis* manner. Further, any customer on ComEd's system could argue that it should not be allocated costs of facilities located in areas of ComEd's service territory that are remote from the customer's location. Bjerning, 9/24.2013, Tr., 27022-271:4.

Of course this is not the first time this sort of fundamental fairness question has been posed before this Commission in connection with proposed cost studies. Staff, through its witness Peter Lazare, in the 2010 Rate Case, expressed its concern in this regard. Thus, in that proceeding, Mr. Lazare called for rejection of an IIEC proposal to further segment ComEd's distribution system, describing the IIEC proposal there as one-sided. Bjerning Reb., ComEd Ex. 7.0, 27:449-28:472.

The record sheds further light on the sort of imbalance that concerned Staff and is potentially associated with the sort of analyses sought here by IIEC and REACT. Mr Bjerning for ComEd specifically addressed the complexities related to the extension of three-phase facilities that are not required to serve single-phase customers. Bjerning Sur., ComEd Ex. 14.0, 21:334-23:373. For example, if a local park district with three-phase load takes service for

[9] CTA/Metra propose that ComEd undertake a study to evaluate whether there are any cost causation impacts on ECOSS results due to the limited geographic nature of the Railroad Delivery Class. Bachman Dir., CTA/Metra Joint Ex. 1.0, 16:362-366.

facilities surrounded by a residential subdivision, ComEd would need to provide a three-phase primary voltage conductor in this subdivision in addition to (or instead of) the lower-cost single-phase primary voltage conductor needed for single-phase load. An argument could be made that the extra cost of the three-phase facilities in this example should not be allocated, or only the single-phase cost equivalent should be allocated, to the residential customers because three-phase facilities are not needed to serve the residential customers. *Id.*

Staff in this proceeding has again recognized the difficulties attendant to these sorts of segmented analyses, urging the Commission to exercise caution when considering requests to segment the distribution system when the same approach would apparently not be applied to all classes. Johnson Reb., Staff Ex. 4.0, 18:423-426. Staff notes that with such types of studies it is "[n]ot feasible to take a system that serves approximately 3.8 million residential, commercial, and industrial customers geographically scattered throughout a vast area of approximately 11,400 square miles and identify the exact components of that system that serves each customer and allocate those costs precisely such that only cost causers shoulder all their respective costs." *Id.*, 17:393-398. As ComEd pointed out, even-handedly applying the same cost allocation methodology to all customers would require that the study evaluate how each circuit is used by each delivery class and what voltage the circuit is operating at before, at, and after each of the 4.8 million service points in ComEd's service territory. Bjerning Sur., ComEd Ex. 14.0, 23:374-24:395. In short, an evenhanded approach to cost causation in this circumstance would be a challenging undertaking and, at best, would only represent a snapshot in time of ComEd's distribution system.

Finally, the record reveals that performing the analysis needed to conduct such studies in a manner that is fair to all customers would be resource intensive. As noted above, ComEd has almost 4.8 million service points connected to its almost 6,400 circuits. Bjerning Reb., ComEd Ex. 7.0, 28:481-30:518. Even if it were determined that statistically valid results might be obtained employing a sample size of 10% of these circuits, such a review would include 640 circuits comprising 6,500 circuit miles and approximately 480,000 meter points. Bjerning Sur., ComEd Ex. 14.0, 21:321-333. Of course, such an exercise does not include the further analysis needed to determine the proper cost allocations for the ECOSS and any associated proceeding or workshops for stakeholder review. *Id.*

Ultimately, the Commission must determine its policy with respect to distribution system segmentation and the related cost allocations. "ComEd's distribution system operates as a complex interconnected distribution system that provides reliable service consisting of approximately 6,400 circuits, many of which provide multi-path or back-up service to increase reliability." Bjerning Sur., ComEd Ex. 14.0, 6:78-81. To be clear, ComEd supports the development of delivery service charges based on cost causation principles. However, that principle should be applied in a reasonable and practical manner that is fair to all customer groups and that recognizes that ComEd's distribution system is complex, interconnected and built to serve all customers.

(ii) Single-Phase/Three Phase (Shared) Primary Separation Investigation/Workshop

See Section II.C.b.(i). herein.

(iii) CTA/Metra Geographical Study

See Section II.C.b.(i). herein.

c. <u>Cost Allocation of Facilities that Operate Below 12 kV – Railroad Delivery Class</u>

At page 191 of its 2010 Rate Case Order, the Commission directed ComEd to:

> … work with Metra and the CTA, and Staff if appropriate, to study, define, and delete from the costs assigned to the Railroad Class the costs that are associated with the 4 kV facilities that are not used to serve the Railroad Class. Pursuant to that effort, ComEd shall develop a new embedded cost of service study for the next rate case that excludes the costs that are associated with facilities below 12 kV from the Railroad Class. This study shall be part of ComEd's initial rate case filing. Failure to comply with any portion of this directive could subject ComEd to the penalties provided in the Public Utilities Act for failure to comply with a Commission Order

ComEd met the Commission's directive "to study, define, and delete from the costs assigned to the Railroad Class the costs that are associated with the 4 kV facilities that are not used to serve the Railroad Class." This analysis is contained in ComEd Ex. 3.07, the CA Distribution Study. Further, ComEd reflected the results of this study in two of the seven ECOSSs that ComEd provided in its direct filing. The ECOSS identified as ComEd Ex. 3.10 incorporates all of the CA Distribution Study's findings and recommendations, including the allocation of the costs associated with 4 kV facilities. Bjerning Dir., ComEd Ex. 3.0, 23:425-432. Also, the ECOSS identified as ComEd Ex. 3.12 incorporates only the CA Distribution Study's findings regarding the allocation of the costs associated with 4 kV facilities. Thus, the basic facts here are not in dispute. ComEd completed the study regarding 4 kV facilities as the Commission directed and ComEd reflected the results in two cost studies. CTA/Metra, for their part, have pointed out that neither ECOSS in which the findings associated with 4 kV facilities was reflected was designated as the RDI ECOSS. ComEd respectfully submits that the designation of the ECOSS does not in any way impair the Commission's ability to evaluate the impact of the study of 4 kV facilities.

Staff recommends that the Commission-approved ECOSS in this proceeding should include all of the CA Distribution Study's findings and recommendations except for the findings related to the 4 kV facilities. Johnson Dir., Staff Ex. 1.0, 4:81-87; Johnson Reb., Staff Ex. 4.0, 3:47-53. CTA/Metra disagree. Bachman Dir., CTA/Metra Joint Ex. 1.0, 9:197-10:237;

Bachman Reb., CTA/Metra Joint Ex. 2.0 Corr., 6:113-8:143. No other party commented on the CA Distribution Study related to cost allocation of 4 kV facilities to the Railroad Delivery Class.

2. Cost Allocation by Sector versus Delivery Class

On page 8 of the Commission's Order in Docket No. 11-0498, the Commission found that:

> Commonwealth Edison Company shall provide, in the next proceeding in which revenue neutral delivery service rate design issues are properly addressed, all parties thereto with an analysis of the impact on customer classes of reallocating NCP-related delivery costs using a single NCP allocator for the residential sector. This analysis should be provided at the outset of the proceeding, if it is initiated by a filing by Commonwealth Edison Company, including but not limited to a tariff filing. If such a proceeding is initiated by the Commission, the analysis must be provided on the date that Commonwealth Edison Company must submit its direct testimony or within 30 days of the initiation of the proceeding, whichever is later.

ComEd submitted two cost studies with the filing that initiated this proceeding to meet the Commission's directive. One ECOSS, ComEd Ex. 3.17, uses non-coincident peak ("NCP") allocation factors that are determined based on delivery classes for nonresidential and lighting customers, but reduces the NCPs for the residential delivery classes proportionately so that the sum of these individual NCPs equals a single weather normalized residential sector NCP. Bjerning Dir., ComEd Ex. 3.0, 30:487-496. A second ECOSS, ComEd Ex. 3.18, uses NCP allocation factors, which are determined based on customer sectors (residential, nonresidential, and lighting). *Id.*, 32:506-518.

The AG recommends that the Commission-approved ECOSS in this proceeding use NCP allocation factors that are developed based on customer sectors (ComEd Ex. 3.18). Rubin Dir., AG Ex. 1.0, 6:126-7:159. Staff objects to the AG's proposal to include the results of the all sector NCP analysis in the final Commission-approved ECOSS. Johnson Reb., Staff Ex. 4.0, 9:195-12:255. City/CUB indicate that the ECOSSs presented in ComEd Exs. 3.17 and 3.18 were not performed in response to any Commission directive. Bodmer Dir., City/CUB Ex. 1.0, 11:167-172. No other party specifically commented on the NCP analysis. Meanwhile, ComEd takes no position on this issue. However, ComEd notes that its RDI ECOSS was developed in accordance with Part 285 of the 83 Illinois Administrative Code and the Act and did not utilize sector based NCP allocation factors. Bjerning Reb., ComEd Ex. 7.0 13:206-14:212.

3. Other Cost Allocation Issues

a. Railroad Cost Allocation Adjustment (Related to ComEd's Use of Railroad Customer Facilities)

Staff recommended that the Commission approve Approach 2 of the *Use of Railroad Customers' Electric Traction Power Facilities* ("Railroad Facilities Report") (ComEd Ex. 4.03) (*see* Section IV.C herein). Rockrohr Dir., Staff Ex. 3.0, 15:296-301. In doing so, Staff noted that the annual credit of $678,104 provided to the Railroad Delivery Class for ComEd's use of its traction power stations in the 2010 Rate Case (Order at 275) should discontinue after ComEd eliminates its dependence on the railroad-owned equipment. *Id.*, 16:324-325.

ComEd has not recommended maintaining, modifying, or eliminating the annual credit to the Railroad Delivery Class in this proceeding. Bjerning Reb., ComEd Ex. 7.0, 9:148-153. ComEd does agree that to the extent the Commission direct ComEd to perform work to eliminate such dependence, then it would appear that the underlying rationale for the credit would no longer exist. *Id.*

b. Residential Cost Allocation Adjustment

City/CUB assert that ComEd has applied an overly broad approach to measuring "customer-related costs" in the ECOSS. Bodmer Dir., City/CUB Ex. 1.0C, 57:809-812. Based on its contention that most of those costs are not customer-related, City/CUB propose to reduce the allocation to the Multi Family Without Electric Heat ("MFNH") Delivery Class by 20% or

$55 million and increase allocation of these costs to Single Family Without Electric Heat ("SFNH") Delivery Class by 4% or $42 million. *Id.* at 57:815-819. The $13 million difference would be allocated to electric space heating residential customers. *Id.* While ComEd takes no position with respect to the interclass allocations that result with or without this adjustment, ComEd has pointed out that the City/CUB analysis is based on a faulty premise, namely that "fixed" or "embedded" customer costs consist only of the cost of meters and the cost of paper and stamps associated with sending customer bills.

City/CUB admit that they only focus on the capital cost of the meter and postage for bills and not the associated "overhead costs."[10] Bodmer Reb, City/CUB Ex. 2.0, 46:846-47:857. Furthermore, City/CUB claim that ComEd includes many costs in its customer cost categories that are not at all caused by changes in the number of accounts. Bodmer Dir., City/CUB Ex. 1.0, 61:897-899. The "overhead costs" that City/CUB choose to ignore are very real costs that ComEd incurs in serving customers including operations and maintenance, depreciation, labor, general plant, taxes and rate of return. Bjerning Sur., ComEd Ex. 14.0, 19:273-275; Donovan Reb., ComEd Ex. 9.0, 9:179-12:244.

The proper measurement of customer costs is not a new issue before this Commission. ComEd previously analyzed and demonstrated that additional or diminished usage by its customers does not impact these costs. Specifically, in response to the Commission's Initiating Order in Docket No. 08-0532 ("2008 ComEd Rate Design Investigation ("RDI")"), ComEd addressed customer billing costs, data management costs, installation costs, service drops, and

[10] City/CUB's "customer-related costs" of $458 million are comprised of $399 million for SFNH and MFNH delivery classes plus Metering Services Costs of $133 million minus Services costs of $74 million. Bjerning Reb., ComEd Ex. 7.0, 18:271-19:286. Further, Table 5 of City CUB Ex. 1.0C is not consistent with the allocation methodologies approved in the 2010 Rate Case Order. The actual percentages for customer-related costs for SFNH and MFNH are 29.3% and 37.9%, respectively of the Total Cost of Service (ComEd Ex. 3.16, 14:260). Bjerning Sur., ComEd Ex. 14.0, 18:255-262.

customer information costs and showed that the number of customers determines the level of these costs, not the amount of electricity used by ComEd's customers. *See*, 2008 RDI, ComEd Ex. 2.0, 23:497-29:606, ComEd Ex. 5.0C, 19:410-22:486, and ComEd Ex. 9.0, 8:164-10:212. ComEd witness Mr. Michael Meehan concluded that additional or diminished usage by its customers will not cause ComEd's billing and data management costs, customer installations costs, service costs, and customer information costs to increase or decrease. In addition, as Staff witness Mr. Peter Lazare testified in the 2008 RDI, ComEd's "allocation of these costs on a customer basis have been presented and reviewed… and found to be reasonable from a cost standpoint" (2008 RDI, Lazare Dir., Staff Ex. 1.0, 750-753). Donovan Reb., ComEd Ex. 9.0, 19:385-393. In the 2008 RDI Final Order, the Commission determined that ComEd's approach was reasonable except for only one category of costs.[11] 2008 RDI Final Order at 76-77. ComEd's analysis in the 2008 RDI was grounded in and consistent with its own extensive experience and the conclusion reached there remains valid today. Donovan Reb., ComEd Ex. 9.0. 19:392-393.

Simply focusing on the purchase price of the meter and cost of postage ignores many related costs associated with infrastructure, personnel and services associated with the meter in order to render the charges on a customer bill. Bjerning Sur., ComEd Ex. 14.0, 19:282-284. Further, ComEd demonstrated that usage by customers does not impact the cost categories at issue. As such, City/CUB arbitrarily limits the definition of "fixed costs," which undermines its analysis of how these costs should be allocated among customer classes.

[11] With respect to the City's arguments in the 2008 RDI, the Commission stated that "We note at the outset that the City raises many of the same arguments that it raised in the *Docket 07-0566* proceeding. Also, the City's position appears to be results driven in that it seeks to reduce rates for multi-family residential customers, without necessarily looking at cost-causation."

D. Overall ECOSS Recommendation

The record contains substantial information to assess whether, and to what extent, ComEd's current Commission-approved ECOSS should be modified. ComEd has not made a recommendation regarding which proposed modifications should be adopted. ComEd will implement the final Commission-approved ECOSS. ComEd notes that if the Commission directs ComEd to make adjustments to historical weather normalized billing determinants in the 2013 FRU Case, the ECOSS will be revised to provide for the incorporation of those adjustments in the determination of allocation factors, as applicable. Bjerning Dir., ComEd Ex. 3.0 34:536-539.

III. CUSTOMER CARE COSTS

Customer care or customer services costs encompass nearly every aspect of a customer's direct interaction with ComEd. These costs include all costs associated with meters, billing and mail services, customer contact services, account management services for large customers, managing the portfolio of ComEd's receivables, investigating consumption of inactive maters, meter audits, stuck meters and tampered meters, as well as the costs that are related to back office support of these departments, such as Information Technology, Finance, Support Services, Performance Assessment, Regulatory Programs, and Claims. Donovan Reb., ComEd Ex. 9.0, 9:180-185. REACT has repeatedly raised, and the Commission has repeatedly rejected, proposals to shift the recovery of a portion of these costs from the delivery service revenue requirement to ComEd's supply rates. *See*, the Docket No. 07-0566 ("2007 ComEd Rate Case") Order, 2008 RDI Final Order and ComEd 2010 Rate Case Order. In each instance, the Commission has determined that all of ComEd's customer service costs should be recovered in delivery service charges.

REACT now asserts that the Commission should revisit the customer care cost issue and proposes that the Commission reduce ComEd's delivery service revenue requirement by approximately $109 million. REACT asserts, and no one disputes, that customer switching has substantially increased since the issue was addressed in 2011 due in large part to municipal aggregation. Merola Dir., REACT Ex. 3.0, 9:207-10:215. REACT also asserts that Retail Electric Suppliers ("RESs") provide services to their customers that ComEd no longer has to provide, and that they incur the costs associated with these services that ComEd would have incurred had ComEd provided these services. *Id.* at 15:337-339. REACT, however, has offered no evidence to support this latter contention.[12]

REACT witness Merola has proposed that here $109.0 million of the $326.8 million[13] ComEd incurs in customer care costs should be removed from ComEd's delivery service revenue requirement and, instead, recovered through ComEd's supply charges. Merola Reb., REACT Ex. 6.0, 23:535-537. Mr. Merola's proposal here is simply REACT's latest attempt to allocate a portion of customer care costs to the supply function. In ComEd's 2007 Rate Case, REACT unsuccessfully proposed to reallocate exactly 40% of the total $162.2 million (or $64.9 million) in customer services costs to ComEd's supply function (2007 Rate Case Order at 207). In the 2008 RDI, REACT unsuccessfully proposed that approximately $88 million out of approximately $285 million in customer services costs be removed from ComEd's distribution revenue requirement and recovered from ComEd's supply function (2008 RDI Order at 62).

[12] In discovery, ComEd requested (1) the dollar amount of customer care costs incurred by each member of REACT that is a RES and recorded in that member's accounting records during 2012 and 2013, (2) a breakdown of these costs by cost category, (3) the dollar amount of customer costs incurred by any other RES within Mr. Merola's knowledge and recorded in the accounting records of that RES during 2012 and 2013, and (4) a breakdown of these costs by cost category. In response, Mr. Merola admitted that he had not compiled the requested information. See ComEd Cross Ex. 1 (Merola).

[13] Note that these amounts are based on the proposed revenue requirement in ComEd's initial filing in the 2013 FRU Case. Thus, these numbers are not amounts that are static for all cases.

Finally, in ComEd's 2010 Rate Case, REACT unsuccessfully proposed to reallocate approximately $60 million of $434 million in customer service costs to ComEd's supply function (ComEd 2010 Rate Case Order at 210-211).

Mr. Merola's arbitrary apportionment of certain of these costs between supply and delivery, in this proceeding, does not establish that any of those costs are attributable to supply. Of ComEd's 3.8 million customers, only 1.2 million customers still receive supply from ComEd. *See*, Donovan Reb., ComEd Ex. 9.0, 15:313-18:347. Yet, ComEd's customer service costs have not declined, they have increased.[14] Surely if they were attributable to supply, these costs would decline as ComEd's former supply customers switch to RES supply. Based on the record herein the Commission should affirmatively reject REACT's proposed adjustment.

REACT's adjustment is improper for another reason. REACT's proposal seeks to reduce ComEd's delivery service revenue requirement recoverable in delivery service charges. It is certainly not "revenue requirement neutral" and thus outside the purview of this proceeding.[15] However, to the extent the Commission dismisses REACT's proposal on this ground, it should be clear to convey to REACT that it is not encouraging REACT to raise this argument in some other forum. REACT has now had four bites at this apple. There is just no reason to provide them yet another.

Finally, ComEd observes that Staff analyzed REACT's customer care proposal and recommends that the Commission reject Mr. Merola's proposal. *See*, Johnson Reb., Staff Ex. 4.0, 35:807-826. ComEd agrees with Staff's analysis and supports Staff's recommendation.

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[14] For example, the annual spend for the Customer Contact Center (Call Center) increased from $25.8 million in 2010 to $36.6 million in 2012. Donovan Reb., ComEd Ex. 9.0, 16:328-330.

[15] See Section 16-108.5(e) of the PUA (220 ILCS 5/16-108.5(e)), which provides in part: "Nothing in subsections (c) or (d) of this Section shall prohibit the Commission from investigating, or a participating utility from filing, revenue-neutral tariff changes related to rate design of a performance-based formula rate that has been placed into effect for the utility."

IV. RATE DESIGN

A. Overview

When ComEd filed its tariffs to initiate this proceeding, it also presented sixteen populated rate designs, which were based upon the RDI ECOSS (ComEd Ex. 3.01) and the six additional illustrative ECOSSs that were submitted with the filing (*see* Section II.A of this Initial Brief). The various rate designs provide the computations of the individual delivery service charges. Specifically, the rate designs provided include:

- ComEd Ex. 2.03, the populated rate design submitted in ComEd's initial filing in the 2013 FRU Case. Tenorio Dir., ComEd Ex. 2.0, 5:105-107;
- ComEd Ex. 2.04, the populated RDI rate design[16] based on cost inputs from the RDI ECOSS and current revenue responsibility levels (ComEd Ex. 3.01). *Id.*, 12:205-216, 27:539-545;
- ComEd Ex. 2.06, the illustrative rate design based on cost inputs from the RDI ECOSS and a revenue responsibility for each delivery class equal to 100%. *Id.*, 31:598-600, 31:610;
- ComEd Ex. 2.07, the illustrative rate design based on cost inputs from the RDI ECOSS and the "next step" revenue responsibilities (*see* Section IV.C.2.b of this Initial Brief). *Id.*, 32:614-33:630;
- ComEd Exs. 2.08 and 2.09, the illustrative rate designs based on cost inputs from the illustrative ECOSS, ComEd Ex. 3.10. ComEd Ex. 2.08 reflects current

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[16] The RDI rate design differs from the 2013 FRU Rate design (ComEd Ex. 2.03) based on differences in (1) the cost allocations in the RDI ECOSS (ComEd Ex. 3.01) and 2013 FRU ECOSS (ComEd Ex. 3.04) and (2) the data inputs that reflect ComEd's proposal in the RDI rate design to offer light emitting diode ("LED") lighting units for the Fixture-Included Lighting Class. Tenorio Dir., ComEd Ex. 2.0, 12:205-216.

revenue responsibility levels, and ComEd Ex. 2.09 reflects revenue responsibility for each delivery class equal to 100%. *Id.*, 34:643-35:645;

- ComEd Exs. 2.10 and 2.11, the illustrative rate designs based on cost inputs from the illustrative ECOSS, ComEd Ex. 3.12. ComEd Ex. 2.10 reflects current revenue responsibility levels, and ComEd Ex. 2.11 reflects a revenue responsibility for each delivery class equal to 100%. *Id.*, 35:646-36:647;
- ComEd Exs. 2.12 and 2.13, the illustrative rate designs based on cost inputs from the illustrative ECOSS, ComEd Ex. 3.14. ComEd Ex. 2.12 reflects current revenue responsibility levels, and ComEd Ex. 2.13 reflects a revenue responsibility for each delivery class equal to 100%. *Id.*, 36:648-37:650;
- ComEd Exs. 2.14 and 2.15, the illustrative rate designs based on cost inputs from the illustrative ECOSS, ComEd Ex. 3.16. ComEd Ex. 2.14 reflects current revenue responsibility levels, and ComEd Ex. 2.15 reflects a revenue responsibility for each delivery class equal to 100%. *Id.*, 37:651-38:652;
- ComEd Exs. 2.16 and 2.17, the illustrative rate designs based on cost inputs from the illustrative ECOSS, ComEd Ex. 3.17. ComEd Ex. 2.16 reflects current revenue responsibility levels, and ComEd Ex. 2.17 reflects a revenue responsibility for each delivery class equal to 100%. *Id.*, 38:653-39:655; and
- ComEd Exs. 2.18 and 2.19, the illustrative rate designs based on cost inputs from the illustrative ECOSS, ComEd Ex. 3.18. ComEd Ex. 2.18 reflects current revenue responsibility levels, and ComEd Ex. 2.19 reflects a revenue responsibility for each delivery class equal to 100%. *Id.*, 39:656-40:657.

In addition to these sixteen rate designs, ComEd prepared and filed additional rate designs (*see* ComEd Exs. 6.01 through 6.03 and 13.01 through 13.05) to present information related to Staff and Intervenor positions offered in their direct and rebuttal testimonies, as applicable. ComEd submitted extensive evidence upon which the Commission can evaluate the rate implications of all the revenue requirement neutral changes related to delivery service rate design that the Staff and Intervenors proposed.

Based on the evidence presented, ComEd recommends that the Commission retain the Commission-approved SFV rate design structure for residential customers and nonresidential customers in the Watt-Hour Delivery Class. With the exception of SFV rate design, ComEd generally has not taken a position on any rate design issue. Ultimately, ComEd urges the Commission to approve a cost of service study and rate design that appropriately reflects cost causation, ensuring to the extent practical that all customers pay their fair share, with appropriate consideration for other important rate making principles as discussed further in Section IV.C herein.

B. Potentially Uncontested Issues

ComEd is not aware of any potentially uncontested issues with respect to rate design.

C. Potentially Contested Issues

1. Residential

a. Straight Fixed Variable (SFV)

The Commission-Approved SFV Rate Design Should Continue to be Used for Residential Customers

City/CUB propose that the Commission abandon its recent determination to adopt a modified SFV rate design for ComEd's four residential delivery service customer classes. Instead, City/CUB propose to restructure ComEd's residential rate design and impose a 19-tiered customer charge for multi family customers and a different 17 tiered customer charge for single family customers that are tied to customer usage. Bodmer Dir., City/CUB Ex. 1.0C, 6:6. The Commission should reject the City/CUB proposal, along with a similar proposal by the AG to retreat from the SFV rate design, as explained herein.

Sound regulatory policy encourages the recovery of fixed costs through fixed charges. Hanser Reb., ComEd Ex. 10.0, 2:24-25. That sort of pricing accurately signals to customers the costs of the service provided to them and thereby promotes efficient customer decisions. Hanser Reb., ComEd Ex. 10.0, 9:169-10:199, 26:511-27:517; Hanser Sur., ComEd Ex. 16.0 Corr., 8:142-146; 2010 Rate Case Order at pp. 231-32. Recovering fixed costs through fixed charges also makes sense, as the level of such costs do not change based on variations of customer usage. Brinkman Reb., ComEd Ex. 5.0 Corr., 7:129-31. An SFV rate design is structured so that a utility can recover more of its fixed costs through a fixed customer charge, consistent with cost causation principles and the practical realities of utility distribution systems. For ComEd, the evidence demonstrates that most of its costs to provide delivery service to customers are fixed. Hanser Reb., ComEd Ex. 10.0, 3:53-54; Hanser, 9/25/13, Tr., 207:19-208:4.

Consistent with the application of sound regulatory policy and the facts, the Commission approved a modified SFV rate design for ComEd in May 2011, in ComEd's last general delivery services rate case prior to the implementation of Rate DSPP. (2010 Rate Case Order dated May 24, 2011 at 218-232).[17] The question of whether an SFV rate design was appropriate for ComEd's residential customers was fully litigated in the 2010 Rate Case, and was even orally argued before the Commissioners. *Id*. (May 4, 2011). While the Commission did not adopt ComEd's preferred SFV rate design approach, it did approve a modified SFV rate design for

[17] The Commission's decision adopting an SFV rate design for residential customers was further clarified in the 2011 Formula Rate Case.

residential customers that allowed the recovery of 50% of ComEd's fixed costs through its fixed customer charge.[18] *Id*., pp. 231-32. Of course, to address the different characteristics of residential customers who live in single family homes versus multi-family homes, as well as electrically heated versus other residences, a different fixed charge is established for each of the four residential classes. Hanser Reb., ComEd Ex. 10.0, 8:161-9:166. Implementing the Commission Order in the 2010 Rate Case, ComEd began to apply the SFV rate design on June 1, 2011. *Id*., 8:156-59; Tenorio Reb., ComEd Ex. 6.0, 5:86-88.

In the 28 months that have passed since this SFV rate design was approved and went into effect, nothing has changed that warrants the Commission's reversal of this rate design approach for ComEd's residential customers. ComEd Ex. 2.33, Hanser Reb., ComEd Ex. 10.0, 11:217-221. Nonetheless, City/CUB and the AG propose that the Commission abandon the approved SFV rate design.[19] They would have the Commission reduce the level of fixed costs recovered through the fixed customer charge for some (but not all) residential customers and, instead, recover those costs through an increased variable, volumetric charge. Hanser Reb., ComEd Ex. 10.0, 3:53-57; Tenorio Reb., ComEd Ex. 6.0, 4:62-6:107; Tenorio Sur., ComEd Ex. 13.0 22:404-414. Thus, City/CUB and the AG reiterate claims that were considered and rejected in the 2010 Rate Case, without identifying any change of circumstances in the intervening 28 months that would require the Commission to reverse course.[20]

[18] In the 2011 Rate Case, ComEd proposed phase-in for the SFV rate design so that in year 3, 80% of its delivery service costs would be recovered through the customer charge. Hanser Reb., ComEd Ex. 10.0, 11:229-32; Tenorio Reb., ComEd Ex. 6.0, 4:65-5-88.

[19] *See*, Rubin Dir., AG Ex. 1.0, 21:449-459. While City/CUB claim that they do not seek elimination of SFV (Bodmer Reb., City/CUB Ex. 2.3 at 2); City/CUB arguments appear contrary to this assertion (Bodmer Reb., City/CUB Ex. 2.3 at 3, 4-6, 6-7, 7-8, 9, 10, 11, 12, 13-14, 15, 16-17, 18, 19-20, 20-21, 22, 23-24, 25, 26).

[20] ComEd presented rebuttal and surrebuttal testimony in this proceeding refuting these rejected claims, including claims that SFV rate design negatively impacts: 1) low use customers; 2) low income customers; 3) the development of energy efficiency and distributed generation efforts. See Hanser Reb., ComEd Ex. 10.0, 15:292-

The City/CUB and AG proposals to abandon ComEd's current, Commission-approved SFV rate design for residential customers should be rejected. The Commission has repeatedly recognized that sound regulatory policy supports the recovery of fixed costs through fixed charges. Not only has the Commission adopted an SFV rate design approach for ComEd, it also has authorized SFV rate design for other Illinois distribution companies: specifically, the Ameren Illinois gas utilities and Nicor Gas Company. Hanser Reb., ComEd Ex. 10.0, 12:233-39. Moreover, Illinois is not alone in utilizing SFV rate design. Among others, the Public Utilities Commission of Ohio ("PUCO") issued an order in August 2013 encouraging electric utilities to file an SFV rate design in their next rate case. Hanser Sur., ComEd Ex. 16.0 Corr, 12:213-220. In fact, PUCO went so far as to direct its Staff to develop an SFV rate proposal for any utility that does not file such a rate design in their next case. *Id*.

Meanwhile, the City/CUB proposal to move away from SFV rates for residential customers features a set of customer charges with 19 different tiers for multi family customers and a separate set of customer charges with 17 different tiers for single family customers. While it is obvious that the City/CUB proposed rate design would spawn considerable confusion for ComEd's residential customers, City/CUB presented no evidence on how their proposal would impact ComEd's residential customers. Tenorio Reb., ComEd Ex. 6.0, 19:298-311; Tenorio Sur., ComEd Ex. 13.0, 23:432-24:449. Nor did City/CUB explain how such a multi-tiered approach to residential charges would remain revenue requirement neutral. Tenorio Sur., ComEd Ex. 13.0, 24:452-456. Moreover, as Staff observed, the City/CUB proposal could add more complexity, confusion and frustration for customers, while creating more administrative costs for ComEd. Johnson Reb., Staff Ex. 4.0, 20:472-21:485.

28:541; Hanser Sur. ComEd Ex. 16.0 Corr., 3:45-12:220; Tenorio Dir. ComEd Ex. 2.33; Tenorio Reb., ComEd Ex. 6.0, 6:108-19:311.

ComEd's Commission-approved SFV rate design for residential customers is superior to the proposals presented by City/CUB and the AG. The current SFV rate design meets the rate design principles of economic efficiency, equity, revenue stability, bill stability and customer satisfaction. Hanser Sur., ComEd Ex. 16.0 Corr., 7:127. Accordingly, the Commission should affirm its 2011 decision and retain the SFV rate design approach in delivery service charges that apply to ComEd's residential customers.

b. <u>Consideration of low-use subclass</u>

The Evidence Demonstrates that ComEd Met the Commission's Directive to <u>Analyze the Impact of SFV Rate Design on Low Use Customers</u>

The Commission's Order in the 2010 Rate Case directed ComEd to analyze the impact of the approved SFV rate design for low use residential customers. 2010 Rate Case Order at 232. In response, ComEd conducted an extensive study which employed a direct comparison of the approved SFV rate design with a non-SFV rate design, using the same revenue requirement. Tenorio Dir., ComEd Ex. 2.0, p. 69; Tenorio Reb., ComEd Ex. 6.0,19:315-20:321. That analysis, the results of which are presented in ComEd Ex. 2.33, *Residential Electricity Usage and Bill Impacts of the Straight Fixed Variable Rate Design* ("Residential Usage Study"), was first submitted to the Commission and stakeholders on November 8, 2011. The analysis examined over 2.7 million residential customers to ascertain whether low-use customers were disproportionately affected under the SFV rate design structure. Ultimately, ComEd's analysis concluded that:

> [t]he observations and evidence studied in this analysis reveal that there is no cost basis for creating additional residential delivery classes within Commonwealth Edison Company's rate structure, nor is there a pervasive inequity that might warrant a restructuring of charges for delivery service within the existing residential delivery classes.

ComEd Ex. 2.33, pp. 1, 31.

City/CUB erroneously claim that the Company did not meet the Commission's directive on this issue. Bodmer Dir., City/CUB Ex. 1.0C, 7:113-8:115. The testimony of ComEd witnesses Brinkman and Tenorio explain in detail how its analysis of residential electricity usage and the impact of the SFV rate design meets the Commission's directive and why the City/CUB are incorrect in their claim. Brinkman Reb., ComEd Ex. 5.0 Corr., 4:71-84; Tenorio Reb., ComEd Ex. 6.0, 19:312-24:407. Moreover, no other party, including Staff, asserts that ComEd's Residential Usage Study fails to comport with the Commission's directive. For these reasons, the Commission should find ComEd's Residential Usage Study to be reasonable, and that it has met the Commission's directive from the 2010 Rate Case Order.

2. <u>Non-Residential</u>

a. <u>Preliminary Issues</u>

b. <u>Movement Toward ECOSS-Based Rates</u>

In the 2010 Rate Case Order, the Commission continued its "step" process to move nonresidential customers to cost based rates, including increases in revenue responsibility for the ELL, HV and Railroad delivery classes and corresponding decreases in revenue responsibility for the Small Load ("SL"), Medium Load ("ML"), Large Load ("LL"), and Very Large Load ("VLL") delivery classes. 2010 Rate Case Order at 259-260, 264. In this proceeding, the next step for the ELL and HV delivery classes would be the third of four steps, which results in the percentage of revenue responsibility to move to 84.2% and 90.7% respectively. Tenorio Dir., ComEd Ex. 2.0, 25:492-498. The next step for the Railroad Delivery Class would be the second of ten steps, which result in the percentage of revenue responsibility to move to 82.6%[21]. *Id.*

[21] ComEd notes that this "next step" results in a decrease in revenue responsibility for the Railroad Delivery Class. See Tenorio Dir., ComEd Ex. 2.0, 33:630 (Table CST-D9).

The resulting revenue responsibility percentage for the SL, ML, LL and VLL delivery classes moves to 101.1%. *Id.*, 25:498-500. ComEd Ex. 2.07 is an illustrative rate design that reflects this next step movement towards cost based rates.

It is ComEd's understanding that Staff (Johnson Reb., Staff Ex. 4.0, 3:54-58 and Attachment 4.03), The Kroger Company ("Kroger") (Townsend Dir., Kroger Ex. 1.0, 7:141-8:162), and IIEC (Stephens Dir., IIEC Ex. 1.0, 12:257-14:313) all incorporate the next step movement to cost based rates in their proposals. The Commercial Group ("CG") incorporates the next step revenue responsibilities for the ELL and HV classes but recommends that the Railroad Delivery Class be moved a third of the way towards cost based rates. Chriss Reb., CG Ex. 1.0, 6:137-145. Kroger appeared to support the next step rate design presented in ComEd Ex. 2.07. ComEd developed next step rate designs based upon the proposals presented by Staff, IIEC, and CG and presented them in ComEd Exs. 13.01, 13.04, and 13.05, respectively. REACT argues that the Commission should reject any rate design that incorporates the next step revenue responsibilities or 100% revenue responsibilities for all delivery classes. Fults Dir., REACT Ex. 1.0, 20:460-469. ComEd notes that these various rate design proposals are based upon cost inputs from different ECOSSs. No other party took a position on the next step movement to cost-based rates.

c. Straight Fixed Variable for Watt-Hour Delivery Class

The Commission adopted the modified SFV rate design for nonresidential customers in the Watt-Hour Delivery Class in the 2010 Rate Case Order (pp. 231-232). ComEd is aware of no proposal that recommends elimination of this rate design for the Watt-Hour Delivery Class. For all the reasons stated in Section IV.C.1.a of this Initial Brief, the SFV rate design should be retained for these nonresidential customers.

3. **Street Lighting**

Belatedly presented in rebuttal testimony[22], City/CUB question the design of ComEd's delivery service charges for dusk to dawn street lighting customers, claiming that ComEd's delivery service charges for those customers have been incorrect since June 1, 2011. Bodmer Reb., City/CUB Ex. 2.0, 9:181-13:264. City/CUB argue that the 2010 Rate Case Order required delivery service charges for the City of Chicago dusk to dawn street lighting customer that are different from and less than those applicable to other municipal dusk to dawn lighting customers. Bodmer Reb., City/CUB Ex. 2.0, 13:247-257. To support their argument, City/CUB rely on the following finding at page 280 of the 2010 Rate Case Order:

> So that the record is clear, the "Chicago Method" is again adopted here. The Commission further cautions that use of the "Chicago Method" by other municipalities must take into account alley lighting. Many municipalities in Illinois do not have alleys, and therefore, do not have alley lighting. Other municipalities using this method must state whether they have alleys and appropriately account for the difference used by the City of Chicago and the respective municipality(s).

ComEd disagrees with City/CUB's reading of the 2010 Rate Case Order for several reasons. First, as provided in the 2010 Rate Case Order, the Chicago Method is "City witness Bodmer's proposed method for determining secondary costs for street lighting customers." 2010 Rate Case Order at 275-276. ComEd fully complied with the Commission's directive pertaining to the adoption of the Chicago Method in the development of the costs included in the ECOSS used to support the delivery service charges filed in compliance with the 2010 Rate Case Order. Tenorio Sur., ComEd Ex. 13.0, 36:685-688. The City/CUB interpretation of the Commission's directive apparently extends beyond cost allocation. *Id.*, 36:691-694. Second, Staff has

[22] ComEd notes that because this argument was first made in rebuttal testimony, Staff and other Intervenors were not afforded an opportunity to respond. Only ComEd was provided one chance to respond in surrebuttal testimony.

reviewed ComEd's five compliance filings since the Commission issued the 2010 Rate Case Order.[23] At no time during those reviews did Staff indicate that a separate set of delivery service charges for the City of Chicago's lighting customer should have been included. *Id.*, 36:702-704. Third, when ComEd is directed to implement charges for a specified group of customers that differ from those applicable to other customers in the same delivery class, the Commission typically provides instruction specifying how charges for other customers should be developed to account for any differences in revenue responsibility. *Id.*, 36:704-37:709. The 2010 Rate Case Order provides no such instruction. *Id.* Finally, the Commission generally avoids developing regional or location specific rates. *See e.g.*, *In re Commonwealth Edison Co.*, Docket No. 78-0045 Order, December 13, 1978 at 13 (Consolidation of rate schedules for service inside Chicago and service outside Chicago "would reduce confusion and promote better understanding of electric rates" and "make Edison's rates more easily understood and is in the public interest.")

However, if it is determined in this proceeding that the delivery service charges for the City of Chicago dusk to dawn lighting customer should be less than those applicable to other municipal dusk to dawn lighting customers, the Commission would need to instruct ComEd on how to allocate the revenue shortfall that ComEd would no longer be recovering from the City of Chicago's dusk to dawn lighting customer. Tenorio Sur., ComEd Ex. 13.0, 37:721-723. For example, the Commission could direct ComEd to correspondingly increase the delivery service charges for other municipal customers within the Dusk to Dawn Lighting Delivery Class, who may or may not be participating in this proceeding. *Id.*, 37:723-727.

[23] Compliance filings pursuant to the 2010 Rate Case Order, 2011 Formula Rate Case Order, 2011 Formula Rate Case Order on Rehearing, Docket No. 12-0321 ("2012 FRU Case") Order, and the legislation enacted May 22, 2013 (Public Act 98-0015). Tenorio Sur., ComEd Ex. 13.0, 34:663-35:667.

4. **Illinois Electricity Distribution Tax**

REACT argues that the Illinois Electricity Distribution Tax Charge ("IEDT") should be changed and recovered through the application of a $/kilowatt ("$/kW") charge rather than the current $/kilowatt hour ("$/kWh") charge for nonresidential customers. The current recovery of the IEDT ($/kWh) reflects the way the tax is imposed on ComEd. Tenorio Reb., ComEd Ex. 6.0, 35:628-630. The current methodology was approved by the Commission in the 2010 Rate Case Order. In particular, at page 285 of the 2010 Rate Case Order, the Commission found:

> In the Ameren rate cases, the Commission reviewed the legislative history of the Public Utilities Revenue Act ("PURA") and determined that the General Assembly intended "to replace the invested capital/plant in service tax with a kWh tax in response to the changing nature of the Illinois electric utility industry." (Ameren Order at 243). The legislature was anticipating that vertically integrated utilities like ComEd and Ameren might shed their generation assets (a significant part of plant in service), an event that has, in fact, occurred.
>
> The Commission agrees with Staff that since the IEDT is related to usage, cost causation principles would argue for recovery through a per-kWh charge from all customers. The proposed change would have no impact upon residential, watt-hour and lighting customers because costs associated with the Illinois Electricity Distribution Tax are already recovered through per kWh DFCs for these customers. This is not a tax imposed on customers but rather is directly imposed on ComEd. Therefore, 70 ILCS 3605 does not apply to the IEDT tax imposed on ComEd and the Commission finds that the CTA is responsible for this tax. In light of the Commission's prior treatment of the Illinois Electricity Distribution Tax in the Ameren Order, the Commission adopts ComEd's proposal to modify its rate design to provide a separate volumetric charge for the recovery of the Illinois Electricity Distribution Tax and uncollectible costs associated with the application of the tax for all of the reasons stated herein.

The methodology used to apply the IEDT to nonresidential customers as reflected in ComEd's illustrative rate designs is consistent with both how ComEd is charged the tax ($/kWh) and the Commission's finding in the 2010 Rate Case Order.

5. <u>Other Issues</u>

D. <u>Overall Recommended Rate Design</u>

For all the reasons set forth in Section IV. C.1.a of this Initial Brief, the Commission should uphold its 2011 decision to allow ComEd to use an SFV rate design approach for setting rates for the residential and watt-hour delivery classes. Otherwise, ComEd has not made a recommendation regarding any particular rate design. ComEd will implement the final Commission-approved rate design in this proceeding.

V. <u>OTHER MISCELLANEOUS CHARGES AND FEES AND CORRESPONDING TARIFF REVISIONS</u>

A. <u>Potentially Uncontested Issues</u>

1. <u>Metering Facilities Lease Charges and Standard Meter Allowances</u>

ComEd proposes to update the Standard Meter Allowances and the Monthly Rental Charges provided in Rider ML – Meter Related Facilities Lease. ComEd is also introducing a new Monthly Rental Charge for meters that operate within the developing smart grid infrastructure. Tenorio Dir., ComEd Ex. 2.0, 57:761-59:794; Tenorio Sur., ComEd Ex. 13.0 38:730-734. No party objected to the ComEd proposal. Therefore, the Commission should approve the proposed Standard Meter Allowances and the Monthly Rental Charges.

2. <u>Light Emitting Diode Lighting Units</u>

ComEd proposes to offer two Light Emitting Diode ("LED") lighting units for the Fixture-Included Lighting ("FIL") Delivery Class. Tenorio Dir., ComEd Ex. 2.0, 59:795-62:860. Because these units provide comparable light output to their mercury vapor counterparts, but at lower electricity consumption levels, ComEd believes the units offer customers an energy efficient alternative. *Id.*, 59:799-802. Staff recommends the adoption of ComEd's proposal to offer two new LED lighting units and also notes that corresponding changes should be made to cost allocations and rate design to account for this proposal. Allen Dir., Staff Ex. 2.0, 2:31-33, 4:71-74. No party objected to ComEd proposal. Therefore, the Commission should approve the two new LED lighting units for the FIL delivery class.

3. Other Miscellaneous Charges and Fees except for Invalid Payment Fee and Reconnection Fee

ComEd proposes updates the following miscellaneous charges:

- Split Load DASR (by meter) and Split Load DASR (by percent or first through meter) – Rate RDS – Retail Delivery Service ("Rate RDS");
- Nonstandard Switching Fee – Rate RDS;
- Off-Cycle Termination Fee – Rate RDS;
- MSP Meter Reading Charges – Rate MSPS – Metering Service Provider Service ("Rate MSPS");
- Meter Equipment Removal Charges – Rate MSPS;
- MSP-Requested Work – Rate MSPS;
- CATV Power Supply Test Fee - General Terms and Conditions ("GTC");
- Duplicate Information Fee – GTC; and
- Interval Data Fee - GTC.

Tenorio Dir., ComEd Ex. 2.0, 62:862-63:877. No party objected to ComEd proposed updates to these miscellaneous charges. Therefore, the Commission should approve the updated charges proposed by ComEd.

4. Corresponding Tariff Revisions

ComEd proposes to revise a number of tariffs sheets in order to reflect the updates in these various miscellaneous charges and fees that have been proposed. These tariff sheets were filed on April 30, 2013. Tenorio Dir., ComEd Ex. 2.0, 64:878-883. No party objected to ComEd proposed revisions; thus, the Commission should approve the revised tariffs with modifications as described by ComEd. Tenorio Sur. ComEd Ex. 13.0 38:737-743.

B. <u>Potentially Contested Issues</u>

1. <u>Invalid Payment Fee</u>

ComEd Ex. 2.29 contains ComEd's proposal to increase the Invalid Payment Fee from \$21.00 to \$34.10. The Invalid Payment Fee is a charge that is imposed on a customer whose check or electronic payment in not honored by the bank for a variety of reasons including insufficient funds in the customer's financial account, the customer's financial account may no longer be open, or the financial institution's account or routing numbers may have been transposed during the process. The proposed increase reflects the fact that the current fee is below cost and ComEd's costs have increased. The single largest driver of the increase is an increase imposed upon ComEd from its financial institution from \$1.60 to \$7.00. Donovan Reb., ComEd Ex. 9.0, 7:139-10:147.

In direct testimony, the AG recommended that ComEd not be permitted to increase the Invalid Payment Fee at this time, contending that ComEd's calculation of the proposed Invalid Payment Fee contains erroneous assumptions with regards to the number of customer calls received and manual processing time. Rubin Dir., AG Ex. 1.0, 9:192-194. Specifically, the AG took issue with ComEd's calculation of the special handling charge (*Id.*, 9:195-10:204) and personnel processing time (*Id.*, 10:205-211).

In rebuttal testimony, ComEd witness Donovan reiterated the fact that ComEd's costs have increased due to the financial institution fee increase and an increase in the number of customer calls received and manual processing time. Donovan Reb., ComEd Ex. 9.0, 7:127-

8:147. In its rebuttal, the AG continued to argue that ComEd's analysis regarding various assumptions used in the invalid payment fee calculation were incorrect. Rubin Reb., AG Ex. 3.0, 7:130-8:155. However, the AG did not address ComEd's assertion that its costs have increased due to a financial institution fee increase from $1.60 to $7.00.

In surrebuttal testimony, Mr. Donovan again stated ComEd's position that costs should be paid by those causing ComEd to incur the costs. Donovan Sur., ComEd Ex. 15.0, 3:46-47. Of course, ComEd will apply the Invalid Payment Fee adopted by the Commission in this proceeding.

2. <u>Reconnection Fee</u>

ComEd's Reconnection Fee is assessed to a customer's account when service is terminated at the premises due to non-payment and then later reconnected after the payment is received. Donovan Reb., ComEd Ex. 9.0. 8:164-165. In this proceeding, ComEd has proposed to increase the Reconnection Fee from $56.50, as approved by the Commission in the 2010 Rate Order, to $63.43. *See*, ComEd Ex. 2.30. Under ComEd's proposal, the same Reconnection Fee would apply to both standard meters and smart meters (i.e., Advanced Metering Infrastructure ("AMI") meters) because there is no substantial difference in the costs of reconnecting customers with standard meters and those with smart meters. While smart meters do have the capability for remote disconnection and reconnection, ComEd only uses the remote functionality when there is usage identified and measured on a meter at a premises but there is no retail customer on record to receive a bill associated with this usage. Donovan Reb., ComEd Ex. 9.0, 9:170-177. Despite this fact, Staff recommends that ComEd have two reconnection fees: a fee of $63.43 for customers with standard meters and another fee of $9.56 for customers with smart meters. Allen Dir., Staff Ex. 2.0, 5:106-6:115.

ComEd is generally indifferent to how the reconnection charges are structured and will implement the Reconnection Fee adopted by the Commission in this proceeding. However, a two tier proposal seems inappropriate considering the costs involved. Donovan Sur., ComEd Ex. 15, 2:29-30. The uncontroverted evidence shows that for purposes of disconnecting a smart meter, ComEd follows the current practice utilized for all self-contained meters where the meter is physically removed, plastic sleeves are installed to prevent the flow of current, and the meter is reinstalled in the fitting. In order to re-energize a premises, the meter must again be removed, the plastic sleeves must be removed from the meter, and the meter again reinstalled back into the fitting. Therefore, remote reconnection, even for smart meters, is not an option as a site visit cannot be avoided. *Id.*, 33-39. The Reconnection Fee adopted in this proceeding should be based on the Commission's long-standing application of cost causation principles and the evidence supports the fact that there is no difference in the costs to reconnect the two types of customers (those with and without smart meters). While ComEd believes that its proposed Reconnection Fee is appropriate, ComEd will implement the reconnection fee adopted by the Commission in this proceeding.

VI. <u>OTHER</u>

A. <u>Distribution System Losses</u>

1. <u>Distribution System Loss Study</u>

When ComEd filed its tariffs to initiate this proceeding, it also submitted its Distribution System Loss Study (ComEd Ex. 4.01), which is used to develop the distribution losses that are used in preparing the ECOSS. Born Dir., ComEd Ex. 4.0, 5:95-96. In particular, the distribution losses are used to determine the coincident and non-coincident peak demands by delivery class used to allocate the cost of distribution facilities that provide service among the delivery classes. *Id.*, 5:96-99.

Staff found that ComEd's general methodology used in the Distribution Loss Study to be appropriate but determined several corrections were needed to ComEd Ex. 4.01. Rockrohr Dir., Staff Ex. 3.0, 2:45-3:62. ComEd prepared a revised Distribution System Loss Study, ComEd Ex. 8.01, which corrected the inadvertent errors identified by Staff. Born Reb., ComEd Ex. 8.0, 3:48-60. Staff recommends that the Commission adopt the corrected Distribution System Loss Study, ComEd Ex. 8.01, for this proceeding. Rockrohr Reb., Staff Ex. 6.0, 3:51-55.

2. <u>Secondary and Service Loss Study</u>

On page 291 of the 2010 Rate Case Order, the Commission directed ComEd to separately consider the secondary and service elements in the Distribution System Loss Study. Secondary elements consist of low voltage conductors that can deliver electricity to multiple customers, such as those conductors that exist along streets, alleys, and within utility easements. Born Dir., ComEd Ex. 4.0, 7:128-133. The service elements consist of those conductors on private property that deliver electricity to one or more individual customers at a single premises. *Id.* This Study provides the basis for estimating the peak losses in secondary and service conductors by customer category. *Id.*

On page 82 of the 2012 FRU Order, the Commission found:

> Both Staff and ComEd find the short time deadlines in Section 16-108.5 to be so restrictive as to preclude ComEd from being able to conduct a Secondary and Service Loss Study in a manner that includes a representative sampling therein. The Commission notes that this is some indicia that the short time deadlines in this statute do not provide any of the parties with adequate time to conduct discovery and present evidence. However, it is not contested that ComEd shall be required to update its DLF Study and its Secondary and Service Loss Study in its revenue-neutral cost of service and rate design case, which will be filed in the first half of 2013. At that time ComEd shall file studies that do not have significant gaps in accuracy, such as the Secondary and Service Loss

> Study that was presented in this case. Any failure to do so will be considered to be ignoring a Commission Order.

In response to the Commission directive and following discussions with Staff, ComEd submitted in this proceeding a Secondary and Service Loss Study, ComEd Ex. 4.02, that sampled actual data for the four most populated customer categories (Single Family, Multi Family, Multi Family with Space Heat, and the Small Load nonresidential category). Born Dir., ComEd Ex. 4.0, 9:172-176.

Based on the results of the four categories that were sampled, Staff recommended that ComEd expand its sample of customers in its other customer categories that use both secondary and service elements. Rockrohr Dir., Staff Ex. 3.0, 7:135-137. Staff acknowledges that the expanded sample may not result in a reduction in the secondary and services losses for all of the other categories, but the expanded sample would provide a more accurate estimate of these losses. *Id.*, 7:143-148. The Commercial Group argues that the Commission should reach no conclusions in this proceeding concerning the Secondary and Services Study until that study has been extended to all classes. Chriss Reb., CG Ex. 1.0, 3:62-63.

ComEd has agreed to conduct a field survey of the remaining categories that use secondary and service conductors, which includes Single Family With Electric Heat, Watt-Hour, Medium Load (100 to 400 kW), Large Load (400 to 1,000 kW), Very Large Load (1,000 to 10,000 kW), Extra Large Load (Over 10,000 kW), and Lighting. Born Reb., ComEd Ex. 8.0, 4:70-73. ComEd proposes to submit the updated Secondary Service Loss Study in the 2014 Formula Rate Update proceeding. *Id.*, 4:73-74.

B. Unaccounted For Energy

REACT proposes a study regarding Unaccounted for Energy ("UFE") charges.[24] Fults Dir., REACT Ex. 1.0, 23:534-28:631. UFE relates to wholesale electricity matters. Brinkman Reb., ComEd Ex. 5.0 Corr., 10:207-11:217; Tenorio Reb., ComEd Ex. 6.0, 39:726-727. However, this proceeding was initiated to investigate ComEd's *retail delivery service* cost allocation and rate design in a revenue requirement neutral manner under Section 16-108.5(e) of the PUA. As such, UFE is outside the scope of this proceeding. Furthermore, UFE is not within the purview of the Commission because wholesale electricity issues are the exclusive jurisdiction of the Federal Energy Regulatory Commission. *See* 16 USC 824(b).

To the extent REACT is referring to charges that are imposed on customers by RESs, again such charges are outside the scope of this proceeding because ComEd is not and cannot be party to competitive contractual arrangements between RESs and their customers. Tenorio Reb., ComEd Ex. 6.0, 38:704-39:727. Additionally such arrangements are not subject to the Commission's authority. *Id.* *See also* 220 ILCS 5/16-115B.

Finally, ComEd notes that under the Energy Infrastructure Modernization Act ("EIMA"), UFE is one of the performance metrics in the Commission-approved Multi-Year Performance Metrics Plan. Tenorio Sur., ComEd Ex. 13.0, 32:615-622. Accordingly, the Commission will be provided information on that subject in accordance with that plan.

C. Railroad Customers - Utilization of Railroad Customers' Facilities Report

On page 274 of the 2010 Rate Case Order, the Commission directed ComEd as follows:

> [W]ithin one year from the date that a Final Order issues in this docket, ComEd shall file a report, clearly identifying it as required by Docket No. 10-0467, which identifies and describes solutions to eliminate ComEd's

[24] ComEd notes that REACT refers to "UFE charges;" however, ComEd does not have a "UFE charge" in its Schedule of Rates. Tenorio Reb., 38:692-704.

> dependence on, and use of, each of the CTA-owned and Metra-owned railroad traction power substations to supply its other customers, and include estimated costs to implement each solution. … At the time of its next rate case filing, ComEd shall file an updated copy of the report to reflect any progress parties have made in eliminating ComEd's use and dependence upon Railroad Customer facilities.

The Railroad Facilities Report, which proposes two approaches to eliminate ComEd's dependence on the railroads' traction power stations, was submitted in ComEd's direct filing as ComEd Ex. 4.03.

Staff recommended that the Commission adopt Approach 2 contained in the Railroad Facilities Report. Rockrohr Dir., Staff Ex. 3.0, 15:296-16:337. Staff also recommends that ComEd should immediately take steps to implement Approach 2 and that ComEd provide an estimated schedule to complete the work necessary to implement Approach 2. *Id.* CTA/Metra recommend that the Railroad Facilities Report should be used as guidance, along with operational and economic considerations, to determine whether and when the railroads' traction power substations may be modified. Bachman Dir.,CTA/Metra Joint Ex. 1.0, 14:314-329. CTA/Metra also note that because the railroads' traction power substations have been served the same way by ComEd for the last several decades with no apparent problems, it seems reasonable to convert the ComEd service over time in a cost-effective and prudent manner as operational and economic considerations merit. *Id.* Further, CTA/Metra state that they should not pay for the changes made under Approach 2 by ComEd, because the ComEd system costs were not requested and are not necessary for railroad delivery service. Bachman Reb., CTA/Metra Joint Ex. 2.0 Corr., 5:84-87.

ComEd provided an estimated schedule as requested by Staff for the Commission to consider in determining when and if to implement any approach. Born Reb., ComEd 8.0, 8:167-9:171.

D. <u>Rate BES Electric Supply Charges</u>

Staff originally recommended that supply related subsidies for dusk-to-dawn lighting customers be addressed in this proceeding. Johnson Dir., Staff Ex. 1.0, 32:693-33:702. In rebuttal testimony, ComEd noted that this proceeding was initiated to investigate its delivery service rate design, and as such, may not be the appropriate proceeding to investigate supply-related rate design. Tenorio Reb., ComEd Ex. 6.0, 37:677-679. ComEd stated alternatively the Commission could initiate a separate proceeding to address this issue. *Id.*, 37:685-686. If the Commission did decide to review the supply-related rate design in this proceeding, ComEd provided the current level of subsidization and two possible methodologies to implement a movement toward cost-based charges. *Id.*, 37:679-38:688. Staff, in rebuttal testimony, agreed that the issue should be addressed in a separate proceeding and recommends "that the Commission initiate a Section 9-250 proceeding to address issues related to supply rate design regarding non-residential space heat customers and dusk-to-dawn lighting customers." Johnson Reb., Staff Ex. 4.0, 31:711-716. ComEd does not object to this proposal.

VII. CONCLUSION

The Commission should approve a cost of service study and delivery service charges based on traditional cost-causation principles to ensure all customers are paying their fair share, with appropriate consideration for the foregoing concerns raised by ComEd.

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Respectfully submitted,

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