

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Commonwealth Edison Company :
: **Docket No. 13-0387**
Revenue-neutral tariff changes :
related to rate design :

INITIAL BRIEF OF THE STAFF
OF THE ILLINOIS COMMERCE COMMISSION

JESSICA L. CARDONI
JOHN C. FEELEY
KELLY A. TURNER
Office of General Counsel
Illinois Commerce Commission
160 North LaSalle Street, Suite C-800
Chicago, IL 60601
Phone: (312) 793-2877
Fax: (312) 793-1556
jcardoni@icc.illinois.gov
jfeeley@icc.illinois.gov
kturner@icc.illinois.gov

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*Counsel for the Staff of the
Illinois Commerce Commission*

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Staff of the Illinois Commerce Commission (“Staff”), by and through its counsel, pursuant to the direction of the Administrative Law Judges (“ALJs”) and Section 200.800 of the Illinois Administrative Code, respectfully submits its initial brief in the above-captioned matter.

I. INTRODUCTION / STATEMENT OF THE CASE

On April 30, 2013, Commonwealth Edison Company (“ComEd” or “Company”) filed with the Illinois Commerce Commission (“Commission”) the rate design formula tariff provisions of Rate DSPP, in accordance with Section 16-108.5(e) of the Public Utilities Act (“Act”). Commonwealth Edison Co., ICC Suspension Order, Docket No. 13-0387, 1 (June 5, 2013). Section 16-108.5(e) permits the Commission after notice and hearing to enter an order approving or approving with modification, proposed changes to Rate DSPP. Id.

Under the Act, the Commission has 240 days after the utility's filing to issue a final order.¹ Id. Section 16-108.5(c) provides in part, that any changes ordered by the Commission are to be made at the same time new rates take effect following the Commission's next order pursuant to subsection (d)² of 16-108.5, provided that the new rates take effect no less than 30 days after the date on which the Commission issues an order adopting the changes. 220 ILCS 5/16-108.5(c). The procedural schedule in this docket contemplates a Commission final order after November 30, 2013. With that assumption, any changes ordered by the Commission in this docket would not take effect until January 1, 2015.

On June 20, 2013, an initial status hearing was held in this matter. ComEd, Staff, the People of the State of Illinois by Attorney General Lisa Madigan ("AG"), the City of Chicago ("City"), the Chicago Transit Authority ("CTA"), the Illinois Industrial Energy Consumers ("IIEC"), Metra, the Coalition to Request Equitable Allocation of Costs Together ("REACT") and the Commercial Group agreed on a schedule for the filing of Staff and Intervenor direct testimony, Company rebuttal testimony, Staff and Intervenor rebuttal testimony, and Company surrebuttal testimony. The parties also agreed on the dates for: (a) motions related to the prefiled testimony, (b) evidentiary hearings, (c) initial briefs, (d) reply briefs, (e) ALJs' proposed order, (f) briefs on exceptions, and (g) reply briefs on exceptions. (Tr. 11.)

¹ 240 days from the filing at issue in Docket No. 13-0387 is December 26, 2013.

² Subsection (d) of Section 16-108.5 allows for hearing concerning the annual update to the cost inputs of the Company's formula rate. In a proceeding under subsection (d), the Commission is to enter its order no later than the earlier of 240 days after the utility's filing of its annual update of cost inputs to the performance-based formula rate or December 31. 220 ILCS 5/16-108.5(d). ComEd made its subsection (d) filing on April 29, 2013. The matter was docketed as Docket No. 13-0318. 240 days from the filing of ComEd's formula rate update filing is December 25, 2013.

In accordance with the agreed to schedule, evidentiary hearings were held on September 24 and 25, 2013. Testimony was offered by Staff, ComEd, AG, IIEC, Metra/CTA (jointly and individually), IIEC, City/CUB, Commercial Group, Kroger, and REACT into evidence, either by supporting witness testimony or by affidavit. The ALJs admitted the parties' respective testimony and attachments and exhibits into evidence.

The following Staff witnesses testified: William R. Johnson (Direct, Staff Ex.1.0 and Rebuttal, Staff Ex. 4.0), Alicia Allen (Direct, Staff Ex. 2.0 and Rebuttal, Staff Ex. 5.0), and Greg Rockrohr (Direct, Staff Ex. 3.0 (Public and Confidential) and Rebuttal, Staff Ex. 6.0). Staff's initial brief follows.

II. COST OF SERVICE AND INTERCLASS ALLOCATION ISSUES

A. Overview

ComEd provided several Embedded Cost of Service Studies ("ECOSS") for this proceeding. ComEd provided a rate design investigation ("RDI") ECOSS, a 2013 formula rate update proceeding ("2013 FRU") or ("FRU") ECOSS and six illustrative ECOSSs. (ICC Staff Ex. 1.0, 5:110-112.) Some of the ECOSS were provided in response to Commission directives from prior Orders. The Company took no position with respect to the relative merits of the methodologies applied in any of the ECOSS. (ComEd Ex. 3.0, 38:623-625.) Various parties provided additional proposed ECOSS for Commission consideration and some parties simply provided proposed adjustments to be incorporated into a final Commission-approved ECOSS. Each of the various proposals are discussed in the remainder of this brief.

Staff recommends that the Commission adopt the ECOSS that is the same as the RDI ECOSS except that it employs all the findings and recommendations presented

in the CA Distribution Study other than those pertaining to the allocation of costs associated with 4 kV facilities and also includes the indirect uncollectible cost allocation factors in accordance with the Indirect Uncollectible Cost Study be approved by the Commission. Staff's proposed ECOSS can be found in ICC Staff Ex. 4.0, Attachment 4.01.

B. Potentially Uncontested Issues

1. Indirect Uncollectible Costs

The Commission should incorporate the indirect uncollectible cost study into the final ECOSS approved by the Commission.

The Commission stated that in the next rate case or rate design case "ComEd shall include the segregated indirect uncollectible costs in a cost of service study in the manner that Mr. Bodmer (City of Chicago witness) set forth in his rebuttal testimony." Commonwealth Edison Co., ICC Order Docket No. 10-0467, 204 (May 24, 2011). ComEd provided an indirect uncollectible cost study (ComEd Ex. 3.08) that reviewed the customer operations costs recorded in the Uniform System of Account ("USOA") numbers 901 – Supervision, Account 902 – Meter Reading Expenses, and Account 903 – Customer Records and Collection Expenses. The costs from the USOA were identified by project and department and separated by payroll and non payroll portions for ECOSS purposes. ComEd classified the costs into categories for determination of indirect costs. The Company then incorporated the information into an Illustrative ECOSS. (Id. at 2-3.)

AG witness Scott J. Rubin proposed that the Indirect Uncollectible Cost Study be incorporated into the final Commission-approved ECOSS. (AG Ex. 1.0, 3:51-55.) Staff witness William R. Johnson agreed that the Indirect Uncollectible Cost Study should be incorporated into the final Commission-approved ECOSS. (ICC Staff Ex. 4.0, 12:273-275.) Mr. Johnson stated that it is clear from the 2010 Rate Order that the Commission believes there are costs associated with uncollectible accounts. Staff stated that the Company has provided an indirect uncollectible cost study in this proceeding, and its results should be incorporated into the final Commission approved ECOSS. (Id. at 13:279-308.)

City/Cub witness Edward C. Bodmer stated that ComEd correctly classified certain costs as indirect uncollectible costs. (City/CUB Ex. 1.0,12:195-199.)

C. Potentially Contested Issues

1. Cost Allocation of Primary/Secondary Distribution System

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

i. Extra Large Load and High Voltage Over 10 MW

The Commission should reject REACT's proposals regarding the allocation of the primary/secondary distribution system.

The Commission directed ComEd to perform an investigation of the Extra Large Load customer classes. Included in that study should be an assessment as to whether these customers use 4 kV service, and if so, to what extent. Commonwealth Edison Co., ICC Order Docket No. 10-0467, 191 (May 24, 2011). ComEd utilized a consulting firm, Christensen Associates Energy Consulting ("CA Energy Consulting") along with

SAIC (formerly Patrick Energy Services Inc.) and PEI (Patrick Engineering Inc.) to assist ComEd in addressing some of the Commission's directives, including the cost allocation to primary service (i.e., 4 kV service). CA Energy Consulting and SAIC together are referred to as "the project team." (ComEd Ex. 3.07, 1.) To meet the directive, ComEd provided an illustrative ECOSS that removed the 4kV service to the Railroad Class and the Extra Large Load ("ELL") classes which includes the ELL and High Voltage ("HV") over 10 megawatt classes (ComEd Ex. 3.12), but did not provide a separate ECOSS for each class individually. Therefore, if the Commission were to decide to eliminate the 4kV costs for the Railroad class only, there is not a proposed ECOSS available that identifies those results. Likewise, if the Commission were to decide to eliminate the 4kV costs for the ELL and HV classes only, there is not a proposed ECOSS available that identifies those results. It should be noted that the Company accomplished the goal of removing costs associated with 4kV by separating the "shared distribution substations" and "shared distribution lines" cost allocation categories in the ECOSS into "at or below 4kV" and "over 4kV" cost allocation categories.

REACT witness Harry L. Terhune did not specifically propose that any ECOSS be approved by the Commission. Mr. Terhune argued that with regard to the ELL class and the HV over 10 megawatt class there are certain groups of facilities that the ELL class and HV Over 10 MW customers would either never use or use to a *de minimis* level as part of receiving service from primary voltage distribution lines. (REACT Ex. 2.0, 40:931-941.) He argued that with respect to the ELL and HV Over 10 MW customer classes, one and two phase and 4 kV primary voltage distribution facilities should not be included in the revenue requirement of an ELL class customer who requires standard

three phase service for a load in excess of 10 MW. (Id. at40:934-938) Further, in the case of customers receiving non-standard service, which may include a *de minimis* utilization of 4 kV, single or two phase primary service connections, the allocation of costs to their customer class should be in proportion to this *de minimis* use. (REACT Ex. 2.0, 40:931-941.) In essence, REACT is proposing that the ELL and HV classes not be allocated costs associated with facilities that are not used to provide service to those customers. (Id. at 8:169-172.)

Mr. Johnson explained the repercussions of selectively eliminating some costs for one class. Mr. Johnson explained that the distribution system is a large interconnected system that serves all customers. (ICC Staff Ex. 4.0, 16-17:385-387.) It is not 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. at 16-17:387-398.) Mr. Johnson recommended that the Commission exercise caution when considering a request, such as REACT's for certain segments of the distribution system to be excluded from the revenue requirement for one class without applying the same approach consistently to all other classes. (Id. at 18:423-426) Otherwise, the result may be the reallocation of costs between classes that is not equitable because each class' full responsibility for costs associated with the distribution system have not been precisely or accurately taken into account in a consistent manner. Accordingly, Staff recommends the

Commission reject REACT's proposals regarding the allocation of the primary/secondary distribution system. (Id. at 18:426-431.)

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

The Commission should reject REACT's and the IIEC's proposals regarding the separation of the distribution system into Single Phase/Three Phase (Shared) Primary Separation.

Various parties are proposing cost allocation by phase of service. (IIEC Ex. 1.0, 2:27-31; React Ex. 2.0, 40:931-941.) For example, REACT witness Terhune argues that certain groups of facilities that the ELL and HV customers would either never use or use to a *de minimis* level should not be allocated to them. (REACT Ex. 2.0, 40:946-948.) He argues that one and two phase and 4kV primary voltage distribution facilities should not be included in the revenue requirement of an ELL class customer who requires standard three phase service. Likewise, for customers receiving non-standard service, which may include a *de minimis* utilization of 4kV, single or two phase primary service connections, the allocation of costs to their customer class should be in proportion to this *de minimis* use. (Id. at 40:931-941.) REACT proposes an adjustment whereby the ELL and HV classes Shared Distribution Line proportion would be decreased by 36%. (Id. 38-39:902-911.) However, REACT does not offer a mechanism to allocate that 36% to other classes.

IIEC witness Robert R. Stephens argues that "single phase distribution assets exist, and function to serve, exclusively or nearly exclusively, customers who take service at secondary voltages. Hence, cost-causation principles suggest that customers at higher voltages, such as transmission voltage or primary voltage generally should not

be allocated single phase primary system costs.” (IIEC Ex. 1.0, 2:27-31.) Mr. Stephens recommends that the Company segregate the primary delivery system costs into single phase and three phase components and then assign the single phase costs exclusively to secondary customers. He recommends that 10% of the primary costs be allocated to single phase. (Id. at 11:234-238, 247-249.)

Company witness Bjerning expressed concern that a study like the one proposed by IIEC would consider only the extent to which primary voltage customers do not use single phase primary lines and would not likewise consider the extent to which secondary voltage or single phase customers do not use or require a three phase primary voltage configuration. (ComEd Ex. 7.0, 27-31:454-457.) Mr. Bjerning notes that a similar concern was addressed by Staff witness Mr. Peter Lazare who testified in Docket No. 10-0467. Mr. Lazare (Commonwealth Edison Co., ICC Docket No. 10-0467, Staff Rebuttal Ex. 26.0, 16:355-358 and 17:384-389) reviewed the same type of proposal from IIEC and concluded:

I consider it one-sided because Mr. Stowe has failed to examine the full implications of his argument. He focuses solely on the costs that he believes primary customers should avoid but ignores those additional costs that primary customers may create on the system.

* * * * *

[The proposal] should be rejected. If primary customers should not be held responsible for the costs of single phase lines, then secondary customers should not have to bear the additional expense of three phase service required to serve the end-uses of primary customers. Mr. Stowe’s argument looks at only one side of the equation and generates a result that does not reflect the total cost picture for primary and secondary customers.

Mr. Bjerning agreed with Mr. Lazare that such proposals are one-sided. (ComEd Ex. 7.0, 28:474-478.) Mr. Bjerning further explained that to perform an analysis that may possibly not be considered one-sided, which considers the extent to which customers in all delivery classes use or do not use single phase primary lines versus three phase primary lines, would be a complicated “path of service” or “allocation by exclusion” study and would most likely raise concerns with parties that represent secondary voltage and single phase customers. (Id.)

Additionally, ComEd witness Michael T. O’Sheasy identified two major problems with primary service level costs being allocated in cost of service according to phase of service (i.e., single, two, and three phase). (ComEd Ex. 11.0, 10:201-203.) First, Mr. O’Sheasy explained that one should not allocate by phase of service because allocating by phase of service requires determining the *path of service* for specific customers, which is time consuming and not commonly done in the industry. (Id. at 10:204-205) It is complicated, not always determinative, and the paths can change over time. These paths may be reflective of the standards in place when installed, yet these standards may change over time with cost efficiency allowing for older equipment to remain in place until a later date. Rather than using *path of service*, *level of service* is the typical cost of service methodology in use by utilities. Typical levels of service utilities use for cost allocation are transmission, primary, and secondary with each service level having its own respective allocator to the utility’s rate classes. (ComEd Ex. 11.0, 10:204-212.)

Second, Mr. O’ Sheasy explained that the proposals of Messrs. Stephens and Terhune amount to allocation by exclusion. That is, they have identified a particular type of equipment that they do not believe serves their customers and they propose

excluding that equipment from their cost allocation. (ComEd Ex. 11.0, 11:213-216.) The additional proposal by CTA/Metra witness Mr. Bachman to exclude the costs of certain distribution facilities because the geographical location of the facilities does not benefit Railroad customers is a similar allocation by exclusion proposal. (CTA/Metra Joint Ex. 1.0, 16:361-366.) However, there may be other customers who also do not use this type of equipment. There may be other types of equipment that are not used universally by all customers at that service level. Allowing this allocation by exclusion may invite allocation exclusions to any customer group that can identify types of equipment that it does not use as intensively as its allocation factor would indicate. This may produce a process in which the ECOSSE becomes increasingly more disaggregated and complex. This is a reason why the industry normally uses “average” rate-making with levels of service. While it is reasonable to investigate creating more differentiated levels of service, Mr. O’ Sheasy recommended against using of path of service and/or allocation exclusion. (ComEd Ex. 11.0, 11:219-227.)

Staff recommends the Commission reject REACT’s and the IIEC’s proposals regarding the separation of the distribution system into Single Phase/Three Phase (Shared) Primary Separation. (ICC Staff Ex. 4.0, 18:429-431.) The proposals relating to separating service by phases offered by REACT and IIEC involve taking certain percentages of the shared distribution lines and reallocating them away to other classes. REACT is proposing approximately 36% of shared distribution line costs be removed from the ELL and HV classes. (REACT Ex. 2.0, 38-39:902-911.) IIEC recommends that either 10% or 20% (IIEC is not clear on this point) of shared distribution line costs be allocated to Secondary customers. (IIEC Ex. 1.0 11:247-249

and IIEC Ex. 3.0 3:5.) If one party proposes that costs associated with certain components of the distribution system not be allocated to its customers, one must consider whether the allocation of all other system component costs have also been taken into consideration. REACT and IIEC's proposal, which shifts costs in the shared distribution lines to other classes is a prime example. It is Staff's understanding that all of the proposed ECOSS (For example ComEd Ex. 3.01 (RDI ECOSS) pages 11-12 of Schedule 2a) identify the "Shared Distribution Lines" category and allocate it to all classes. However, High Voltage Distribution Substations, High Voltage Distribution Lines, and Shared Distribution Substations are also allocated to all classes. Likewise, Secondary voltage distribution substations, Secondary voltage transformers, and Primary voltage transformers are allocated among all classes other than the Railroad class. REACT and IIEC believe they are not responsible for some of the costs associated with the "Shared Distribution Lines" category and that those costs should be removed from the pool of "Shared Distribution Lines" costs before their portions are allocated to them. However, as was just explained, there are other categories of costs that are allocated to all classes, and if REACT's and IIEC's arguments were applied consistently to other classes as well, there may be other costs that would not be assigned to those classes on that basis. REACT and the IIEC argue that, when viewed in isolation, they are not the cost causers for one portion of the distribution system; however, in doing so, they fail to consider the entire, combined system as a whole. One cannot piecemeal the components of the distribution system without creating inequities for other classes. The point is that the distribution system is an integrated system and all classes incur costs on the system that cannot be specifically assigned. If all costs

could be directly assigned, allocations would not be necessary. Distribution system facilities are a cohesive system put in place to serve all customers together, not just one segment of customers.

For all of the foregoing reasons identified by Staff and the Company, the Commission should reject REACT's and the IIEC's proposals regarding the separation of the distribution system into Single Phase/Three Phase (Shared) Primary Separation.

iii. Cost Allocation of Combination Poles

The Commission should accept CA Energy Consulting's recommendation to remove the 50/50 split of combination pole costs across secondary and primary voltage services and instead allocate 100 percent of combination pole costs as shared costs.

The Commission's Order in Docket No. 10-0467 noted that ComEd was previously directed in Docket No. 08-0532 to use direct observation or sampling and estimation techniques of its system to develop more accurate and transparent differentiation of primary and secondary costs in its next rate case, but that it failed to do so. Therefore, ComEd was directed to utilize direct observation in its next rate case. The project team found that for poles that carry both primary and secondary lines ("combination poles"), ComEd allocated 50 percent as secondary costs and 50 percent as primary or shared costs in Docket No. 10-0467. CA Energy Consulting's recommendation is to remove the 50/50 split of combination pole costs across secondary and primary voltage services and instead allocate 100 percent of combination pole costs as shared costs. The reason for their recommendation is that a combination pole exists to accommodate primary lines first and foremost. The

attachment of secondary lines is a convenience for secondary service. The utility would not be able to transmit power efficiently if it did not have the primary service level at the pole's location (i.e., a utility cannot have secondary service without primary service). (ComEd Ex. 3.07 at 11.)

Staff witness William R. Johnson explained that it is clear from the 2010 Rate Order that the Commission wants to consider a more accurate and transparent differentiation of primary and secondary costs. The Commission stated:

It is not disputed that the Commission ordered ComEd to use direct observation or sampling and estimation techniques of its system to develop more accurate and transparent differentiation of primary and secondary costs.

2010 Rate Order at 180.

Additionally, Staff's position in the Order, which is the impetus for the Commission's directive, was stated as follows:

The Commission's concern was that ComEd's engineering estimates were "very inaccurate," making it incumbent upon ComEd to use all available tools to improve the accuracy of its analysis. Staff opines that clearly, direct observation, which would entail physical inspections to confirm engineering judgments" is one such tool that should not be dismissed out of hand.

2010 Rate Order at 177.

Mr. Johnson explained that physical inspections were to be used to confirm whether the engineering judgment, which was based upon a review of maps, was a good representation of primary and secondary costs. (ICC Staff Ex. 4.0, 6:132-134.) The project team found through direct observation that the combination poles exist to accommodate primary lines first and foremost. (ComEd Ex. 3.07, 11.) (emphasis added). The attachment of secondary lines is a convenience for secondary service.

The utility would not be able to transmit power efficiently if it did not have the primary service level at the pole's location (i.e., a utility cannot have secondary service without primary service). (Id.) In addition, the project team found that the height and class of pole is dictated by the primary service requirements, and not the secondary service requirements. The pole height is generally determined by clearances for primary voltage wire and space requirements for cable TV/telephone facilities. (Id.)

Staff concluded that, for the reasons identified above, the allocation of combination poles to shared costs is a better representation of how primary and secondary lines are utilized. Additionally, allocating one hundred percent of combination poles as shared costs presents a more accurate and transparent differentiation of primary and secondary costs than does the 50/50 split. Therefore, Staff recommends the Commission accept CA Energy Consulting's recommendation to remove the 50/50 split of combination pole costs across secondary and primary voltage services and instead allocate 100 percent of combination pole costs as shared costs. (ICC Staff Ex. 4.0, 7:150-153.)

CTA/Metra witness James G. Bachman believes that ComEd's consultant inappropriately substituted its judgment for ComEd's engineers' judgment with relation to direct observation in the CA Distribution Study. (CTA/Metra Joint Ex. 1.0, 11:242-273.) Mr. Bachman does not agree with the project team's recommendation to allocate 100% of combination poles as shared costs. He believes there was no reason or study objective to replace ComEd engineering judgment with consulting engineering judgment. (Id. at 11-12:264-273.)

IIEC witness Robert R. Stephens also objects to the Company's proposal to allocate 100% of combination poles as shared costs. Mr. Stephens believes that the secondary system "benefits" from the existence of the poles and, absent the primary facilities, the secondary system would account for significant, but yet unspecified, costs as well. Until and unless a more specific apportionment of this economy of scale and scope can be accomplished, Mr. Stephens argues the prior allocation of combination poles on a 50/50 basis between the primary and secondary voltages is more reasonable. He further asserts assigning 100% of the cost to one service voltage or the other is unreasonable and represents a fundamental flaw in the reasoning contained in the study. (IIEC Ex. 3.0, 12-13.)

ComEd witness O'Sheasy disagreed with other parties' rejection of the allocation of combination poles to 100% shared costs. He opined that under the 50/50 split: 1) secondary voltage customers bear the entire burden for the one-half of the combination pole costs that is directly allocated to the secondary service level, and 2) secondary voltage customers are responsible for a share of the 50% of pole costs directly allocated to the primary service level. He stated CA's recommendation means that 100% of the costs of combination poles will be allocated between all primary and secondary service level customers based upon ComEd's "shared" allocation. (ComEd Ex. 11.0, 5:99-107.) Mr. O'Sheasy also stated IIEC witness Stephen was incorrect in claiming that the secondary system "benefits" from the existence of the poles and, absent the primary facilities, the secondary system would account for significant, but yet unspecified, costs as well. A primary voltage system is necessary to serve a secondary voltage system

efficiently. Therefore, he argues it is not reasonable to contemplate a secondary voltage system without a primary voltage system. (ComEd Ex. 17.0, 4:84-86.)

For all these reasons identified by Staff and the Company, Staff believes it is clear that the Commission should accept CA Energy Consulting's recommendation to remove the 50/50 split of combination pole costs across secondary and primary voltage services and instead allocate 100 percent of combination pole costs as shared costs.

iv. [OTHERS]

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

i. Shared Distribution Line Proportional Cost Assignment Study

The Commission should reject requests for certain segments of the distribution system to be excluded from the revenue requirement for one class without applying the same approach to all other classes.

REACT witness Terhune recommends that ComEd perform a study to determine an allocation of primary distribution facilities amongst the customer classes that reflects the degree to which those classes utilized 4kV lines, as well as single, two, and three phase lines. (REACT Ex. 5.0, 16:337-340.)

ComEd witness Bjerning identified concerns with such a study. He believes such a study only considers the extent to which primary voltage customers do not use single phase primary lines and does not consider the extent to which secondary voltage or single phase customers do not use or require a three phase primary voltage configuration. (ComEd Ex. 7.0, 27:454-457.) Mr. Bjerning also explained that such a study would be a complicated "path of service" or "allocation by exclusion" study and

would most likely raise concerns with parties that represent secondary voltage and single phase customers. (Id. at 28:474-479.)

ComEd witness O'Sheasy identified two major problems with using phase of service to allocate primary level costs, discussed previously in the (ii) Single Phase/Three Phase (Shared) Primary Separation section.

Staff opposes the segregation of costs proposed by other parties throughout this proceeding. Staff recommends that the Commission reject such an experiment. (ICC Staff Ex. 4.0, 18:429-431.) The Commission should exercise caution when considering a request for certain segments of the distribution system to be excluded from the revenue requirement for one class without applying the same approach to all other classes. The result may be the reallocation of costs between classes that is not equitable because each class' full responsibility for costs associated with the distribution system have not been precisely or accurately taken into account in a consistent manner.

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

The Commission should reject further investigation into segregation by phases.

IIEC witness Robert R. Stephens argues that "shared" costs in ComEd's ECOSS should be further segregated by single phase and multi phase circuits. (IIEC Ex. 1.0 9:191-206.) IIEC believes that further investigation of segregating primary costs by phase is warranted. (Id. at 10:219-220.)

ComEd opposes the idea of segregating shared primary service into single phase/three phase services. As discussed in the previous sections “Shared Distribution Line Proportional Cost Assignment Study” and “Single Phase/Three Phase (Shared) Primary Separation”, Staff and ComEd provided various reasons why segregation is not warranted or feasible. However, ComEd indicated that if the Commission supports the analysis it would likely hire an independent party, as it did with CA Energy Consulting in the instant proceeding, to work with ComEd, Staff, and interested parties to determine the study scope and requirements and to perform the necessary sampling, cost allocations, and recommendations to meet the Commission’s directives. (ComEd Ex. 7.0, 30:522-525.)

Because of Staff’s opposition to further segregation by phase as discussed previously, Staff believes the Commission should reject further investigation on such matter.

iii. [OTHERS]

c. Cost Allocation of Facilities that Operate Below 12 kV – Railroad Delivery Class

The Commission should reject CTA/Metra’s proposal to remove costs associated with 12kV and below for the Railroad class.

With respect to CTA/Metra, in ComEd’s last Article IX rate case, Docket No. 10-0467, the Commission ordered the Company to provide information related to the Railroad class. Specifically, the Commission directed ComEd to:

...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.

2010 Rate Order at 191.

The Company provided information in the instant docket as ordered by the Commission in Docket 10-0467. CTA/Metra witness James G. Bachman recommends the Commission eliminate any and all 4 kV system costs from the Railroad Class's revenue requirement. (CTA/Metra Joint Ex. 1.0, 2-3:45-47.) Mr. Bachman stated that the relatively limited use of the ComEd distribution system by the Railroad Delivery Class should be properly recognized in the ComEd calculation of the Railroad Delivery Class revenue requirement." (Id. at 3:61-65.)

Staff witness Johnson's proposed ECOSS did not remove the costs associated with 12kV and below for the Railroad class. As Mr. Johnson has previously explained, when allocating costs associated with the distribution system among customer classes, care must be taken to recognize that the distribution system is a large interconnected system that serves all customers. Thus, if one party proposes that costs associated with certain components of the distribution system should not be allocated to its customers one must consider whether the allocation of all other system component costs have also been taken into consideration. For example, it is unclear whether there are certain components of the distribution system that are put in place because of certain customers, but yet the costs are recovered from all customers. (ICC Staff Ex. 4.0, 16-17:385-393.) This is precisely why Staff witness Johnson did not remove the costs associated with 12kV and below for the Railroad class.

There appears to be some disagreement over whether the Commission ordered the costs associated with 12kV and below to be removed from the Railroad class going

forward or whether ComEd was to provide an ECOSS with the pertinent information removed for the Railroad class for the Commission's consideration in this case. Staff's understanding is that the prior Order does not require the Commission to reach a particular conclusion in this case but that the Commission would make a determination in the present case based on the facts in this case. Regardless, Staff's position is that the Commission should not remove the costs associated with 12kV and below for the Railroad class for the reasons stated.

2. Cost Allocation by Sector versus Delivery Class

The Commission should reject the AG's proposal to include the all sector NCP analysis into the final Commission approved ECOSS.

The Commission's Order in Docket No. 11-0498 directed ComEd to provide, in the next proceeding in which revenue neutral delivery service rate design issues are addressed, an analysis of the impact on customer classes of reallocating non-coincident peak ("NCP")-related delivery costs using a single NCP allocator for the residential sector. Commonwealth Edison Co., ICC Order Docket No. 11-0498, 8 (April 18, 2012). The class NCP is based on the maximum demands of the individual classes of service regardless of when those demands occur. AG witness Scott J. Rubin stated that in the 2010 Rate Docket he recommended that ComEd should first allocate non-coincident demand costs to the residential sector as a whole. Then, those residential demand costs should be reallocated among the residential rate classes. (AG Exhibit 1.0, 6:128-130.) Currently, each class in the residential sector (i.e., Single Family With Electric Space Heating ("SFH"), Single Family Without Electric Space Heating ("SFNH"), Multi

Family With Electric Space Heating (“MFH”), and Multi Family Without Electric Space Heating (“MFNH”)) has its own separate individual NCP.

ComEd provided two studies related to the allocation of distribution facilities costs by a single NCP allocation factor by sector. The first ECOSS, ComEd Ex. 3.17, allocates certain distribution facilities costs by a single NCP allocation factor for the entire group of residential customers (“residential sector”). The second ECOSS, ComEd Ex. 3.18, allocates certain distribution facilities costs by a single NCP allocation factor for the entire group of residential customers, a single NCP allocation factor for the entire group of non-residential customers, and a single NCP allocation factor for the entire group of lighting customers. (ComEd Ex. 3.0, 6:112-121.) Mr. Rubin pointed out the Commission’s Order in the 2010 Rate Order was silent on whether the non-residential sector should also be used. However, he recommends that the allocation of ComEd’s revenue requirements to each rate class should be based on an ECOSS that uses the results of the all sector NCP analysis. (AG Ex. 1.0, 7:154-156.)

Staff witness Johnson identified concerns with Mr. Rubin’s proposal. Staff witness Johnson explained that Mr. Rubin’s proposal to apply an NCP analysis to customer sectors is inconsistent with the fact that those customer sectors are each separated into several separate customer classes for cost-of-service purposes. For example, ComEd has SFH, SFNH, MFH, and MFNH residential classes. Mr. Rubin is not making a proposal to change the make-up of the residential classes. In fact, he is proposing the same four classes with separate and distinct distribution facilities charges (“DFC”). DFC charges typically recover demand related costs on a kWh basis. According to the “Electric Utility Cost Allocation Manual” January 1992, page 22, once

the customer classes to be used in the cost allocation study have been designated, the functionalized and classified demand costs are allocated among the customer classes on the basis of demands imposed on the system during specific peak hours. Traditionally, this means that each class' individual demands are utilized for cost allocation purposes. Separating the residential sector into four classes for cost of service purposes but then allocating their costs based upon a single grouping allocator (i.e., residential sector), as Mr. Rubin proposes, moves away from, rather than closer to, cost causation. The SFH, SFNH, MFH, and MFNH classes should be responsible for their respective individual NCP demands. (ICC Staff Ex. 4.0, 11:243-244.)

Likewise, since Mr. Rubin is proposing that the allocation of ComEd's revenue requirements to each rate class should be based on an ECOSS that uses the results of the all sector NCP analysis, using a single NCP allocation factor for the entire group of non-residential customers (i.e., Watt-Hour, Small Load, Medium Load, Large Load, Very Large Load, Extra Large Load, and High Voltage) would not represent the demands each non-residential class is individually placing on the system. Therefore, Mr. Johnson recommends the Commission reject Mr. Rubin's proposal to include the all sector NCP analysis into the final Commission approved ECOSS. (Id. at 12:254-255.)

3. Other Cost Allocation Issues

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

See VI., C.

b. Residential Cost Allocation Adjustment

D. Overall ECOSS Recommendation

The Commission should be cautious when considering parties proposals that claim they do not use certain components of the system and therefore should not be allocated certain costs. As Staff and other parties have pointed out, the distribution system is an integrated system whereby all classes contribute to the use of the whole distribution system. Thus, the Commission should exercise caution when considering a request for certain segments of the distribution system to be excluded from the revenue requirement for one class without applying the same approach to all other classes. The result may be the reallocation of costs between classes that is not equitable because each class' full responsibility for costs associated with the distribution system have not been precisely or accurately taken into account in a consistent manner. ComEd has provided various ECOSS alternatives for the Commission to consider. While some parties claim that ComEd's ECOSS are faulty, Staff believes its proposal is a fair and equitable basis for the allocation of costs to classes. Therefore, Staff recommends that an ECOSS that is the same as the RDI ECOSS except that it employs all the findings and recommendations presented in the CA Distribution Study other than those pertaining to the allocation of costs associated with 4 kV facilities and also includes the indirect uncollectible cost allocation factors in accordance with the Indirect Uncollectible Cost Study be approved by the Commission. Staff's proposed ECOSS can be found in ICC Staff Ex. 4.0, Attachment 4.01.

III. CUSTOMER CARE COSTS

The Commission should reject REACT's recommendation for the Commission to order ComEd to: a) assess the level of customer care costs borne by ComEd

providing supply services to its customers; and b) order the Company to subtract these costs from Rate RDS and recover them in its supply rates.

The Commission previously addressed the allocation of customer care costs between delivery services and supply functions in other dockets. This was an issue in ICC Docket No. 05-0597, when a coalition of alternative energy suppliers (“CES”) unsuccessfully requested that approximately 25% of ComEd’s customer care costs be allocated to the supply function. This proposal was rejected by the Commission:

The Commission finds CES’ recommendation to allocate no less than one-fourth of call center costs to supply, to the extent CES still supports this recommendation, to be unsupported and unsubstantiated. Accordingly, that proposal is hereby rejected.

Commonwealth Edison Co., ICC Order Docket No. 05-0597, 257 (July 26, 2006).

The issue arose again in ICC Docket No. 07-0566, where REACT proposed to reallocate 40% of certain customer care costs to ComEd’s supply function. Commonwealth Edison Co., ICC Order Docket No. 07-0566, 170 (September 10, 2008). While the Commission did not adopt the REACT proposal in that case, it stated that the issue was to be considered further in the Rate Design Investigation proceeding, Docket No. 08-0532. In Docket No. 08-0532 the Commission stated the following with respect to ComEd’s customer care costs:

ComEd is directed to file an embedded cost of service study for these costs and to also include the results of its avoided cost study. This will give the Commission the opportunity to review and compare both methodologies and reach a decision based on all the relevant information.

Commonwealth Edison Co., ICC Order Docket No. 08-0532, 69 (April 21, 2010).

The directive specifically referred to the filing of such study in its next rate case filing, which was Docket No. 10-0467.

Two types of studies were provided in Docket No. 10-0467. One, a Switching Study was provided that determined the share of customer care costs that are supply related by assessing whether they are sensitive to the number of customers switching to supply service furnished by Alternative Retail Electric Suppliers (“ARES”). The second was the Allocation Study which used an embedded cost approach to allocate customer care costs between supply and distribution functions. The Commission approved the Switching Study. ComEd witness Ronald E. Donovan provided the results of the Switching Study as ComEd Ex. 9.01. The Switching Study found that if customer switching were to increase from 1% to 10% or even 100% the Company does not incur significant differences in customer care costs for bundled and unbundled customers. In fact, it appears that as more customers migrate to alternative supply, there is a net increase in costs to ComEd.

REACT witness Jeffrey Merola states that customers who receive supply service from a retail electric supplier (“RES”) are paying for customer care services they do not receive. He suggests that this is a cross subsidy from customers that receive supply service from a RES to ComEd’s supply customers. (REACT Ex. 3.0, 15:326-330.) He also maintains that ComEd’s customer care costs should be allocated based on the function that incurs the costs and only customer care costs related to ComEd’s delivery services function should be recovered through Rate RDS and customer care costs related to ComEd’s supply function should be recovered through by-passable supply rates. (Id. at 16:351-358.) Therefore, he recommends the Commission order ComEd to:

a) assess the level of customer care costs borne by ComEd providing supply services to its customers and b) order the Company to subtract these costs from Rate RDS and recover them in its supply rates.

Staff witness Johnson is not convinced that the Commission should reexamine this issue at this time. First, the Switching Study from 10-0467 found that the cost of providing customer care did not decrease as the number of customer switches increased to 100%. Second, if there is a net cost increase to ComEd under the 100% switching scenario as the Switching Study indicates, there would be no justification for allocating costs away from the distribution function. Third, until the provision of power and energy is declared a competitive service,³ ComEd is the default supply service provider (220 ILCS 5/16-103(c)); thus, it must stand ready to serve customers that have chosen to receive supply service from a RES. No matter how many customers switch away from ComEd for supply service, ComEd must incur the necessary costs to stand ready to serve them if and when they return to ComEd. Fourth, ComEd witness Ronald E. Donovan provided some examples of increased costs associated with customer care costs. He identified that the Customer Contact Center (“Call Center”) had an annual expense in the 2010 case of \$25.8 million and the annual expense in this docket is \$36.6 million. He stated that the increase in Call Center spending is a result of responding to customer phone calls. The total number of calls received increased by over 1 million between 2010 and 2012. (ComEd Ex. 9.0, 16:328-335.) This indicates an increase in customer care costs even though the number of customers that have

³ Since July 1, 2012, ComEd has had the right to petition the Commission to declare as competitive the provision of power and energy to residential and small commercial customers. (220 ILCS 5/16-113(h))

switched to a RES has increased. Therefore, Staff recommends that the Commission reject Mr. Merola's proposal. (ICC Staff Ex. 4.0, 35:826.)

ComEd witness Donovan in Surrebuttal testimony also stated that Mr. Merola's arbitrary apportionment of certain of these costs between supply and delivery does not establish that any of those costs are attributable to supply. If they were, these costs would decline as ComEd's former supply customers switch to RES supply. The costs have not declined, they have increased. Of ComEd's 3.8 million customers, only 1.2 million customers receive supply from ComEd. (ComEd Ex. 15.0, 3:61-66)

IV. RATE DESIGN

A. Overview

ComEd's rates are determined according to Rate DSPP – Delivery Service Pricing and Performance tariffs in accordance with the provisions of subsection 16-108(e) of the Act. The Company has provided various rate design examples for consideration in this proceeding. It provided a separate rate design based upon the following: 1) RDI ECOSS (at current revenue responsibility, 100% revenue responsibility, and the next step revenue requirement); 2) ComEd Ex. 3.10 ECOSS (at current revenue responsibility and 100% revenue responsibility); 3) ComEd Ex. 3.12 ECOSS (at current revenue responsibility and 100% revenue responsibility); 4) ComEd Ex. 3.14 ECOSS (at current revenue responsibility and 100% revenue responsibility); 5) ComEd Ex. 3.16 ECOSS (at current revenue responsibility and 100% revenue responsibility); 6) ComEd Ex. 3.17 ECOSS (at current revenue responsibility and 100% revenue responsibility); and 7) ComEd Ex. 3.18 ECOSS (at current revenue

responsibility and 100% revenue responsibility). The Company states that the revenue responsibility for any given delivery class in the RDI Rate Design is the same as the revenue responsibility for that delivery class in the 2013 FRU Rate Design. Specifically, the revenue responsibility for the ELL Delivery Class is 71.9%; the HV Delivery Class is 85.3%; and the RR Delivery Class is 85.1%. Meanwhile, the revenue responsibility for each of the SL, ML, LL, and VLL delivery classes is 101.8%. The revenue responsibility for each of the remaining eight delivery classes is 100%. These revenue responsibilities are in the 2013 FRU Rate Design and maintained in the RDI Rate Design in accordance with the 2010 Rate Case Order. These revenue responsibility percentages, collectively, are referred to as the Current Revenue Responsibility Levels.⁴

One hundred percent revenue responsibility means that the revenue responsibility of a class is equal to the costs allocated to that class in the ECOSS. The rates would be considered fully cost-based for the classes.

Next step revenue responsibility is a process that started in a previous docket. In Docket No. 07-0566 the Commission approved a four-step movement towards rates based upon the ECOSS for the ELL, HV, and RR delivery classes.⁵ In ICC Docket No. 10-0467, in response to the Commission's directive for ComEd to address public policy considerations in the rate design applicable to the Railroad Delivery Class, ComEd proposed, and the Commission approved, a ten-step process to move the RR class closer to cost of service through adjustments to the DFC charge in order to mitigate the

⁴ ComEd Ex. 2.0, p. 14.

⁵ Final Order, Docket No. 07-0566, September 10, 2008, p. 213.

effects of rate shock.⁶ The Commission also adopted the second step movement towards cost based rates for the ELL and HV classes in Docket No. 10-0467.

Various parties have offered rate design proposals for Commission consideration.

B. Potentially Uncontested Issues

C. Potentially Contested Issues

1. Residential

a. Straight-Fixed-Variable (SFV)

The Commission should retain the SFV rate design percentages approved by the Commission in Docket No. 10-0467, for the SFNH, MFNH, SFH, MFH, and WH classes.

The Commission directed ComEd to:

... in its next rate proceeding, ComEd must provide evidence that demonstrates whether the impacts on the low-use sub-group in the residential customer class are such that it would be appropriate to have a new class cost of service and rate design for that identifiable group. The Commission also encourages ComEd to explore how it defines the low-use customer sub-class. Commonwealth Edison Co. ICC Order Docket No. 10-0467, 232 (May 24, 2011).

In response to this directive, ComEd provided a study titled: “Residential Electricity usage and Bill Impacts of the Straight Fixed Variable Rate Design.” The study includes a discussion by the Company concerning background, residential electricity usage, SFV rate design bill impacts, and a conclusion. The study also provides tables and charts for SFNH, MFNH, SFH, and MFH identifying residential

⁶ Final Order, Docket No. 10-0467, May 24, 2011, pp. 257-260.

electricity usage by the average number of customers in each percentile for 2010, the monthly minimum, monthly maximum, and monthly average usage for the percentile, as well as the annual minimum, annual maximum, and annual average usage for that percentile. For the same classes, SFV rate design bill impacts are provided comparing the SFV rate design approved by the Commission in Docket No. 10-0467 and the Company determined rates using the methodology employed for previously effective delivery service charges. (ICC Staff Ex. 1.0, 39-40:843-854.)

Additionally, the Company provided charts that show for each zip code in the Company's service territory, for which average household income information was available, the splits between (a) customers in Percentile 1 through Percentile 50 and (b) customers in Percentile 51 through Percentile 100 in terms of usage. These charts also provide average household income for the zip code, and the charts are shown with zip codes arranged along the X-axis in order of increasing average household income. Four charts, one for each delivery class, provide summary data for customers in the City of Chicago. For customers in other areas of ComEd's service territory, there are eight charts for each delivery class due to the number of zip codes included in the analysis. (Id. at 40:856-865.)

ComEd found that there is no cost basis for creating additional residential delivery classes within ComEd's rate structure. ComEd also found that there is not an inequity that might warrant a restructuring of charges for delivery service within the existing residential delivery classes. (Id. at 40:867-870.)

AG witness Scott Ruben analyzed data from ComEd's "Residential Electricity Usage and Bill Impacts of the Straight Fixed Variable Rate Design," ComEd Ex. 2.33.

Mr. Rubin's analysis included a comparison of SFV rates with 2006 ComEd rates that "were set using traditional principles of cost causation (demand-related costs recovered through the kWh charges)." (AG Ex. 2.0R, 3-4:60-68.) Mr. Rubin assigned each customer to one of 20 groups based on the customer's annual consumption. The 20 groups, known as percentiles, represent the customers who had the lowest annual consumption (5th percentile), the 5% of customers with the next highest annual consumption (10th percentile), and so on. Mr. Rubin's analysis determined whether each group of customers was providing revenues that were greater than or less than the cost to serve the customer group. (Id. at 3:44-47; 4:78-80.)

Mr. Rubin found that by moving toward SFV rates in the SFNH class, the lowest use customers received increases about two times the class average, while the highest use customers received increases of less than one quarter of the class average increase. (Id. at 6:107-109.) For the MFNH rate class, Mr. Rubin found that low users in the class are providing revenues that are less than the cost of providing service, while larger users are providing revenues in excess of the cost of service. (Id. at 10:206-209.) For the SFH rate class, Mr. Rubin found that 30% of customers with the lowest usage (annual usage less than 15,529 kWh) saw their bills increase, while all other customers had their bills decrease. (Id. at 12:248-250.) Mr. Rubin concluded that subsidies within the SFNH, MFNH, and SFH classes would be significantly reduced if the SFV rate design was eliminated and his proposed rate design methodology was approved. (Id. at 9:180-184, 11:234-238, 14:297-301.)

City/Cub witness Edward Bodmer examined a range of issues concerning rate design that include an examination of electric bills for various customers based upon

their usage and location, and comparison of the rates in effect prior to the Commission's Order in 10-0467 to ComEd proposed rates, as well as the related percent increase in electric bills. According to Mr. Bodmer, rate increases since the Order in Docket No. 10-0467 range from 53% for low-use consumers in the City to 24% for high use consumers outside of the City. (City/CUB Ex. 1.0, 34:499-501.) He also found that, compared to the rates in effect prior to the Commission Order in Docket No. 10-0467, account charges (customer charges and meter charges combined) for single family ratepayers would increase by 84% if account charges ComEd proposes in this case are approved. For multi-family consumers, the account charge would increase 23%. (Id. at 25:378-383.) Mr. Bodmer argues that ComEd's residential rates are unfair, particularly as they affect residential ratepayers in high density areas and consumers who typically use less electricity than other ComEd ratepayers. (Id. at 3-4:20-22.) Mr. Bodmer's rate design proposal eliminates ComEd's fixed cost recovery through SFV rate design and implements variable customer charges for residential customers. Mr. Bodmer's customer charges reflect customer related costs that include meter costs, services, and stamps and paper. (City/CUB Ex. 1.1, 4.)

Staff examined the results of the Company's, the AG's, and City/CUB's analysis of SFV rate design on the residential classes. Staff witness Johnson agreed that SFV rates have different impacts on residential classes compared to non-SFV rates. However, Staff pointed out that Mr. Rubin and Mr. Bodmer argue for the elimination of the current Commission approved SFV rate design for all current SFV Residential sector classes, (i.e., SFNH, MFNH, SFH, MFH) an option that the Commission did not indicate was contemplated in Docket No. 10-0467. (ICC Staff Ex. 4.0, 26:591-595.)

Staff recommends the Commission retain the SFV rate design percentages approved by the Commission in Docket No. 10-0467, for the SFNH, MFNH, SFH, MFH, and WH classes. (ICC Staff Ex. 1.0, 29:630-632.)

Additionally, besides ComEd, no party addressed the effects of SFV rate design on the non-residential Watt-Hour class.

b. Consideration of low-use sub class

The Commission, in Docket No. 10-0467, directed ComEd in its next rate proceeding to provide evidence that demonstrates whether impacts on the low-use subgroup in the residential customer class (from SFV rates) are such that it would be appropriate to have a new class cost of service and rate design for that identifiable group. Commonwealth Edison Co., ICC Order Docket No. 10-0467, 232 (May 24, 2011).

ComEd determined that there is no cost basis for creating additional residential delivery classes within ComEd's rate structure. ComEd also found that there is not an inequity that might warrant a restructuring of charges for delivery service within the existing residential delivery classes. (ComEd Ex. 2.33, 31.)

City/CUB witness Bodmer found that the Commission's directive respecting establishment of cost-based prices for an identifiable group of low use consumers cannot be accomplished simply by reverting to the rate structure that existed prior to the 2010 rate order or by reducing the account charge and increasing the energy charge." (City/CUB Ex. 1.0, 83:1364-1367.)

AG witness Rubin did not consider a low-use sub class. There has been no proposal for a low-use sub class by any party. Staff is therefore recommending that no new low-use sub classes be added and that a rate design that retains the SFV rate design percentages approved by the Commission in Docket No. 10-0467, for the SFNH, MFNH, SFH, MFH, and WH classes be continued. (ICC Staff Ex. 1.0, 29:630-632.)

2. Non-Residential

a. Preliminary Issues

It should be noted that only two parties presented proposals that addressed both residential and non-residential rate design, the Company and Staff. Some parties offered residential rate design proposals only, while others have offered various revenue responsibility proposals.

b. Movement Toward ECROSS-Based Rates

The Commission should approve the next step revenue responsibility rate design.

ComEd has stated that it is taking no position as to the relative merits of any of the rate designs in relation to cost allocation in any of the associated ECROSSs. (ComEd Ex. 2.0, 2-3:46-48.) It also stated in its rebuttal testimony that it is not proposing the use of any particular rate design model presented in direct testimony or rebuttal testimony. (ComEd Ex. 6.0, 2:23-34.)

Kroger witness Neal Townsend recommends that the Commission utilize the next step revenue responsibility rate design for the ELL, HV, and RR classes. (Kroger Ex.

1.0, 7:153-154.) Mr. Townsend believes it is critically important that the Commission act decisively to eliminate or significantly reduce subsidies in this case. (Id. at 151-152.)

IIEC witness Stephens recommends next step revenue responsibility for the ELL and HV classes. (IIEC Ex. 1.0, 13:300-308.) Mr. Stephens believes the Commission should continue with moving rates towards cost of serve. (Id.)

Commercial Group (“CG”) witness Steve W. Chriss states that if the Commission determines it appropriate to implement a “next step” towards cost of service, the Commission should move the non-residential classes halfway to cost, with the exception of the Railroad class, which would be moved one-third of the way to cost. Then in the subsequent rate design proceeding all customer classes would move the rest of the way to cost but for the revenues required to move the Railroad class to cost of service over the next two cases. This would implement the Commission’s original goal of eliminating interclass rate subsidies in a gradual yet efficient manner. (CG Ex. 1.0, 6:139-145.)

REACT witness Bradley O. Fults recommends the Commission reject both the next step revenue responsibility and 100% revenue responsibility. Mr. Fults states that it is clear that ComEd’s ECOSS contains incorrect assumptions regarding the actual cost to provide service to the ELL and HV over 10MW classes. (REACT EX. 1.0, 20:462-469.)

Staff witness Johnson’s proposed rate design continues the movement towards cost based rates by following the next step revenue responsibility levels approved by the Commission in Docket No. 10-0467 for the ELL, HV, and RR delivery classes. The Commission has ordered a move toward cost-based rates for the ELL, HV, and RR

classes. No reason has been presented as to why that should not be continued in this proceeding. Additionally, under Staff's proposed next step revenue responsibility rate design, the classes that are currently subsidizing the ELL, HV, and RR delivery classes (i.e., the SL, ML, LL, and VLL delivery classes) will see their shares of those subsidies decrease. (ICC Staff Ex. 1.0, 30:646-656.) Staff recommends the Commission approve the next step revenue responsibility rate design in this case.

c. Straight Fixed Variable for Watt-Hour Delivery Class

Staff was the only party to address SFV for the Watt-Hour ("WH") Delivery Class. Staff recommended that the current SFV rate design methodology utilized for the WH class continue. (ICC Staff Ex. 1.0, 29:630-633.)

3. Street Lighting

4. Illinois Electricity Distribution Tax

The Commission should continue collecting the IEDT on a kWh basis and reject REACT's proposal to collect the tax through the distribution facilities charge.

Various parties discussed the recovery mechanism of the Illinois Electricity Distribution Tax ("IEDT"). REACT witness Fults believes that ComEd should not be able to recover the IEDT as a per kWh fee, but instead recommends that the tax be collected through the distribution facilities charge. (REACT Ex. 1.0, 31:699-701.) Mr. Fults argues that large customers who operate 24 hours per day and use the same amount of electricity each hour now pay a disproportionately large portion of the tax. He also states that the IEDT charges no longer have a relationship to ComEd's invested

capital, but rather are just tied to the amount of kilowatts delivered to each customer. (Id., 30:666-669.)

ComEd witness Charles S. Tenorio responded to REACT's proposal by explaining that ComEd recovers the IEDT in the same manner that this tax is imposed on ComEd, on the basis of total kWh delivered to customers, whether they are residential, nonresidential, or lighting customers. Mr. Tenorio also stated that this issue has already been addressed by the Commission in previous cases. (ComEd Ex. 6.0, 35:628-631.)

Staff witness Johnson explained that the distribution tax was previously determined by the utilities' plant investment levels. Mr. Johnson stated that while he is not an attorney, the law quoted below indicates the General Assembly made a decision to change that way of determining the distribution tax effective January 1, 1998:

This amendatory Act of 1997 is intended to provide for a replacement for the invested capital tax on electric utilities, other than electric cooperatives, and replace it with a new tax based on the quantity of electricity that is delivered in this State. The General Assembly finds and declares that this new tax is a fairer and more equitable means to replace that portion of the personal property tax that was abolished by the Illinois Constitution of 1970 and previously replaced by the invested capital tax on electric utilities, while maintaining a comparable allocation among electric utilities in this state for payment of taxes imposed to replace the personal property tax.

35 ILCS 620/1a, P.A. 90-561, eff. 1-1-98.

This passage indicates that a move was made to create a tax determined by usage, instead of a tax based upon invested capital. Sales, rather than plant investment, now determines how much distribution taxes the utilities pay. Changes in the amount of plant in service for a utility do not affect the amount of distribution tax

paid. If ComEd's level of deliveries goes up relative to other electric utilities in Illinois, its share of distribution taxes increases. If ComEd's relative level of deliveries goes down, its share of the distribution tax total declines. Since the level of deliveries, not plant in service, determines the amounts of distribution taxes for utilities each year, usage should be the basis for allocating these costs. (ICC Staff Ex. 4.0, 37:864-873.)

Additionally Mr. Johnson noted the Commission's conclusion regarding the collection of the IEDT in Docket No. 10-0467:

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.

2010 Rate Order at 285.

Staff believes it is clear from the law and the Commission's analysis and conclusion in Docket No. 10-0467 that the IEDT should be charged on a kWh basis. Since the level of deliveries determines the amount of distribution taxes for ComEd each year, customers should be charged for those taxes based upon their individual kWh usage. Therefore, Mr. Johnson recommends the Commission continue collecting the IEDT on a kWh basis and reject Mr. Fults' proposal to collect the tax through the distribution facilities charge. (ICC Staff Ex. 4.0, 40:949-951.)

5. Other Issues

D. Overall Recommended Rate Design

Staff's overall rate design should be approved by the Commission. Staff's proposed rate design incorporates the cost inputs from the ECOSS in ComEd Ex. 3.14, which included the recommendations made by the project team addressing the Commission's directives in its Docket No. 10-0467 Order addressing its ECOSS concerns⁷ and includes the indirect uncollectible cost allocation factors in accordance with the Indirect Uncollectible Cost Study. Also, Staff's proposed rate design continues the movement towards cost based rates by following the next step revenue responsibility levels approved by the Commission in Docket No. 10-0467 for the ELL, HV, and RR delivery classes. The Commission has ordered and made a concerted effort to move toward cost-based rates for the ELL, HV, and RR classes. No reason has been presented as to why that movement should not be continued in this

⁷ These concerns relate to direct observation of ComEd facilities, circuit sample representation, and review of other utilities' treatment of primary/secondary issues.

proceeding. As shown on ICC Staff Ex. 4.0, Page 22, Table 1, under this proposed next step revenue responsibility rate design, the classes that are currently subsidizing the ELL, HV, and RR delivery classes (i.e., the SL, ML, LL, and VLL delivery classes) will see their shares of those subsidies decrease. Additionally, Staff's proposed rate design is the only proposal offered that provides rates for all classes, since ComEd is not taking a position in this proceeding. Other parties offer rates for specific classes but no one presents rates for each and every class. Staff's rate design takes all classes into consideration, not just specific customers. (ICC Staff Ex. 4.0, Attachment 4.03.)

V. Other Miscellaneous Charges and Fees and Corresponding Tariff Revisions

A. Potentially Uncontested Issues

1. Metering Facilities Lease Charges and Standard Meter Allowances

Within Rider Meter-Related Facilities Lease (Rider ML"), the Company proposes to update the Standard Meter Allowance ("SMAs") and the Monthly Rental Charges ("MRCs"). ComEd Ex. 2.0 at 57. The Company states that both the proposed SMAs and MRCs were computed using the same methodologies approved in the Company's 2010 rate case. *Id.* at 58. Additionally, the Company proposes to establish MRCs for meters operating within the smart grid infrastructure. ComEd Ex. 2.0 at 58. The Company states these changes to Rider ML result in estimated meter lease billing of \$1.36 million per month, previously \$1.22 million per month. *Id.* at 59. Staff does not object to the Company's proposals since the updates are consistent with the methodologies previously approved by the Commission in Docket No. 10-0467. Staff Ex. 2.0 at 3.

2. Light Emitting Diode Lighting Units

The Company proposes to revise ILL CC No. 10 2nd Revised Sheet No. 184 to offer two Light Emitting Diode (“LED”) lighting units as an alternative to high pressure sodium (“HPS”) lighting units for the FIL Delivery class. ComEd Ex. 2.0 at 59. Only two LED lighting units are currently being proposed because the Company states it would like to study customer reaction. The amount of electricity delivered to the units would be determined by the LED lighting unit wattage, and given that LED bulbs last longer, the Company states that allocation factors have been updated in the RDI Rate Design and all illustrative rate designs to reflect that longer useful life. Id. at 60-61. Staff does not object to the Company’s proposal since customers can still choose HPS lighting units, so customers have more options in selecting which lighting unit they prefer. Staff recommends that should a rate design be approved other than the RDI Rate Design or illustrative rate designs, the cost allocation factors be updated to reflect the longer useful life of LED lighting units. Staff Ex. 2.0 at 4.

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

The Company proposes numerous changes to other miscellaneous charges and adjustments summarized in Table CST-D27 on page 63 of ComEd Ex. 2.0. The Company states that each proposed change is based on the methodology approved in its 2010 rate case, which is when these charges were last updated. ComEd Ex. 2.0 at 62. Staff does not object to the Company’s proposal. Staff reviewed of all assumptions, inputs, and calculations found them to be reasonable. Staff Ex. 2.0 at 6.

4. Corresponding Tariff Revisions

The Company proposes several other changes to its tariffs: (1) revisions to its general terms and conditions and two of the informational sheets that list the delivery service charges based on the proposed changes to the FIL Delivery Class discussed earlier; (2) remove the listing of the SBO credit from Rate RDS and Rider SBO and list it in an informational sheet; and (3) remove the listing of the distribution loss factors (“DLFs”) from Rate RDS and list them in an informational sheet. The Company states that listing the SBO credit and the DLFs in information sheets reflects the informational filing nature of the compliance filings. ComEd Ex. 2.0 at 65. Staff does not object to these proposals. These revisions to the general terms and conditions and information sheets reflect the above changes. The changes will give ComEd customers easier access to this information and will streamline the compliance filing process when these values change. Staff Ex. 2.0 at 7.

B. Potentially Contested Issues

1. Invalid Payment Fee

The Company proposes to increase the invalid payment fee as shown in Table CST-D27 on page 63 of ComEd Ex. 2.0. The proposed change is based on the methodology approved in its 2010 rate case, which is when this charge was last updated. ComEd Ex. 2.0 at 62. Staff does not object to the Company’s proposal since all assumptions, inputs, and calculations appear reasonable. Staff Ex. 2.0 at 6.

2. Reconnection Fee

The Commission should accept Staff's proposal for two different Reconnection Fees: a \$63.43 fee for reconnection of standard meters and a \$9.56 fee for reconnection of smart meters. Staff Ex. 2.0 at 5-6.

The Company proposes to increase the Reconnection Fee from \$56.50 to \$63.43. The Company provides calculations for the Reconnection Fee that consist of clerical, field services, and local office functions to determine the applied charge. Within the clerical function, the task to "create connect order" results in an applied charge of \$8.39. Within the field services function, there are two tasks listed as "release connect order" and "analyze and dispatch" that result in applied charges of \$0.39 and \$0.78 respectively. Within the local office function, there are three tasks listed as "reconnect meter", "travel time to/from location", and "transportation cost" that result in applied charges of \$26.33, \$26.33, and \$1.22 respectively. ComEd Ex. 2.30 at 1. Staff does not object to the Company's proposal to charge \$63.43 for reconnection of standard meters because it reflects the cost to reconnect standard meters.

However, Staff recommends that there be a different Reconnection Fee for smart meters. Staff Ex. 2.0 at 5. ComEd states that "All currently deployed, self-contained, single phase smart meters have the capability to disconnect and reconnect service remotely." Staff Ex. 2.0, Attachment A. Staff acknowledges that prior Commission decisions⁸ require ComEd to continue its physical disconnection policy even when the ability to do remote disconnection is available. However, those orders do not discuss

⁸ See Commonwealth Edison Co., Final Order, ICC Docket No. 09-0263, 34 (Oct. 14, 2009); Commonwealth Edison Co., Final Order, ICC Docket No. 12-0298, 61 (June 22, 2012).

reconnection or the need for physical reconnection. Staff Ex. 5.0 at 3. Furthermore, 83 Ill. Adm. Code 280.130(d) does not require a site visit for reconnection nor do the Commission Orders referenced above. ComEd, however, has chosen to not use the remote reconnect feature for non-payment accounts, but physically disconnects the meters by removing the meter and inserting a plastic sleeve to prevent the flow of current.” Id.; ComEd Ex. 15.0 at 2. Staff avers that the Reconnection Fee for smart meters should be based on the cost to reconnect the meter remotely because the Company admits that it could perform a remote disconnect in conjunction with a site visit so that a site visit would not be needed in order to perform a remote reconnection of service. Staff Cross Exhibit 1 (Company Response to DR AAA 1.01). Given that the functionality of remote reconnection exists at this time through smart meters, it is logical to charge customers the cost of reconnecting smart meters remotely. Staff’s proposed reconnection fee for smart meters is calculated by summing the “create connect order”, “release connect order”, and “analyze and dispatch” tasks under the clerical and field services functions, which results in a charge of \$9.56. Id. at 5-6.

VI. OTHER

A. Distribution System Losses

Distribution losses exist on any electric utility’s distribution system whenever the electric utility uses its distribution systems to provide electricity to customers. They represent the difference between energy delivered to the distribution system and the energy ultimately delivered to customers. Distribution system elements are never one-hundred percent efficient. (ComEd Ex. 4.0, 5.)

1. Distribution System Loss Study

ComEd filed its initial distribution system loss study as ComEd Ex. 4.01. In rebuttal, ComEd filed its corrected distribution system loss study as ComEd Ex. 8.01. In ComEd Ex. 8.01, ComEd corrects some system data errors that affected its loss calculations and clarifies its methodology for determining secondary and service losses. (ComEd Ex. 8.0, 3.) ComEd's distribution system loss study divides its customers into categories (ComEd Ex. 4.01, 13; ComEd Ex. 8.01, 13) and provides an approximation of the distribution losses caused by using the distribution system to supply electricity to each of the customer categories based upon: (1) the energy ComEd supplies to, and that is consumed by, each customer category; and (2) the specific distribution system elements that ComEd uses to supply each customer category. (Staff Ex. 3.0, 2.) The ultimate result of ComEd's distribution system loss study is an individual "loss factor" for each customer category. (ComEd Ex. 8.01, 13.) These loss factors, when multiplied by the energy consumed by the customers in each customer category, provide an approximation of the unmetered electric energy ComEd must procure for its customers to offset the losses that occur in its distribution system. *Id.*

Staff finds that ComEd's methodology in determining its loss factors to be acceptable (Staff Ex. 3.0, 3) and recommends that the Commission adopt ComEd's corrected distribution system loss study, ComEd Ex. 8.01, for this proceeding. (Staff Ex. 6.0, 3.)

2. Secondary and Service Loss Study

ComEd prepared and filed a secondary and service loss study in response to the Commission's Final Orders in Docket Nos. 10-0467 and 11-0721. (ComEd Ex. 8.02.) Secondary distribution elements typically consist of lower voltage conductors that parallel a street, road, alley or other right-of-way, from which one or more customers and/or premises can receive service. (Staff Ex. 3.0, 4.) Service distribution elements, like secondary distribution elements, typically consist of lower voltage conductors that can supply one or more customers, but unlike secondary elements, service elements generally cross private property and supply only one premises. *Id.* ComEd uses the results from its secondary and service loss study to approximate the distribution losses that occur in the secondary and service elements of its distribution system. *Id.* at 3-4. Staff is concerned that ComEd did not investigate the secondary and service losses associated with each of its customer categories in the same manner. ComEd's secondary and service loss study, filed as ComEd Ex. 4.02, uses an expanded customer sample with actual loads and conductor type to determine secondary and service losses for only four of its seventeen customer categories. ComEd's use of an expanded customer sample and actual loads and conductor type for the Single Family, Multi-Family, Multi-Family with Space heat, and 0-100 kW customer categories resulted in a reduction in the combined secondary and service losses of 62% to 75%.

Staff recommends that ComEd expand its sample sizes and use actual customer loads and conductor information for the remaining customer categories that use secondary and service elements. (Staff Ex. 3.0, 7-8.) Staff does not know whether ComEd's use of an expanded sample would result in a reduction in the secondary and service losses for the other customer categories, as it did for the Single Family, Multi-

Family, Multi-Family with Space heat, and 0-100 kW customer categories, but an expanded sample for all the customer categories that use secondary and service elements would certainly provide a more accurate estimate of the secondary and service losses that occur on ComEd's distribution system. *Id.* at 5-7.) ComEd agrees with Staff's recommendation, and will file an updated secondary and service loss study with its 2014 Formula Rate Update filing. (ComEd Ex. 8.0, 4.)

The Commercial Group recommends that the Commission reach no conclusion in this proceeding concerning ComEd's secondary and service loss study because ComEd has not yet expanded its sample size and used actual load and conductor information for all customer categories that use secondary and service elements. (CG Ex. 1.0, 8.) Though Staff agrees with the Commercial Group that ComEd has not yet expanded sample sizes for all customer categories, Staff still recommends adoption of ComEd's distribution system loss study filed as ComEd Ex. 8.01, which uses the results from ComEd's updated secondary and service loss study ComEd Ex. 8.02. (Staff Ex. 6.0, 3.) ComEd Ex. 8.02 provides a far superior approximation of secondary and service losses for the four ComEd customer categories affected than did ComEd's secondary and service loss study adopted in Docket No. 12-0321. *Id.* at 4.

B. Unaccounted For Energy

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

In Docket Nos. 10-0467 and 11-0721, the Commission ordered ComEd to file a report that identifies and describes possible solutions to eliminate ComEd's dependence on, and use of, Railroad Customer equipment to supply its other customers. (Staff Ex.

3.0, 8-9.) The Commission recognized the potential harm to the public of ComEd being dependent upon the use of the Railroad Customer's equipment. Commonwealth Edison Co., Docket No. 10-0467, 273 (May 24, 2011). ComEd Ex. 4.03 is an update to this report about ComEd's use of Railroad Equipment that includes a description of two approaches to eliminate this dependence and/or use. (ComEd Ex. 4.03.) The first approach in ComEd's report (Approach 1) would eliminate all power flow through the Railroad Customers' equipment by opening one of the normally closed 12 kV breakers that is owned and operated by the Railroad Customers. ComEd determined that implementation of Approach 1 would require both ComEd and the Railroad Customers to replace relays, which would result in considerable additional cost when compared to the other approach ComEd considered. *Id.* at 14-15. The second approach covered in ComEd's report (Approach 2) eliminates ComEd's dependence on the power flows through the Railroad Customer equipment, but does not prevent power flows from occurring. (ComEd Ex. 4.0, 12.) ComEd witness Michael Born explains that both Approach 1 and Approach 2 would require ComEd to perform the same reinforcements/reconfigurations of existing distribution circuits. *Id.* ComEd estimates that it would require approximately two years for it to complete the contemplated distribution system reinforcements/reconfigurations associated with Approach 2. (ComEd Ex. 8.0, 9.)

Staff finds that ComEd's dependence on Railroad Customer equipment is a poor utility practice that the Company should eliminate. (Staff Ex. 3.0, 11.) Staff recommends that ComEd immediately execute the reinforcements/reconfigurations associated with Approach 2 in ComEd Ex. 4.03 to eliminate ComEd's dependence upon

Railroad Customer equipment. Even though these reinforcements/reconfigurations are common to the only approaches ComEd included in its report (*Id.* at 15), Staff understands ComEd's testimony to indicate that ComEd is waiting for Commission approval before proceeding with any work to eliminate its dependence on Railroad Customer equipment. (ComEd Ex. 8.0, 8.) Staff does not know why ComEd believes it needs Commission approval to reinforce its distribution system so that it is not dependent upon the equipment of one customer to supply other customers, but regardless, Staff can think of no reason for the Commission to withhold that approval.

Staff also explains that ComEd's dependence on Railroad Customer equipment has resulted in the Railroad Class receiving a \$678,104 annual subsidy from other Customer Classes. (Staff Ex. 3.0, 11-12) Staff does not understand why this subsidy would continue after ComEd eliminates its dependence on Railroad Customer equipment. *Id.* at 16. The Commission itself has acknowledged that a credit is not a permanent solution, but rather just a temporary one. Commonwealth Edison Company, Docket No. 10-0467, 274-275 (May 24, 2011). However, given that ComEd has not yet eliminated that dependence, and given that the Commission's rationale for the subsidy, in part, was based upon the fact that ComEd had used and depended upon Railroad Customer equipment to supply other customers for many years, Staff witness Rockrohr does not have an opinion as to whether the Commission should adjust the amount of the Railroad Customer annual subsidy within this docket. (Staff Ex. 6.0, 8-9.)

The Railroad Customers expressed concern that implementation of Approach 2 would be "a change from more than forty years of reliable operations[.]" (CTA/Metra Joint Ex. 2.0 Corrected, 5.) Staff does not find the Railroad Customers' concern to be

justified because Approach 2 makes no change to Railroad Customer equipment or the manner ComEd supplies the Railroad Customers. Instead, Approach 2 would simply reinforce/reconfigure ComEd's existing distribution circuits to eliminate contingency overloads and ComEd's existing dependence on Railroad Customer equipment to supply other customers. (ComEd Ex. 4.03, 4-5.) In other words, implementation of Approach 2 would allow ComEd to supply the Railroad Customers in a more reliable manner, not result in less reliable service. (Staff Ex. 3.0, 9-10.) Finally, Staff agrees with the Railroad Customers that the cost implementing Approach 2 should not be considered a cost specifically related to the Railroad Class, either in a future ECOSS or through ComEd Rider NS. (CTA/Metra Joint Ex. 2.0 Corrected, 5.)

D. Rate BES Electric Supply Charges

The Commission should 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.

Staff explained in direct testimony that through the application of supply charges under Rate BES – Basic Electric Service (“Rate BES”), which are determined pursuant to the methodology described in Rider PE – Purchased Electricity (“Rider PE”), subsidies are provided to residential customers with electric space heat and dusk-to-dawn lighting customers. Residential customers without electric space heat and non-residential customers with demand that does not exceed 100 kilowatts (“kW”) pay the majority of the subsidies. The Commission initiated a Section 9-250 proceeding to address issues related to supply rate design, Docket No. 11-0498. However, Docket No. 11-0498 only addressed residential space heating supply charges since other

customer groups that are affected by the subsidies were not represented in the docket. The Commission approved a methodology to address supply charge subsidies to the residential electric space heating customers but did not address the rate subsidy to dusk-to-dawn lighting customers. The Commission stated that the subsidies to dusk-to-dawn lighting customers must be addressed at a later time. Staff proposed that supply related subsidies for dusk-to-dawn lighting customers should be addressed in this proceeding. (ICC Staff Ex. 1.0, 31:661-675.)

Company witness Tenorio noted that since this proceeding was initiated with the principal purpose to investigate ComEd's delivery service rate design, it may not be the appropriate venue in which to investigate supply-related rate design. (ComEd Ex. 6.0, 37:677-679.) Mr. Tenorio continued that, if the Commission decided to direct ComEd to make adjustments to supply-related charges in an effort to eliminate the remaining subsidies provided to nonresidential customers with electric heat and lighting customers, it could direct ComEd to implement the movement to cost-based charges (a) by employing a cap on the annual increase in the supply charges, over the system average annual increase in supply charges, for the subsidized customers, or (b) over a specified period of time. Otherwise, the Commission could initiate a separate proceeding for the purpose of addressing this topic. (Id. at 37:677-686.)

In rebuttal testimony Staff stated that the Commission adopted a cap approach for the Residential Space Heating class in its Order in Docket No. 11-0498. This ensured that the bill impact would be no greater than the chosen cap in any given year while phasing out the subsidy to residential electric space heat customers. Other customer groups that benefit from subsidies (e.g., dusk-to-dawn customers and non-

residential space heat customers) were not addressed in Docket No. 11-0498. Commonwealth Edison Co., ICC Order Docket No. 11-0498, 7, (April 18, 2012). The Company makes an appropriate point in that, since this is a delivery service rate design case, it may not be the appropriate venue or time to investigate the supply related rate design. Additionally, no other party has addressed the issue. Staff agreed with the Company that the Commission should initiate a separate proceeding for the purpose of addressing this topic. Staff, therefore, 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. (ICC Staff Ex. 4.0, 30-31:702-716.)

VII. CONCLUSION

WHEREFORE, for all of the following reasons, Staff respectfully requests that the Commission's order in this proceeding reflect all of Staff's recommendations regarding the Company's tariffs and charges submitted pursuant to Section 16-108.5(e) of the Public Utilities Act.

Respectfully submitted,

JESSICA L. CARDONI
JOHN C. FEELEY
KELLY A. TURNER
Office of General Counsel
Illinois Commerce Commission
160 North LaSalle Street, Suite C-800
Chicago, IL 60601
Phone: (312) 793-2877
Fax: (312) 793-1556
jcardoni@icc.illinois.gov
jfeeley@icc.illinois.gov
kturner@icc.illinois.gov

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*Counsel for the Staff of the
Illinois Commerce Commission*