STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY	:	
	:	No. 13-0387
Tariff filing to present the Illinois Commerce Commission with an opportunity to consider revenue neutral tariff changes related to rate design authorized by subsection 16-108.5(e) of the Public Utilities Act.	: : : : :	

DRAFT ORDER OF
COMMONWEALTH EDISON COMPANY

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ORDER

By the Commission:

I. INTRODUCTION

A. PROCEDURAL HISTORY

On April 30, 2013, Commonwealth Edison Company ("ComEd") filed with the Illinois Commerce Commission (the "Commission"), pursuant to Section 16-108.5(e) of the Public Utilities Act (the "Act") (220 ILCS 5/16-108.5(e)), the following tariff sheets: ILL. C. C. No. 10: 6th Revised Sheet No. 34; 4th Revised Sheet No. 40; 8th Revised Sheet No. 65; 7th Revised Sheet No. 66; 5th Revised Sheet No. 67; 4th Revised Sheet No. 75; 3rd Revised Sheet No. 99; 3rd Revised Sheet No. 100; 3rd Revised Sheet No. 101; 3rd Revised Sheet No. 184; 4th Revised Sheet No. 204; 3rd Revised Sheet No. 205; 1st Revised Sheet No. 206; 3rd Revised Sheet No. 274; 3rd Revised Sheet No. 275; 3rd Revised Sheet No. 276; 2nd Revised Sheet No. 276.1; Original Sheet No. 276.2; 1st Revised Sheet No. 320; 1st Revised Sheet No. 325; 8th Revised Sheet No. 367; and 2nd Revised Sheet No. 430. The tariff filing was made for the Commission and all stakeholders to consider revenue-neutral tariff changes related to cost allocation and rate design. The tariff filing was accompanied by direct testimony and attached exhibits.

Notice of the tariff filing was posted in ComEd's business offices and published in a secular newspaper of general circulation in ComEd's service area, as evidenced by publisher's certificates, in accordance with the provisions of 83 Ill. Admin. Code Part 255.

The Commission suspended the tariff filing on June 5, 2013. On September 18, 2013, the Commission issued a Resuspension Order, suspending the tariff sheets to and including December 26, 2013.

In response to the Company's filing, the following parties filed Petitions to Intervene, which were granted by the Administrative Law Judges ("ALJs"): Kroger Co. ("Kroger"); the Commercial Group ("CG"); the Chicago Transit Authority ("CTA"); the Northeast Illinois Regional Commuter Railroad Corporation and the Commuter Rail Division of the Regional Transportation Authority, collectively known as Metra ("Metra") (collectively, CTA and Metra are "CTA/Metra"); the Coalition to Request Equitable Allocation of Costs Together ("REACT"); Citizens Utility Board ("CUB"); Abbott Laboratories, Inc., Thermal Chicago Corporation, Caterpillar Inc., Chrysler Corporation, Sterling Steel Company, Enbridge Energy, LP, Ford Motor Company, and ExxonMobil Power & Gas Services, Inc. (collectively styled as the "Illinois Industrial Energy Consumers" or "IIEC"); Nucor Steel Kankakee, Inc. ("Nucor"); The Building Owners and Managers Association of Chicago ("BOMA"); and the United States Department of Energy ("DOE") (collectively, all of the foregoing parties are the "Intervenors"). The City of Chicago ("City") filed an appearance in this matter.

Pursuant to notice duly given in accordance with the law and the rules and regulations of the Commission, a status hearing was held in this matter before duly authorized ALJs of the Commission on June 20, 2013. Ten days prior, notice of the status hearing had been provided by the Chief Clerk of the Commission to municipalities in ComEd's service area, in accordance with the requirements of Section 10-108 of the Act, 220 ILCS 5/10-108. A subsequent status hearing was held before the ALJs at the Commission's Chicago offices on September 23, 2013.

Evidentiary hearings were held on September 24-25, 2013. At the evidentiary hearings, ComEd, the Staff of the Commission ("Staff"), AG, City and CUB (collectively, "City/CUB"), CG, CTA, CTA/Metra, IIEC, Kroger, Metra, and REACT entered appearances and presented testimony, either by live witness(es) or through affidavit(s). Certain additional materials were received into the record thereafter by order of the ALJs. On September 25, 2013, the ALJs marked the record "Heard and Taken."

The following witnesses testified on behalf of ComEd: Christine M. Brinkman, C.P.A., Director, Rates & Revenue Policy; Charles S. Tenorio, Manager, Regulatory Strategies and Solutions; Bradley L. Bjerning, Principal Regulatory Specialist; Michael F. Born, P.E., Manager, Distribution Capacity Planning; Ronald E. Donovan, P.E., Vice President, Customer Channels; Philip Q. Hanser, Principal, The Brattle Group; and Michael T. O'Sheasy, Vice President, Christensen Associates Energy Consulting, LLC.

The following witnesses testified on behalf of Staff: William R. Johnson, Rates Department, Financial Analysis Division; Alicia Allen, Rate Analyst, Rates Department, Financial Analysis Division; and Greg Rockrohr, P.E. (California), Senior Electrical Engineer, Energy Engineering Program, Safety and Reliability Division.

The AG presented the testimony of Scott J. Rubin.

City/CUB presented the testimony of Edward C. Bodmer.

CG presented the testimony of Steve W. Chriss.

CTA presented the testimony of James P. Harper.

CTA/Metra presented the testimony of James G. Bachman.

IIEC presented the testimony of Robert R. Stevens and Amanda M. Alderson.

Kroger presented the testimony of Neal Townsend.

Metra presented the testimony of Lynnette Ciavarella.

REACT presented the testimony of Bradley O. Fults, Harry L. Terhune, P.E. and Jeffrey Merola.

Initial Briefs were filed on October 11, 2013, by ComEd, Staff, AG, City/CUB, CG, CTA, IIEC, Kroger, and REACT. Reply Briefs were filed on October 18, 2013 by ComEd, ______, and_______. Draft Proposed Orders or Position Statements were filed on October 23, 2013.

The ALJs Proposed Order was served on November __, 2013. Briefs on Exceptions were filed _______ __, 2013. Replies to Exceptions were filed _______ __, 2013.

B. LEGAL STANDARDS

The scope of this proceeding is limited to considering revenue neutral tariff changes to the allocation of delivery service costs among ComEd's rate classes and possible changes to the rate design formula of Rate DSPP - Delivery Service Pricing and Performance ("Rate DSPP") in accordance with provisions of subsection 16-108.5(e) of the Act.

Section 16-108.5(e) of the Act provides:

> 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. Following approval of a participating utility's performance-based formula rate tariff pursuant to subsection (c) of this Section, the utility shall make a filing with the Commission within one year after the effective date of the performance-based formula rate tariff that proposes changes to the tariff to incorporate the findings of any final rate design orders of the Commission applicable to the participating utility and entered subsequent to the Commission's approval of the tariff. The Commission shall, after notice and hearing, enter its order approving, or approving with modification, the proposed changes to the performance-based formula rate tariff within 240 days after

> the utility's filing. Following such approval, the utility shall make a filing with the Commission during each subsequent 3-year period that either proposes revenue-neutral tariff changes or re-files the existing tariffs without change, which shall present the Commission with an opportunity to suspend the tariffs and consider revenue-neutral tariff changes related to rate design.

II. Cost of Service and Allocation

A. Overview

ComEd

In its direct filing, ComEd presented eight embedded costs of service studies ("ECOSSs"): the Rate Design Investigation ("RDI") ECOSS, the ECOSS submitted in Docket No. 13-0318, the 2013 Formula Rate Update proceeding ("2013 FRU Case"), and six additional illustrative ECOSSs. The RDI ECOSS is consistent with the ECOSS submitted to support the compliance filing made in accordance with the Commission's Order in Docket No. 10-0467, ComEd's last general rate case ("the 2010 Rate Case"), but has been updated to (1) reflect ComEd's proposed updated standard meter service allowances and meter rentals; (2) remove references to two out of date cost categories; (3) incorporate updated information pertaining to distribution losses; and (4) use the revenue requirement originally presented in the 2013 FRU Case.

Staff and certain Intervenors stated their positions concerning the submitted ECOSSs, and ComEd either verified the accuracy of the ECOSSs or prepared additional ECOSSs to address various proposals.

ComEd states that it has not taken a position regarding any ECOSS but has expressed concerns regarding certain proposals seeking to further segment the current Commission-approved ECOSS, as discussed further in Section II.C. of this Draft Order. ComEd adds that ultimately, the Commission should approve a cost of service study that is based on the Commission's long-standing commitment to cost causation principles. ComEd believes that 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.

Other Parties

[Insert]

Commission Analysis and Conclusion

B. Potentially Uncontested Issues

1. Indirect Uncollectible Costs

ComEd

In the 2010 Rate Case Order, the Commission directed ComEd to "include the segregated indirect uncollectible costs in a cost of service study" in ComEd's next rate case. 2010 Rate Case Order at 20. ComEd states that it met the Commission's directive through the preparation of the Indirect Uncollectible Cost Study (ComEd Ex. 3.08). The results of the study are reflected in the ECOSS identified as ComEd Ex. 3.16. ComEd notes that both Staff and the AG recommend that the Commission-approved ECOSS in this proceeding should include the results of this study and that no other party commented on this study.

Other Parties

[Insert]

Commission Analysis and Conclusion

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

ComEd

Subject to ComEd's concerns expressed in Section II.C.1.b. herein regarding the related REACT study, ComEd does not take a position with respect to REACT's proposal that the allocation in the ECOSS in the Shared Distribution Lines sub-function to the Extra Large Load ("ELL") Delivery Class and customers in the High Voltage Delivery Class with loads over 10 megawatts ("HV Over 10 MW") be reduced by one-third, or $9,261,212. ComEd notes that REACT did not indicate to which other customers those costs should be reallocated.

Other Parties

[Insert]

Commission Analysis and Conclusion

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

ComEd

Subject to ComEd's concerns expressed in Section II.C.1.b. herein regarding the related IIEC study, ComEd does not take a position with respect to IIEC's proposal that 20% of primary costs should be reassigned to single-phase, resulting in reallocating costs from the Shared Distributions Lines sub-function to the Secondary Voltage Distributions Lines sub-function in the ECOSS. ComEd notes that IIEC's proposed adjustment would shift $54.26 million in costs away from the nonresidential sector. Of that amount, residential customers would absorb a $52.57 million cost increase, with the balance, $1.69 million, being allocated to lighting customers.

ComEd also states that CG recommends that the Commission approve the original IIEC proposal that would reassign 10% of primary costs. ComEd notes that this proposal would shift $27.13 million in costs away from the nonresidential sector. Of that amount, residential customers would absorb a $26.28 million cost increase, with the balance, $0.85 million, allocated to lighting customers. ComEd adds that within the nonresidential sector, the Watt-Hour and Small Load delivery classes would see increases in cost allocations while the other classes would see decreases in cost allocations.

Other Parties

[Insert]

Commission Analysis and Conclusion

(iii) Cost Allocation of Combination Poles

ComEd

In the 2010 Rate Case Order, the Commission directed ComEd to "work with Staff on this issue [primary/secondary] to develop a scientifically-significant representative of its direct observations…" of various distribution facilities in ComEd's system. 2010 Rate Case Order at 180-181. ComEd commissioned Christensen Associates Energy Consulting, LLC ("CA") to perform a study in response to that provision and to summarize the results of its efforts in a report, *Meeting Commonwealth Edison's Distribution Allocation Requirements from the Illinois Commerce Commission Order 10-0467*, (the "CA Distribution Study"). The CA Distribution Study is ComEd Ex. 3.07. ComEd notes that as part of CA's field review of combination poles, sizes of the poles and equipment on these poles were observed and recorded in compliance with the directive. In its report, CA recommends changes to cost allocations for (1) weather resistant wire, (2) percent of poles with secondary voltage facilities attached, and (3) 100% shared costs cost assignment for combination poles. With respect to combination poles specifically, CA's recommended that the methodology for allocating the costs of combination poles, which allocated 50% to shared costs and 50% to secondary costs in the ECOSS, should be changed to allocate 100% to shared costs and 0% to secondary costs. ComEd Ex. 3.07 at 11-12. Combination poles in ComEd's distribution system carry equipment that serves the secondary and primary voltage levels.

CA found that the proper allocation of combination pole costs should rest on the purpose the poles were installed to serve rather than anything it observed in its examination of the poles themselves. ComEd notes that CA's recommendation takes account of the fact that a primary voltage system is necessary to serve the secondary voltage system efficiently and was based on CA's interviews with ComEd's engineering department, as well as the experience of CA's project team. ComEd adds that under CA's recommendation, secondary customers, who are apportioned shared costs, still are responsible for an appropriate portion of the costs. Hence, ComEd agrees with Staff's recommendation that the Commission adopt CA's determination concerning combination poles.

Other Parties

[Insert]

Commission Analysis and Conclusion

(iv) [OTHERS]

ComEd

ComEd raised no other issues.

Other Parties

[insert]

Commission Analysis and Conclusion

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

(i) Shared Distribution Line Proportional Cost Assignment Study

ComEd

ComEd takes no position regarding proposals by IIEC, REACT, and CTA/Metra recommending that the Commission undertakes studies to further segment ComEd's distribution system. However, ComEd expressed concerns regarding these proposals.

ComEd states that the methodologies suggested by IIEC and REACT require determining the path of service for specific customers, but studying paths of service may not be determinative as paths can change.

ComEd also raises concerns regarding basic fairness because REACT, IIEC, and CTA/Metra have only identified equipment that they believe is not used to serve them to the same extent that it serves others, and propose excluding the cost of that equipment from their cost allocation. ComEd argues that there is likely to be equipment that other customers do not use, or only use in a *de minimis* manner, and the ECOSS cannot accommodate every such instance without becoming increasingly disaggregated and complex. ComEd notes that the proposed studies specifically focus on the extent to which certain customers are affected and do not consider all customers who use ComEd's distribution system. As such, these studies are one-sided, seeking to segment the distribution system in a manner that will apparently not be applied even-handedly to all customers and customer classes..

ComEd also expresses concern that the analysis needed to conduct the proposed studies properly, which would consider all delivery classes, would be complicated and resource intensive considering that ComEd has 4.8 million service points connected to nearly 6,400 circuits.

Ultimately, ComEd states that whether to further segment ComEd's distribution system, which is a complex interconnected system that serves all customers, is a policy decision for the Commission. ComEd states that it supports the development of delivery services charges based on the principle of cost causation. However, ComEd believes that principle should be applied in a reasonable and practical matter that is fair to all customer groups.

In response to the REACT suggestion made for the first time in its Initial Brief, that its study be completed in a four month time frame, pointing to the time it claims was required to perform ComEd's Secondary and Service Loss Study (ComEd Ex. 8.02), ComEd notes that the two studies are dissimilar. ComEd further states that with respect to the REACT study, more than four months would be required to retain the proper resources, develop the appropriate scope and sample size, and then to actually complete the work and prepare a report. If the Commission concludes that REACT's study is appropriate, ComEd requests that an inappropriately short timeline not be imposed but that the Commission allow sufficient time to complete the study in a proper manner.

Other Parties

[Insert]

Commission Analysis and Conclusion

(ii) Singe Phase/Three Phase (Shared) Primary Separation Investigation/Workshop

ComEd

ComEd's concerns are summarized in Section II.C.b.(i) of this Proposed Order

Other Parties

[insert]

Commission Analysis and Conclusion

(iii) CTA/Metra Geographical Study

ComEd

ComEd's concerns are summarized in Section II.C.b(i) of this Proposed Order.

Other Parties

[insert]

Commission Analysis and Conclusion

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

ComEd

In its 2010 Rate Case Order, the Commission directed ComEd "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." 2010 Rate Case Order at 191. ComEd maintains that it complied with the Commission's directive through conducting the CA Distribution Study (ComEd Ex. 3.07); the results of this study are reflected in two ECOSSs, ComEd Exs. 3.10 and 3.12. ComEd notes that the RDI ECOSS is not ComEd's "position." Instead, the RDI ECOSS represents cost allocations based upon current Commission-approved methodologies. It provides a baseline for Staff and Intervenors to compare the various illustrative ECOSSs, which reflect the results of the different Commission directives and Orders. ComEd states it has met the

Commission's directive by submitting not one but two ECOSSs that respond to this directive.

Other Parties

[Insert]

Commission Analysis and Conclusion

2. Cost Allocation by Sector versus Delivery Class

ComEd

In the Commission's Order in Docket No: 11-0498, the Commission directed ComEd to provide an analysis of "the impact on customer classes of reallocating NCP-related delivery costs using a single NCP allocator for the residential sector." Docket No. 11-0498 Order at 8. ComEd states that it submitted two ECOSSs to meet the Commission's directive. The first 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. The other ECOSS, ComEd Ex. 3.18, uses NCP allocation factors, which are determined based on the three customer sectors, residential, nonresidential, and lighting.

ComEd states that it takes no position on which allocation factors the Commission-approved ECOSS ultimately utilizes, however ComEd notes that the current allocation by a "*utility's rate classes*" is consistent with Section 285.5110 of the 83 Illinois Administrative Code.

Other Parties

[Insert]

Commission Analysis and Conclusion

3. Other Cost Allocation Issues

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

ComEd

In the 2010 Rate Case Order at 275, a $648,104 credit was provided to the Railroad Delivery Class for ComEd's use of its traction power stations. ComEd takes no position on this issue and is not recommending maintaining, modifying, or eliminating the annual credit to the Railroad Delivery Class. ComEd agrees with Staff that to the extent the Commission directs ComEd to perform work to reduce ComEd's dependence on the use of railroad electric traction power substation equipment to serve other customers, then it would appear that the underlying rationale for the credit, as provided by the Commission in the 2010 Rate Case Order, would no longer exist.

Other Parties

[Insert]

Commission Analysis and Conclusion

b. Residential Cost Allocation Adjustment

ComEd

ComEd states that it appropriately defines fixed costs and its allocation of customer costs on a customer basis is reasonable. ComEd argues that City/CUB's claim that ComEd has applied an overly broad approach to measuring "customer-related costs" in the ECOSS is incorrect. ComEd states that City/CUB's proposal 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, with the $13 million difference being allocated to residential space heating customers is based on a faulty premise.

ComEd asserts that City/CUB's analysis incorrectly measures "fixed" or "embedded" customer costs as only the direct costs of meters and the cost of paper and stamps associated with sending customer bills. ComEd states that City/CUB, in focusing solely on the purchase price of the meter and cost of postage, ignore many related costs including infrastructure, personnel, and services required in order to render the charges on a customer bill. ComEd argues that City/CUB thus arbitrarily limit the definition of "fixed costs" and leave out very real costs that ComEd incurs in properly serving customers.

ComEd observes that the Commission previously reviewed and approved ComEd's allocation of customer costs, namely in Docket No. 08-0532 ("the 2008 RDI Case"). In that proceeding, ComEd's allocation of customer costs on a customer basis was generally found to be reasonable.

ComEd notes that, in their initial brief, City/CUB continue to maintain that only for the residential sector, the only costs that should be regarded as being customer-related are the costs of standard meters and the costs of printing and sending bills. ComEd adds that while they never presented a proposed ECOSS in this proceeding, it appears that City/CUB intend for several other costs to be allocated to the three customer sectors on the basis of customer-related factors, and only after the portion of these other costs has been allocated to the residential sector as being customer-related, that the portion then be allocated among the four residential delivery classes on the basis of usage. ComEd states that this proposal seems contradictory by having costs first allocated using customer-related factors among the sectors but then being further allocated among the four residential delivery classes within the residential sector on a different basis. ComEd adds the proposal appears incomplete because it is silent with respect to how these other costs should be allocated among the delivery classes within the nonresidential sector and among the delivery classes within the lighting sector. Because the proposal only applies to the residential sector, City/CUB appear to intend for these other costs to continue to be considered customer-related and the current allocation methodology to continue to be used when being addressed among the three customer sectors and within the nonresidential and lighting sectors.

Other Parties

[Insert]

Commission Analysis and Conclusion

D. Overall ECOSS Recommendation

ComEd

ComEd states that the record contains substantial information to assess whether, and to what extent, ComEd's current Commission-approved ECOSS should be modified. ComEd has not taken a position or made a recommendation regarding which proposed modifications should be adopted. Whether ComEd's delivery service ECOSS should be further studied or segmented, if at all, is a policy decision for the Commission to determine. ComEd recommends that the Commission apply the long-standing principals of cost causation in a reasonable and practical manner that is fair to all customer groups, as well as consider the nature of ComEd's distribution system, in that it is a complex, interconnected network built to serve all customers. 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.

Other Parties

[insert]

Commission Analysis and Conclusion

III. Customer Care Costs

ComEd

ComEd states that customer care costs are not supply-related and are incurred in response to the needs of its delivery service customers. ComEd adds that its customer care costs have increased even though the number of customers that have switched to a retail electric supplier ("RES") supply has increased. .

ComEd argues that REACT's proposal to shift $109 million out of ComEd's delivery service revenue requirement and into ComEd's supply charges should be rejected. ComEd states that REACT has come before this Commission on three other occasions seeking to reallocate a portion of customer care costs to the supply function, and each time the Commission has rejected REACT's proposal. *See* ICC Docket Nos. 07-0566; 08-0532; and 10-0467. ComEd asserts that REACT has articulated no change in circumstances that would justify the adoption of this proposal.

Finally, ComEd argues that the REACT adjustment is improper because it seeks to reduce ComEd's Commission-approved delivery service revenue requirement in delivery service charges. ComEd states that the proposal is not revenue requirement neutral and thus, outside the scope of this proceeding.

Other Parties

[Insert]

Commission Analysis and Conclusion

IV. Rate Design

A. Overview

ComEd

ComEd presented sixteen populated rate designs: ComEd Exs. 2.03, 2.04, and 2.06 through 2.19. These rate designs were based upon the RDI ECOSS and six additional illustrative ECOSSs submitted by ComEd. The various rate designs provide the computations of the individual delivery service charges.

In addition to these 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 states that it has provided extensive evidence upon which the Commission can evaluate the rate implications of all revenue requirement neutral changes related to delivery service rate design that Staff and Intervenors propose.

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 the SFV rate design and Illinois Electricity Distribution Tax Charge ("IEDT"), 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.

Other Parties

[insert]

Commission Analysis and Conclusion

B. Potentially Uncontested Issues

C. Potentially Contested Issues

1. Residential

a. Straight Fixed Variable (SFV)

ComEd

ComEd urges the Commission reject City/CUB's and AG's proposals that would reverse the Commission's decision in May 2011, to adopt a modified SFV rate design for residential customers. ComEd states that the question of the appropriateness of using an SFV rate design for residential customers was fully litigated and resolved in the Commission's May 2011 Order in the 2010 Rate Case. 2010 Rate Case Order at 218-232. ComEd avers that City/CUB and AG have not demonstrated that circumstances have changed since that time to warrant the Commission's reversal of the SFV rate design structure for residential customers. ComEd notes that Staff also disagrees with City/CUB's and AG's proposals and recommends that the Commission retain its current SFV rate design. ComEd agrees with Staff that the 2010 Rate Case Order never contemplated that the SFV rate design would be completely eliminated in ComEd's next rate design docket.

ComEd asserts that the Commission has repeatedly recognized that sound regulatory policy encourages the recovery of fixed costs through fixed charges and that the Commission has adopted an SFV rate design not only for ComEd, but for other delivery utilities such as Ameren Illinois and Nicor Gas Company. ComEd observes that the majority of its delivery costs are fixed, thus recovery of such costs through a fixed charge rather than a variable, volumetric charge, is reasonable. ComEd notes that the Commission did not adopt ComEd's SFV proposal in the 2010 Rate Case Order that, ultimately, sought to recover 80% of delivery service costs through fixed charges. Instead, the Commission approved a modified SFV rate design for residential customers that recovered 50% of fixed costs through fixed charges. Nonetheless, ComEd supports maintaining the existing, Commission-approved SFV rate design for residential customers.

ComEd takes issue with City/CUB's alternative approach - a rate design with a 19-tiered fixed monthly customer charge, ranging from $1.00 to $43.36, tied to monthly average customer usage for multi family customers and a 17-tiered fixed monthly customer charge, ranging from $1.00 to $57.51, tied to monthly average usage for single family customers. The City/CUB proposal also *increases* the variable charges for all customers in three of the four residential delivery classes, specifically by 8.4% for the Single Family Without Electric Heat ("SFNH"), 79.8% for the Single Family With Electric Heat ("SFH"), and 20.3% for the Multi Family With Electric Heat ("MFH") delivery classes. The Company asserts that not only does this proposal conflict with sound regulatory policy, it will spawn considerable confusion for residential customers and create more administrative costs for ComEd. Likewise, ComEd states that the AG's proposal takes a step back from basing delivery rates on cost-causation principles.

ComEd also responded to various City/CUB and AG claims made to support their respective alternative rate design proposals. First, ComEd asserts that claims of City/CUB and the AG that an SFV rate design is harming low-use customers has no basis in fact. ComEd points to its study of the impact of SFV rates on low usage customers, wherein ComEd examined the impact on approximately 2.7 million residential customers. In that study, ComEd found that fewer than 84,000 low use customers saw increases of 10% or more in their total electric service bills due to the implementation of the SFV rate design. ComEd also stated that basing delivery service charges on customer usage misses the point: the Company plans and installs facilities based on anticipated maximum demand on those facilities, and these costs are fixed and do not fluctuate based on the level of customer electricity usage. Thus, ComEd concludes that City/CUB and AG's claims regarding low use customers are misplaced.

Next, ComEd addressed the AG's claims that an SFV rate design diminishes the ability of customers to reduce their electricity usage. ComEd argues that such claims should be rejected. ComEd cites to the Commission's 2010 Rate Case Order wherein the Commission rejected a similar assertion stating, "[t]he Commission is not convinced that an SFV rate design reduces the incentive to conserve electricity." 2010 Rate Case Order at 231-232. ComEd asserts that nothing associated with an SFV rate design prevents a customer from using less energy, as the decision on how much electricity to use lies with the customer alone. To support this conclusion, the Company points to the same Commission Order wherein the Commission noted that customers have ample incentive to reduce electricity consumption given that the majority of their bill is based on the cost of supply, not the delivery charge. *Id.* at 231. ComEd also states that the

SFV rate design does not conflict with the Act's energy efficiency goals. ComEd asserts that the AG erroneously invokes Section 8-103 when making this claim, when in fact Section 8-103 has nothing to do with establishing delivery service rates.

Finally, ComEd takes issue with City/CUB's and the AG's claims that ComEd no longer requires SFV rates because it is guaranteed recovery of all of its costs under the Energy Infrastructure Modernization Act ("EIMA"). ComEd states that this claim is expressly refuted by the terms of EIMA. EIMA does not guarantee ComEd's recovery of all its costs. Rather, EIMA's provisions require the reconciliation of actual costs to projected costs; it does not reconcile the Commission-approved revenue requirement for a particular year to the actual revenues collected during that year.

Other Parties

[Insert]

Commission Analysis and Conclusion

b. Consideration of Low-Use Subclass

ComEd

The 2010 Rate Case Order directed ComEd to analyze the impact of the approved SFV rate design on low-use residential customers. 2010 Rate Case Order at 232. ComEd states that it met this directive by conducting an extensive study that employed a direct comparison of the approved SFV rate design with a non-SFV rate design, using the same revenue requirement. ComEd presented the results of this study in its *Residential Electricity Usage and Bill Impacts of the Straight Fixed Variable Rate Design* ("Residential Usage Study"), ComEd Ex. 2.33.

ComEd notes that for customers with the lowest usage levels in each of the residential classes, the Residential Usage Study showed that in many cases the premises were not occupied for long periods of time or the account was not for residential day-to-day living purposes, but rather for a specific overall residential building purpose, such as an alarm or fire pump. Moreover, the low use customers that experienced the greatest bill increases due to the implementation of the SFV rate design were single family residences with electric heat in the two lowest usage percentiles. Of the 604 total residences in those two percentiles, ComEd observed through the use of aerial photography that 155 appear to be vacation residences.

Based upon its Residential Usage Study, ComEd maintains that the nature of residential customers is not static and unchanging. In its study of the 2.7 million residential customers, ComEd analyzed the usage of the customers by percentile within each of the four residential delivery classes. All 100 of the SFNH percentiles had customers with some zero monthly usages, all 100 of the MFNH percentiles had customers with some zero monthly usages, 73 of the SFH percentiles had customers with some zero monthly usages, and 97 of the MFH percentiles had customers with some zero monthly usages. In many cases, according to data presented by ComEd, usage fluctuated from near zero to several hundred kWh from one month to the next, and significant numbers of customers in the lowest usage percentiles used at least twice as much electricity as their percentile's monthly average usage in at least one month of the year. ComEd found that low average usage does not necessarily indicate steady low usage. Moreover, ComEd asserts that a customer who is among the lowest use customers may experience a life event such as a change in work schedule, marital status, or the birth of a child that would cause the customer to change his or her electricity usage so that the customer would move to a higher usage percentile.

ComEd asserts that it is not the monthly electricity usage, even if that usage is low for several months out of a year, or even if it is consistently low for the current resident, that determines the delivery service facilities the Company must have in place and the costs it must incur to provide electric service to its customers.

ComEd also disagrees with the City/CUB contention that ComEd inappropriately focused attention on geography in its Residential Usage Study. ComEd identified the Commission's concern about "low-use customers, especially in the Chicago region." 2010 Rate Case Order at 232. By analyzing customer usage inside and outside the City of Chicago by zip code, ComEd states that it was able to provide data to address the Commission's concern pertaining to customers located in the "Chicago region" as well as the remaining customers located throughout its service territory.

Based upon the results of its Residential Usage Study, ComEd concluded that there is no cost basis for creating additional residential delivery customer classes, nor a pervasive inequity that might warrant a restructuring of delivery service charges.

City/CUB is the only party that claims that ComEd failed to meet the Commission's directive from the 2010 Rate Case Order. ComEd disagrees, pointing to the specific language in the 2010 Rate Case Order, which did not direct ComEd to create a new low use customer sub-class for residential customers. 2010 Rate Case Order at 232.

Other Parties

[Insert]

Commission Analysis and Conclusion

2. Non-Residential

a. Preliminary Issues

b. Movement Toward ECOSS-Based Rates

ComEd

In the 2010 Rate Case Order, the Commission continued its "next 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. ComEd notes that 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. 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%. The resulting revenue responsibility percentage for the SL, ML, LL and VLL delivery classes moves to 101.1%.

ComEd has taken no position regarding the movement toward cost based rates for the ELL, HV and Railroad Delivery Classes.

In response to REACT's claims that the ELL Delivery Class and HV Over 10 MW customers "would face enormous rate increases." ComEd showed that the expected increases for the ELL Delivery Class and HV Over 10 MW customers from the 2005 Rate Case Order, under which delivery service charges became effective in 2007, and the 2013 RDI are 50.45% and 29.32% based upon the RDI rate design, respectively. To provide context, ComEd noted its total company increase in revenue requirement over the same period was 42.53% and compared that to increases in costs for other items, such as home heating oil (43%), unleaded gasoline (70%), hospital services (53%), college tuition (43%), bread (34%), and prescription drugs (22%). ComEd adds that ComEd Ex. 6.12 provides information on a dollar basis as well as a cents per kilowatt hour ("¢/kWh") basis in order to provide a unitized basis to make comparisons for all customer classes. Based on this analysis, the Watt-Hour (62.48% increase), Multi Family Without Electric Heat (61.71% increase), and Single Family Without Electric Heat (58.35% increase) classes experienced the greatest changes. Overall the Residential Sector increased by 57.33% and the Nonresidential Sector increased by 28.36%. *Id.* ComEd notes that these values do not reflect the impacts of the changes in cost allocation that would result from the adjustments proposed by IIEC and REACT or any impacts from the studies proposed by REACT, IIEC and CTA/Metra.

Other Parties

[Insert]

Commission Analysis and Conclusion

c. Straight Fixed Variable for Watt-Hour Delivery Class

ComEd

ComEd states that the Commission adopted the modified SFV rate design for nonresidential customers in the Watt-Hour Delivery Class in the 2010 Rate Case Order.

ComEd is aware of no proposal that recommends elimination of this rate design for the Watt-Hour Delivery Class. For all of the reasons stated in Section IV.C.1.a of this Draft Order, ComEd states that the SFV rate design should be retained.

Other Parties

[Insert]

Commission Analysis and Conclusion

3. Street Lighting

ComEd

ComEd states that it has complied with the Commission's 2010 Rate Case Order directive pertaining to the adoption of the Chicago Method in the development of the costs included in the ECOSS used to support delivery service charges. ComEd also responds to City/CUB's claim that ComEd has been charging customers incorrect delivery charges since June 1, 2011, pointing out that the holding in question addressed cost allocation, not rate design.

ComEd notes that Staff has reviewed ComEd's five compliance filings since the 2010 Rate Case Order was issued, and at no time has indicated that a separate set of delivery charges for City of Chicago's lighting customer was required. ComEd also notes that when it 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. The 2010 Rate Case Order provides no such instruction.

ComEd asserts that 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.")

ComEd notes that in the compliance filings since the 2010 Rate Case Order was issued, City/CUB did not address the delivery service charges for the City of Chicago dusk to dawn lighting customer following those filings or even in their direct testimony in this proceeding. Interestingly, ComEd notes that City/CUB states in their Initial Brief "… no party in either the past or present docket has proposed geographic [residential] rates, and no other ComEd rate class contains a geographic component." However, ComEd states that this is what their proposal concerning the City of Chicago dusk to dawn lighting customer does.

However, ComEd states that 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 resulting revenue shortfall, as, for example, through increased charges to other municipal customers within the Dusk to Dawn Lighting Delivery Class..

Other Parties

[Insert]

Commission Analysis and Conclusion

4. Illinois Electricity Distribution Tax (IEDT)

ComEd

ComEd states that the appropriate methodology to recover the IEDT is through the application of the recently Commission-approved $/kilowatt-hour ("$/kWh") charge for all customers. ComEd opposes REACT's and IIEC's proposal that the IEDT should be recovered through the application of a $/kilowatt ("$/kW") charge for certain nonresidential customers rather than the current $/kWh charge. ComEd asserts that the current methodology used to apply the IEDT is consistent with how ComEd is charged the tax ("$/kWh") and the Commission's finding in the 2010 Rate Case Order. Further, the current methodology is consistent with cost causation principles.

Other Parties

[Insert]

Commission Analysis and Conclusion

5. Other Issues

D. Overall Recommended Rate Design

ComEd

ComEd recommends that the Commission 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. ComEd also recommends that Commission reaffirm its 2010 Rate Case decision that the IEDT be a per-kWh charge. Otherwise, ComEd states that it has not otherwise made a recommendation regarding any particular rate design. ComEd will implement the final Commission-approved rate design in this proceeding.

Other Parties

[insert]

Commission Analysis and Conclusion

V. Other Miscellaneous Charges and Fees and Corresponding Tariff Revisions

A. Potentially Uncontested Issues

1. Metering Facilities Lease Charges and Standard Meter Allowances

ComEd

ComEd proposes to update the Standard Meter Allowances and the Monthly Rental Charges provided in Rider ML – Meter Related Facilities Lease. ComEd also proposes a new Monthly Rental Charge for meters that operate within the developing smart grid infrastructure. ComEd notes that no party objected to ComEd's proposals, and ComEd recommends approval of the proposals.

Other Parties

[Insert]

Commission Analysis and Conclusion

2. Light Emitting Diode Lighting Units

ComEd

ComEd proposes to offer two Light Emitting Diode ("LED") lighting units for the Fixture-Included Lighting ("FIL") Delivery Class as an energy efficient alternative. Staff recommends the adoption of ComEd's proposal, and also notes that corresponding changes should be made to cost allocations and rate design to account for this proposal. No party objected to ComEd's proposal, and ComEd recommends that this proposal be approved.

Other Parties

[Insert]

Commission Analysis and Conclusion

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

ComEd

ComEd proposes updates to 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.

No party objected to ComEd's proposed updates, and ComEd recommends Commission approval.

Other Parties

[Insert]

Commission Analysis and Conclusion

4. Corresponding Tariff Revisions

ComEd

ComEd proposes to revise a number of tariffs sheets that were filed on April 30, 2013, to reflect updates in these various miscellaneous charges and fees that have been proposed. No party objected to ComEd's proposed revisions as further modified during the course of this proceeding; and ComEd recommends Commission approval of the revised tariffs.

Other Parties

[Insert]

Commission Analysis and Conclusion

B. Potentially Contested Issues

1. Invalid Payment Fee

ComEd

ComEd proposes an increase in its Invalid Payment Fee from $21.00 to $34.10. ComEd states that the evidence demonstrates that the proposed increase is cost based and that its costs in this regard have increased since the charge was set at $21.00. ComEd notes that the charge imposed by its banks for each such transaction has increased from $1.60 to $7.00and that its costs have also increased due to an increase in the manual processing time in addition to the customer calls it receives in connection with these transactions..

Other Parties

[Insert]

Commission Analysis and Conclusion

2. Reconnection Fee

ComEd

ComEd proposes to increase its Reconnection Fee from $56.50 to $63.43, with that fee applying to both standard meters and smart meters, as there is no substantial difference in the costs of reconnecting customers with standard meters and those with smart meters.

ComEd observes that Staff proposes two different reconnection fees: a fee of $63.43 for customers with standard meters, and another fee of $9.56 for customers with smart meters. ComEd is indifferent to how the reconnection charges are structured but notes that a two-tier proposal appears inappropriate as the costs of reconnecting customers with standard meter and those with smart meters are substantially similar. Further, ComEd notes that for the foreseeable future, the costs ComEd will incur to reconnect meters are the same for all meters. There is no dispute that costs for smart meters are socialized across all customers. As such, ComEd states, with different reconnection charges based on meter type, there would be an inconsistency and even an element of unfairness in reducing the reconnection charge solely for those customers with smart meters.

Other Parties

[Insert]

Commission Analysis and Conclusion

VI. Other Issues

A. Distribution System Losses

1. Distribution System Loss Study

ComEd

When ComEd filed its tariffs to initiate this proceeding, ComEd 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. Staff found ComEd's general methodology used in the study to be appropriate, but determined that several corrections were needed.

ComEd agreed with Staff and prepared a revised study, ComEd Ex. 8.01, which corrected the inadvertent errors. ComEd, with the support of Staff, recommends that the Commission adopt the corrected Distribution System Loss Study, ComEd Ex. 8.01, for this proceeding.

Other Parties

[Insert]

Commission Analysis and Conclusion

2. Secondary and Service Loss Study

ComEd

In the 2010 Rate Case Order the Commission directed ComEd to separately consider the secondary and service elements in the Distribution System Loss Study. 2010 Rate Case Order at 291. ComEd notes that 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. The service elements consist of those conductors on private property that deliver electricity to one or more individual customers at a single premises. The Secondary and Service Loss Study provides the basis for estimating the peak losses in secondary and service conductors by customer category.

In response to the Commission directive in Docket No. 12-0321, 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 Electric Heat, and the Small Load (0 to 100 kW) nonresidential category). Staff recommended that ComEd expand its sample of customers in its other customer categories that use both secondary and service elements, but acknowledged that the expanded sample may not result in a reduction in the secondary and services losses for all of the other categories.

ComEd states that it 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. ComEd proposes to submit the updated Secondary Service Loss Study in the 2014 Formula Rate Update proceeding.

Other Parties

[Insert]

Commission Analysis and Conclusion

B. Unaccounted For Energy

ComEd

ComEd states that under EIMA, Unaccounted for Energy ("UFE") is one of the performance metrics in the Commission-approved Multi-Year Performance Metrics Plan. ComEd will be providing this Commission with information on that subject in accordance with that plan. Thus, any investigation that the ICC may undertake now with regard to that data is plainly premature, especially in a proceeding initiated under Section 16-108.5(e) of the Act which relates to delivery service rates.

ComEd argues that REACT inappropriately proposes in this proceeding a study regarding UFE. ComEd points out that there is no UFE charge in its delivery service rates and that UFE pertains to wholesale charges within the exclusive jurisdiction of the Federal Energy Regulatory Commission. See 16 USC 824(b).

ComEd also asserts that to the extent REACT may be referring to charges that are imposed on customers by RESs, 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. Additionally, ComEd points out that such arrangements are not subject to the Commission's authority.

Other Parties

[Insert]

Commission Analysis and Conclusion

C. Railroad Customer – Utilization of Railroad Customers' Facilities Report

ComEd

The Commission issued a directive in the 2010 Rate Case Order (at 274), instructing ComEd to file a report that in part "identifies and describes solutions to eliminate ComEd's dependence on, and use of, each of the CTA-owned and Metra-owned railroad traction power stations to supply its customers… ." ComEd met the directive through submitting the Railroad Facilities Report, ComEd Ex. 4.03, which proposes Approach 1 and Approach 2 to eliminate ComEd's dependence on the railroads' traction power stations.

In response to Staff's recommendation that the Commission adopt Approach 2 in the report, ComEd provided an estimated schedule to complete the work necessary to implement the second approach.

Other Parties

[Insert]

Commission Analysis and Conclusion

D. Rate BES Electric Supply Charges

ComEd

Staff originally recommended that supply-related subsidies for dusk-to-dawn lighting customers be addressed in this proceeding. In response to Staff's recommendation, ComEd notes 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. If the Commission wanted to address this issue in this proceeding, ComEd provided necessary data to analyze the supply-related rate design.

In response, Staff recommended that supply related subsidies for dusk-to-dawn lighting customers be addressed in a separate Section 9-250 proceeding as this proceeding was initiated to investigate ComEd's delivery service rate design, not ComEd's supply-related rate design. ComEd does not object to this proposal.

Other Parties

[Insert]

Commission Analysis and Conclusion

VII. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having considered the entire record herein and being fully advised in the premises, is of the opinion and finds that:

(1) Commonwealth Edison Company is an Illinois corporation engaged in the transmission, distribution, and sale of electricity to the public in Illinois and is a public utility as defined in Section 3-105 of the Public Utilities Act;

(2) the Commission has jurisdiction over the parties and the subject matter herein;

(3) the recitals of fact and conclusions of law reached in the prefatory portion of this Order are supported by the evidence of record and are hereby adopted as findings of fact and conclusions of law; the Appendix attached hereto provides supporting calculations;

(4)

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(13)

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the tariff sheets

IT IS FURTHER ORDERED

IT IS FURTHER ORDERED

IT IS FURTHER ORDERED

IT IS FURTHER ORDERED that any motions, petitions, objections, and other matters in this proceeding which remain outstanding are hereby denied.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

DATED:

BRIEFS ON EXCEPTIONS DUE:

REPLY BRIEFS ON EXCEPTIONS DUE:

Terrance Hilliard
Heather Jorgenson

Administrative Law Judges
Illinois Commerce Commission