

**BEFORE THE ILLINOIS COMMERCE COMMISSION
STATE OF ILLINOIS**

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

BRIEF ON EXCEPTIONS OF REACT

ATTACHMENT B

**ADMISSIONS REGARDING
COST CAUSATION
PRINCIPLES**

**FROM THE
SEPTEMBER 24-25, 2013
EVIDENTIARY HEARING**

REACT Cross Examination of ComEd Witness Ms. Brinkman

1 Q And other than in this case, you've never
2 testified in any forum on rate design issues, have you?

3 A Correct.

4 Q Who did you consult with within ComEd when
5 you were preparing your testimony in this case?

6 A My attorneys and my staff.

7 Q Anyone else?

8 A My attorneys and my staff.

9 Q So only people lower than you within the
10 management structure of ComEd?

11 A I may have had a conversation with my VP,
12 but largely it was with my staff.

13 Q And who is your Vice-President?

14 A Melissa Sherrod, S-h-e-r-r-o-d.

15 Q Before we get into the details about rate
16 design in this particular case, let's discuss the principle
17 of cost causation. Okay?

18 A Okay.

19 Q And you actually testified about that
20 principle in your testimony, right?

21 A Correct.

22 Q As the Director of Rates and Revenue

23 Policy for ComEd, you'd agree that cost causation

24 principles should apply to rate design, right?

REACT Cross Examination of ComEd Witness Ms. Brinkman

1 A Correct.

2 Q You're aware of the way in which cost

3 causation issues have been addressed in Illinois, right?

4 A In what manner do you mean?

5 Q In Illinois regulatory issues.

6 A Am I familiar with every case in Illinois?

7 No.

8 Q You're generally familiar with the issue

9 of cost causation and the way it's been addressed by the

10 Commerce Commission?

11 A Right.

12 Q And you would agree that the principle of

13 cost causation is specifically included in the Public

14 Utilities Act, right?

15 A Correct.

16 MR. TOWNSEND: May I approach, Your Honor?

17 ALJ HILLIARD: Sure.

18 (Pause)

19 Q I'll hand you what's being marked as REACT

20 Cross Exhibit 1.

21 ALJ HILLIARD: Why don't we make it witness

22 specific, in case we get into a bind later on? I don't

23 know. You can make it REACT Exhibit 1 for Brinkman.

24 MR. TOWNSEND: Okay. So, I'll hand you what's

REACT Cross Examination of ComEd Witness Ms. Brinkman

1 Utilities Act, but that appears to be what's here.

2 Q And do you agree with that goal of
3 regulating public utilities?

4 A I agree that there should be cost
5 causation considered in designing rates.

6 Q And that the costs of supplying services
7 should be allocated to the costs -- to the causes -- strike
8 that.

9 And do you also agree that the cost of
10 supplying utility services should be allocated to those who
11 cause the costs to be incurred?

12 A Correct, based on the cost causation.

13 MR. TOWNSEND: May I approach, Your Honor?

14 ALJ HILLIARD: Yes. Did you provide three
15 copies of your last exhibit to the reporter?

16 MR. TOWNSEND: I will.

17 ALJ HILLIARD: I'm going to go get my stamp.

18 (Pause)

19 Q So I've handed you what's going to be
20 marked as REACT Cross Exhibit 2 Brinkman and direct your
21 attention to subparagraph (c).

22 ALJ HILLIARD: I think that the procedure that
23 we are going to follow here is if there is a cross exhibit,
24 I'd like you to give three copies to the Reporter, and

REACT Cross Examination of ComEd Witness Ms. Brinkman

1 presume there are going to be some subsequent questions
2 coming along.

3 So please answer the question.

4 A So as I read the Act, "Charges for
5 delivery services shall be cost based and shall allow the
6 electric utility to recover the costs of providing delivery
7 services through its charges to its delivery service
8 customers that use the facilities and services associated
9 with such costs." I believe that's what you were referring
10 to.

11 Q That's correct.

12 ALJ HILLIARD: Counsel, I think Mr. Rooney has
13 a point, that the statute is what it is. This witness is
14 not a legal expert. So, please try to move through this as
15 expeditiously as you can.

16 Q And do you agree that that is the way in
17 which delivery service charges should be designed?

18 A Based on cost causation.

19 ALJ HILLIARD: You have to say yes or no,
20 ma'am.

21 A I'm sorry. Yes, I agree that costs should
22 be charged based on cost causation.

23 Q Should ComEd design its charges to its
24 delivery services customers in a way that it recovers those

REACT Cross Examination of ComEd Witness Ms. Brinkman

1 costs from the customers that use the facilities and
2 services associated with those costs?

3 A Yes, based on the reasonable allocation of
4 those costs. Again, I don't believe you can direct-charge
5 specific facilities to specific customers, but to the
6 extent we can allocate costs based on cost causation, I
7 agree.

8 Q And the way in which you determine cost
9 causation is by looking at the facilities and services that
10 are associated with the costs, correct?

11 A Correct.

12 Q Would you agree that the Commission has
13 endorsed cost causation principles?

14 A In what context?

15 Q In the context of ComEd rate cases.

16 A I agree that in the past, the Commission
17 has discussed cost causation principles. I can't speak to
18 every single case ComEd has been involved in and the
19 Commission orders that have come out of each case.

20 Q Do you believe that -- strike that.

21 ComEd has testified in previous cases about
22 cost causation principles, correct?

23 A Correct.

24 Q And ComEd continues to support the

REACT Cross Examination of ComEd Witness Ms. Brinkman

1) application of cost causation in this case, right?

2) A Correct.

3) Q And you would agree with ComEd witness

4) Mr. Bjerning's statement that, quote, "Generally and to the

5) extent practical, customers are segmented into groups based

6) upon differentiations in the facilities used to provide

7) service and identifiable pertinent customer attributes",

8) closed quote. Correct?

9) A Correct.

10) Q In your direct testimony at lines 88

11) through 91, you describe the rate process, correct, rate

12) design process, correct?

13) MR. ROONEY: Was that lines 88 to 91?

14) MR. TOWNSEND: That's correct.

15) MR. ROONEY: Thank you.

16) A I'm sorry. Your question was, am I

17) describing the rate design process?

18) Q That's correct. There you state, "This

19) process is generally a zero sum game". The process you're

20) referring to is the rate design process, right?

21) A I'm sorry. Correct.

22) Q And that testimony says, quote, "This

23) process is generally a zero sum game with the goal of

24) assigning the revenue requirement responsibilities among

REACT Cross Examination of ComEd Witness Ms. Brinkman

1 the entire answer. She still has not answered the
2 question.

3 ALJ HILLIARD: Why don't you ask a follow-up
4 question? I think she approached your question, but state
5 it again.

6 Q If there is a clear demonstration that a
7 customer group does not use a particular set of facilities,
8 is it fair to allocate the costs of those facilities to
9 that customer group?

10 A No.

11 ALJ HILLIARD: That was a no?

12 A No.

13 Q In this proceeding, ComEd -- I'm sorry.

14 In this proceeding, ComEd has provided a
15 series of illustrative Embedded Cost of Service Studies, or
16 ECOSS, that incorporate different assumptions and
17 approaches to rate design, correct?

18 A Correct.

19 Q Would you agree that ComEd is not
20 proposing any changes to rate design in this proceeding?

21 A Correct.

22 Q In your direct testimony -- if you could
23 turn to your direct testimony at page 7, lines 120 to 123.
24 There you stated, "At this time, ComEd is proposing no

REACT Cross Examination of ComEd Witness Ms. Brinkman

1 changes to the rate design provisions of rate DSPP, no
2 changes to the current rate design formula for determining
3 delivery services charges, and no changes to the
4 methodologies used to allocate costs across delivery
5 classes", closed quote. Correct?

6 A That's correct.

7 Q So from ComEd's perspective, if the
8 Commission were to say just keep everything the same as it
9 is today, ComEd would be fine with that, right?

10 A ComEd proposed no change to offer
11 information into the record to allow the Commission to make
12 a decision about rate design.

13 ALJ HILLIARD: Please answer his question.

14 A I'm sorry. Can you read back the
15 question, please?

16 ALJ HILLIARD: Please read back the question.

17 (Court Reporter read back.)

18 A Correct.

19 Q Is it ComEd's position that as long as it
20 recovers 100 percent of its costs, it is agnostic about
21 what the Commission decides regarding the allocation of the
22 costs?

23 A It is ComEd's position that it wants to
24 recover its costs, but also that rates should be based on

REACT Cross Examination of ComEd Witness Ms. Brinkman

1 cost causation principles such that all classes are
2 considered.

3 Q So just so I'm clear, is ComEd agnostic
4 about the allocation of the costs or not?

5 MR. ROONEY: I'd object. It's asked and
6 answered.

7 MR. TOWNSEND: I agree with part of the
8 objection about it being asked. I just --

9 MR. ROONEY: Can we go on? It's asked and
10 answered.

11 ALJ HILLIARD: Can you use another term
12 besides "agnostic"? How about "neutral"?

13 Q Is ComEd neutral with regards to the
14 question of allocation of costs?

15 ALJ HILLIARD: As long as the principles of
16 cost causation are embedded in the final result.

17 A Yes, as long as the principles of cost
18 causation are embedded, yes, ComEd is neutral.

19 Q Thank you.

20 So if the Commission were to order that the
21 extra-large load class and/or the high voltage over 10
22 megawatt customers' allocations should be modified so that
23 those costs would shift from those classes to another
24 class, ComEd would be fine with that, as long as the order

REACT Cross Examination of Staff Witness Mr. Johnson

1 A Yes.

2 Q And you'd agree that it's clear that the
3 Commission supports the application of cost causation
4 principles in setting rates, correct?

5 A Correct, and they've done that through
6 past orders.

7 Q And you would agree with that policy
8 objective, wouldn't you?

9 A Well, what do you mean by "policy
10 objective"?

11 Q Of add -- of setting rates based upon cost
12 causation principles.

13 A Sure.

14 Q Would you turn to your direct testimony at
15 page 18 and review lines 377 to 391 and let me know when
16 you're done.

17 (Pause)

18 A Okay.

19 Q You would agree that the costs associated
20 with providing service to one class of customers should be
21 recovered in the rates charged to that class of customers,
22 right?

23 A As much as possible, yes.

24 Q And the rates charged a given class should

REACT Cross Examination of Staff Witness Mr. Johnson

1 match up, to use your term the, quote, "cost to serve",
2 closed quote, each class to the extent that can be
3 reasonably determined, right?

4 A Yes.

5 Q By the way, this is confirmed in a work
6 paper that was produced by your counsel the day after you
7 filed your testimony, your rebuttal testimony, correct?

8 A Can you refer to what the work paper --

9 MR. TOWNSEND: If you could hand him, please,
10 what has been sent down as Exhibit 4.

11 If I may approach, Your Honor.

12 I'm sorry. Pdf 4.

13 ALJ HILLIARD: Is this going to be a Cross
14 Exhibit?

15 MR. TOWNSEND: It is. Would you like this to
16 be Cross Exhibit -- REACT Cross Exhibit 5 Johnson?

17 (Pause)

18 THE WITNESS: Before I answer, I want to make
19 sure we're dealing -- I have this as pdf 4.

20 MR. SKEY: Pdf 4 is an e-mail from Mr. Feeley
21 to the parties, attaching a two-page excerpt from a NARUC
22 document.

23 THE WITNESS: Okay. I have it in front of me.

24 BY MR. TOWNSEND:

REACT Cross Examination of Staff Witness Mr. Johnson

1 Q If you could review that, please.

2 (Pause)

3 Q And this is a work paper that was provided
4 for your rebuttal testimony, correct?

5 A Yes.

6 Q And that was a one-page excerpt from a
7 NARUC Electric Utility Cost Allocation Manual, dated
8 January 1992, correct?

9 A Yes.

10 Q And the third bullet point on that page,
11 below the heading, " Allocation of Costs Among Customer
12 Classes", under "Customer Related Costs" it says, quote,
13 "Allocated among the customer classes on the basis of the
14 number of customers or the weighted number of customers.
15 Normally, weighting the number of customers in the various
16 classes is based on an analysis of the relative levels of
17 customer-related costs, open paren, (service lines, meters,
18 meter reading, billing, et cetera) closed paren, per
19 customer", right?

20 A Yes.

21 Q So that's saying that, to the extent that
22 you can identify which customers use facilities, you should
23 take that into account in rate design, right?

24 A You should take into account the costs

REACT Cross Examination of Staff Witness Mr. Johnson

1 that are related to those customers.

2 Q The costs of the facilities related to
3 those customers, right?

4 A Well, there's facilities, there's
5 operation and maintenance, there's depreciation expense.

6 Q All of those costs associated with those
7 customers should be attributed to those customers, right?

8 A As much as possible, yes.

9 Q So all other things being equal, if you
10 determine that a customer class is not using a type of
11 service line, for example, that customer class should not
12 pay for that type of service line, right?

13 A All else being equal, you're correct.

14 Q Now, I want to discuss in more detail the
15 analysis and recommendations of REACT witness Mr. Harry
16 Terhune and your response to that. Okay?

17 A Okay.

18 Q You're aware that Mr. Terhune is a
19 professional engineer who worked at Commonwealth Edison
20 Company for over 30 years, correct?

21 A Yes.

22 Q And you presented testimony on behalf of
23 REACT that contained analysis of ComEd's system and made
24 certain recommendations regarding cost allocation, correct?

REACT Cross Examination of ComEd Witness Mr. Bjerning

1 Docket No. 07-0566, the ComEd 2007 rate case?

2 A Again, I'm not the rate design witness in
3 this case, so I haven't recently read that order or any of
4 the testimony from that order related to rate design.

5 Q Are you familiar with ComEd's position in
6 the formula rate cases?

7 A Yes.

8 Q And did you review the Commission's final
9 orders from the formula rate cases?

10 A Yes.

11 Q Does ComEd support the application of cost
12 causation principles in this case?

13 A Yes, to the extent practical.

14 Q And could you turn to your direct
15 testimony at page 9 and review lines 169 to 171; and let me
16 know when you're done.

17 (Pause)

18 A Okay.

19 Q There you testified that, quote,
20 "Generally and to the extent practical, customers are
21 segmented into groups based upon differentiation in the
22 facilities used to provide service and identifiable
23 pertinent customer attributes", closed quote. Correct?

24 A Correct.

REACT Cross Examination of ComEd Witness Mr. Bjerning

1 Q So costs associated with providing service
2 to one class of customers should be recovered and the rates
3 charged to that group of customers, right?

4 A That's the basis of that statement, yes.

5 Q And costs associated with providing
6 service to more than one class of customers should be
7 recovered by allocating those costs fairly among the rates
8 charged to the customer classes that receive that service,
9 right?

10 A That's correct.

11 Q ComEd has its separate rate for high
12 voltage customers, right?

13 A That's correct.

14 Q Why is it appropriate to have a separate
15 rate for high voltage customers?

16 A Because the attributes for those specific
17 types of customers lend itself to a specific rate, meaning
18 that the facilities that serve those customers are
19 relatively unique, relative to other classes or groups of
20 customers.

21 ALJ HILLIARD: Pull the mic over closer.

22 Thank you.

23 Q Would you agree that each class of
24 customer should pay for the delivery services costs that

REACT Cross Examination of ComEd Witness Mr. Bjerning

1 the class causes, no more and no less?

2 A To the extent practical, yes.

3 Q Could you please turn to your rebuttal
4 testimony at page 23?

5 (Pause)

6 A Did you say 23?

7 Q 23.

8 A Okay.

9 Q Beginning at line 374, you respond to
10 REACT witness Mr. Brad Fults, correct?

11 A Correct.

12 Q And you note that REACT witness Mr. Fults
13 had pointed out some of the Commission's previous
14 criticisms of ComEd's ECOSS's from the 2010 ComEd rate
15 case, right?

16 A Correct.

17 Q And then you note that, "Notwithstanding
18 its criticism, the Commission noted some improvements in
19 the ECOSS of prior cases", right?

20 A Yes.

21 Q And then you quote from the 2010 ComEd
22 rate case final order, right?

23 A Correct.

24 Q And although you put certain words from

REACT Cross Examination of Commercial Group Witness Mr. Chriss

1 would like to add for the record -- I can't speak for other
2 members of The Commercial Group; however, Wal-Mart employs
3 over 50,000 associates in the state of Illinois; the last
4 fiscal year spent over \$47 billion with our suppliers in
5 the state. We support over 240,000 supplier jobs and paid
6 \$154.8 million in taxes and fees. That information is
7 available on our website.

8 Q Do you believe the rate-making principle
9 that costs should be recovered from the cost causer?

10 A Yes.

11 Q You would that agree that such cost
12 causation principles should apply to rate design, correct?

13 A Yes.

14 Q You agree that the Commission has
15 supported the application of cost causation principles in
16 setting rates, right?

17 A That is my understanding.

18 Q On page 3 of your testimony at line 68,
19 you state that, quote, "The Commercial Group advocates that
20 rates be set based on utilities cost of service", right?

21 A That is correct.

22 Q Then you state, "This will provide
23 equitable rates that reflect cost causation principles",
24 right?

REACT Cross Examination of Commercial Group Witness Mr. Chriss

1 A Yes. In addition, the rest of the
2 sentence says, "The rates will also send proper price
3 signals and minimize price distortions".

4 Q Now, you would agree that in order for
5 rates to be equitable, the study that determines the
6 utility's cost of service must be as accurate as reasonably
7 possible, right?

8 A That would be the optimal situation, yes.

9 Q You would agree that customers should not
10 be charged for costs that they do not cause and from which
11 they do not benefit, right?

12 A That's correct.

13 Q And you would agree that all customers
14 should be treated fairly, right?

15 A Yes.

16 Q And you would agree that fair treatment of
17 customers includes making sure that certain customers
18 aren't paying too much, right?

19 A That's correct. That's why we're here.

20 Q And also that certain customers aren't
21 paying too little?

22 A Correct.

23 Q You recommend that the Commission direct
24 ComEd to further refine its secondary and service loss

REACT Cross Examination of ComEd Witness Mr. Tenorio

1 different ECOSS's and rate designs proposed -- presented.
2 I'm sorry.

3 ALJ HILLIARD: Either keep your voice up or
4 move the microphone closer, because you tend to tail off at
5 the end of your answer. Thank you.

6 Q So it's ComEd's position, as long as the
7 Commission's order in this case is revenue neutral, ComEd
8 would support that order, correct?

9 A I couldn't say if ComEd wouldn't have some
10 objections to something that was in that order.

11 Q With whom did you consult in preparing
12 your testimony for this case?

13 A Other than Counsel, I consulted with the
14 Retail Rates Group at ComEd.

15 Q How many people are in the Retail Rates
16 Group?

17 A I believe it would be eight.

18 Q And who leads the Retail Rates Group?

19 A That would be Larry Alongi.

20 Q You state in your direct testimony at page
21 16, line 312, that, quote, "As a matter of general
22 principle, it's ComEd's position that cost recovery should
23 reflect cost causation", correct?

24 A Yes, it does say that.

REACT Cross Examination of ComEd Witness Mr. Tenorio

1 Q And so your view is consistent with the
2 view of several of the ComEd witnesses who testified on
3 cross-examination yesterday, including Ms. Brinkman and
4 Mr. Bjerning, that principles of cost causation are a
5 critical component of rate design, right?

6 A I would agree.

7 Q And you would agree that ComEd is
8 indifferent with regard to the rate design the Commission
9 approves, as long as it's consistent with cost causation
10 principles, right?

11 A I wouldn't say ComEd is indifferent.

12 Q Would you agree that it's important that
13 the Commission's order be consistent with cost causation
14 principles?

15 A In general, yes.

16 Q And why is that important?

17 A Because we believe that cost recovery
18 should reflect cost causation.

19 Q But why is that important?

20 A It allows for the recovery of costs from
21 the cost causers, as well as providing the correct price
22 signals to those who are experiencing those costs.

23 Q Let's switch gears and talk for a moment
24 about Unaccounted For Energy charges. Can we agree to use