Docket: 13-0387
S.O.M.: 12/9/13
Deadline: 12/26/13

M E M O R A N D U M

TO:	The Commission
FROM:	Terrance Hilliard and Heather Jorgenson Administrative Law Judges
DATE:	December 3, 2013
SUBJECT:	Commonwealth Edison Company Revenue-neutral tariff changes related to rate design
RECOMMENDATION:	Enter Order Approving Rate Design.

On April 30, 2013, pursuant to Section 5/16-108.5 of the Public Utilities Act ("Act"), Commonwealth Edison Company ("ComEd") filed with the Illinois Commerce Commission (the "Commission"), tariff filings for the Commission and all stakeholders to consider revenue-neutral tariff changes related to cost allocation and rate design.

The following parties were granted leave to intervene in this proceeding: 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"); 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.; The Building Owners and Managers Association of Chicago ("BOMA"); and the United States Department of Energy (collectively, all of the foregoing parties are the "Intervenors"). The City of Chicago ("City") and the Attorney General of the State of Illinois ("AG") filed appearances in this matter.

Evidentiary hearings were held on September 24-25, 2013. At the evidentiary hearings, ComEd, the Staff of the Commission ("Staff"), and Intervenors presented testimony and other evidence. The ALJs Proposed Order was served on November 8, 2013. Briefs on Exceptions were filed November 18, 2013. Replies to Exceptions were filed November 25, 2013.

The disputed issues are briefly summarized below.

Shared Distribution Lines

REACT proposed that the Commission adopt adjustments to the allocation of the Shared Distribution Lines costs to the Extra Large Load ("ELL") and High Voltage Over 10 MW ("HV") customer classes, reducing the costs for Shared Distribution Lines currently borne by the ELL and HV Over 10 MW customer classes by $9 million. REACT also proposed a further study related to how primary or secondary voltage customers use primary distribution facilities in 4 kV single-phase or three-phase configuration.

IIEC argued that a study needs to be performed to segregate primary voltage system costs, and in the interim proposed that the Commission adopt adjustments reassigning 10% or 20% of primary voltage costs to the Secondary Voltage Distribution Lines sub-function in the embedded cost of service study ("ECOSS"). If adopted, $27.13 million in costs would shift away from the nonresidential sector under the 10% adjustment, or $54.26 million in costs would shift away from the nonresidential sector under the 20% adjustment. These costs would be absorbed by residential and lighting customers.

Staff argues it is not feasible to have a distribution system where each component is identified so that each customer only bears the costs associated with their specific service. Staff urges the Commission to be cautious when segmenting certain costs for one class without applying the same approach across the classes.

The Proposed Order rejects REACT's proposal as too narrowly focused on a subset of customers and leaning towards what parties have termed "allocation by exclusion". The Proposed Order also rejects IIEC's proposed adjustment and both REACT's and IIEC's proposed studies finding that segmenting the cost of allocation by phase of service, or "path of service," does not appear practicable, is not the industry norm, and could become an unsustainable process because the distribution system is constantly changing.

Allocation of Primary Distribution Pole Costs

ComEd and Staff both support adoption of the CA Distribution Study's recommendation to allocate 100% of combination poles – poles carrying both primary and secondary equipment – entirely to the primary service level. The Proposed Order adopts the CA Distribution Study's recommendation to allocate 100% of the combination pole costs to the primary service level. Thus, primary and secondary service customers will share in the total cost.

Allocation by Sector versus Delivery Class

The AG recommends that the Commission should first allocate non-coincident peak demand costs to the residential sector as a whole then reallocate among the residential rate classes.

Staff argues that the AG's recommendation is not reasonable and moves away from cost causation. The Proposed Order agrees with Staff's assessment and rejects the AG's recommendation.

Residential Cost Allocation Adjustment

City/CUB propose an allocation to reduce the "customer related" costs for multi-family non-space heat consumers by $55 million and to increase those costs for single family non-space heat consumers by $42 million, with the remaining costs allocated to residential electric space heating customers.

ComEd raises concerns with City/CUB's proposal stating that City/CUB only focused on the capital cost of the meter and postage for bills, and not on associated overhead costs.

The Proposed Order rejects City/CUB's assertion that in the residential sector all the customer related costs must be allocated on the basis of revenues or energy usage with the exception of the meter and billing postage. Accordingly, the Proposed Order declines to adopt City/CUB's proposed residential cost allocation adjustment.

Geographical Study

CTA and Metra recommend a study for the Railroad Delivery Class to analyze whether there are any cost causation impacts on the ECOSS results due to the Class' limited geographic service area. The Proposed Order adopts the recommendation by CTA and Metra.

Customer Care Costs

Customer Care Costs include the calculation and generation of bills, tracking and maintaining customer information, mailing of bills, responding to customer phone calls, metering services, payment processing, credit and collections, and general customer relations activities.

In this case, the only numerical information on allocation of customer care costs for bundled customer supply issues analysis on behalf of REACT. It attributes approximately $109 million of $326.8 million that figure to ComEd's supply function.

This allocation seems inconsistent with a large fraction of customer care costs properly allocated to all customers for distribution related issues. ComEd's assertion that there are no customer care costs attributable to its supply customers is equally suspect. The Proposed Order declines to credit either position. ComEd is directed to provide evidence regarding supply customer costs in the next appropriate case. Staff is directed to present analysis to assist the Commission in determining whether a subset of customer care costs are properly attributable to bundled supply customers.

Rate Design

In Docket No. 10-0467, the Order at 232, directed ComEd to provide evidence regarding cost of service for low use customers and to explore how it defines the low use customer subclass. ComEd failed to define a low use customer class or to provide cost of service data specific to low use customers.

The analysis of the City/CUB and AG witnesses indicate that the increases in ComEd's customer charge integral to SFV rate design have resulted in charges substantially in excess of the cost of service for low use customers in at least two residential classes.

The City/CUB argue that the fixed customer charge should be replaced by sliding scale inclining block customer charges based upon the previous year's usage. The effect of this system would be to make fixed charges proportional to use. Low use/low demand customers would pay less and high use/high demand customers would pay more for their service. Thus, according to the City/CUB, better reflecting the cost of service while rewarding conservation and penalizing high use.

The AG's proposed replacement for the current SFV system gets to a more equitable allocation of costs by a simpler design which reduces customer charges within two residential subclasses and upwardly adjusts the per kilowatt usage charge to reflect what it asserts are more accurate calculations of fixed and variable costs. Similar to the City/CUB proposal, this rate design results in lower customer charges and higher per kilowatt usage charges in two customer classes. According to the AG's evidence, ComEd's present rate structure for the MFH class closely approximates the cost of service and does not require adjustment. The AG contends that the MFNH class is paying slightly less than its cost of service. Its customer charge is a little low and its per kilowatt charge is a little high. The AG proposal raises the customer charge and lowers the usage charge for the MFNH customer class.

The Proposed Order adopts the residential rate design suggested by the AG finding it more equitable than SFV and consistent with traditional rate design principles.

Invalid Payment Fee

The Proposed Order rejects ComEd's overall request to increase the Invalid Payment Fee to $34.10. The Proposed Order does accept ComEd's proposed increase in the "Bank Service Charges." Thus, the Invalid Payment Fee is increased from $21.00 to $26.40.

Reconnection Fee

ComEd proposes an increase to its Reconnection Fee from $56.50 to $63.43, with that fee applying to both standard meters and smart meters. Staff agrees with the $63.43 Reconnection Fee for standard meters. Staff argues, however, that there should be a different Reconnection Fee of $9.56 applying to smart meters because smart meters are capable of remote disconnection/reconnection. Smart meters are able to remotely reconnect, a feature which ComEd admits it uses on a limited basis. The Proposed Order finds that a different Reconnection Fee of $9.56 for smart meters is appropriate.

Distribution System Losses

ComEd's revised Distribution Loss Study measures the difference between the energy delivered to the distribution system and that supplied to customers. ComEd allocates that energy by customer categories pursuant to loss factors determined for each category. Staff reviewed ComEd's original study and recommended changes that were accepted by ComEd and incorporated in the corrected study. The Proposed Order reserves its decision regarding the Secondary and Service Loss Study, which is an input to the Distribution System Loss Study. Therefore, the Proposed Order also reserves its decision regarding the Distribution System Loss Study.

Unaccounted For Energy

REACT argues that the Commission should order a study to determine whether Unaccounted for Energy ("UFE") is being properly calculated and allocated.

UFE is one of the performance metrics in the Commission-approved Multi-Year Performance Metrics Plan under EIMA. ComEd will be providing this Commission with information on that subject in accordance with that plan. The Proposed Order agrees with ComEd that any investigation that the ICC may undertake now with regard to that data is premature.

The Proposed Order rejects REACT's argument that a study of UFE is necessary.

Railroad Class

ComEd's use of Railroad Class customers' power circuits to serve other customers is a practice of long standing that apparently works to the advantage of both parties. Staff counsels the Commission that allowing a utility to rely on one class of customers to provide service to another is undesirable. It is apparent that eliminating this interdependence will be expensive and time consuming.

The Proposed Order adopts Approach 2 as outlined in the study referred to in this record regarding the elimination of the dual use of traction power facilities. It requires ComEd to reinforce its distribution system while leaving the looped circuits benefitting the Railroad Class in place. The changeover should occur only after it is proven that it will not adversely affect service to the traction power substations to prevent power losses adversely affecting mass transit.

The Proposed Order finds that the current cost subsidy credit provided to the Railroad Class representing the cost of constructing other facilities to eliminate the use of traction power facilities to serve other customers should remain in place for the time being.

RATE BES Electric Supply Charges

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 (“kWs”) pay the majority of the subsidies. The Commission initiated a Section 9-250 proceeding that only addressed residential space heating supply charges since other customer groups that are affected by the subsidies were not represented in the docket. In that docket, the Commission stated that the subsidies to dusk-to-dawn lighting customers must be addressed at a later time.

ComEd and Staff are the only parties who have addressed this issue. They concur that it would be appropriate to address these issues in a separate Section 9-250 proceeding initiated by the Commission. The Proposed Order accepts this recommendation.

Street Lighting

In Docket No. 10-0467, the Commission found that amount ComEd charged for alley lighting was “far greater” than the actual cost and ordered that appropriate adjustments should be made.

In this case, the City points out that that ComEd used the same calculation as it did in Docket No. 10-0467 regarding alley lighting even though it was directed to use a different calculation that would result in a lower cost for alley lighting for the City and other municipalities that have alley lighting. ComEd acknowledges that this is the case. ComEd argues that if the Commission affirms its earlier ruling, it needs direction on how to allocate these costs within the Dusk to Dawn class.

Consistent with its directive in the Docket No. 10-0467 case, the Proposed Order directs ComEd to inquire of Dusk to Dawn class members regarding the existence and proportion of alley lighting relative to total street lighting, and, prior to the next Formula

Rate Update proceeding, to make appropriate calculations and adjustments lowering the charges for alley lighting and attributing any shortfall to the class as a whole.

Accordingly, the ALJs recommend that the Commission enter the attached Proposed Order.

TH/HJ:fs