

REBUTTAL TESTIMONY

of

PHILIP RUKOSUEV

Rates Department

Financial Analysis Division

Illinois Commerce Commission

Commonwealth Edison Company

Annual Formula Rate Update and
Revenue Requirement Reconciliation
Under Section 16-108.5 of the Public Utilities Act

Docket No. 14-0312

August 13, 2014

1 **Q. Please state your name and business address.**

2 A. My name is Philip Rukosuev, and my business address is 527 E. Capitol Avenue,
3 Springfield, Illinois 62701.

4

5 **Q. Are you the same Mr. Rukosuev that previously filed testimony in this**
6 **proceeding?**

7 A. Yes, I am.

8

9 **Q. What issues do you address in your rebuttal testimony?**

10 A. I respond to testimony from Commonwealth Edison Company (“ComEd” or the
11 “Company”) and one of the intervenors in this case. Specifically, I address
12 rebuttal testimony by ComEd witnesses Donovan (ComEd Ex. 7.0) and Brickman
13 (ComEd Ex. 12.0) and direct testimony by Retail Energy Supply Association
14 (“RESA”) witness White (RESA Ex. 1.0).

15

16 **Q. Are you sponsoring attachments with your testimony?**

17 A. Yes. Included with my testimony are the following:

- 18 ○ Attachment A - ComEd Response to Staff DR PR 1.01
- 19 ○ Attachment B - ComEd Response to Staff DR PR 1.14
- 20 ○ Attachment C - ComEd Response to Staff DR PR 2.01
- 21 ○ Attachment D - ComEd Response to Staff DR PR 2.03
- 22 ○ Attachment E - ComEd Response to Staff DR PR 3.01
- 23 ○ Attachment F - ComEd Response to Staff DR PR 3.04
- 24 ○ Attachment G - ComEd Response to Staff DR PR 3.05
- 25 ○ Attachment H - ComEd Response to Staff DR PR 3.07
- 26 ○ Attachment I - ComEd Response to Staff DR PR 4.01
- 27 ○ Attachment J - ComEd Response to Staff DR PR 2.04

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Q. Please summarize the conclusions in your rebuttal testimony.

A. Based upon my review of ComEd rebuttal and intervenor direct testimony, I conclude as follows:

1. The Commission should accept ComEd’s rebuttal revisions (for both the Switching Study and the Allocation Study) in which the Company included in its analysis of customer care costs the costs associated with the full revenue requirement rather than restricting the analysis only to direct O&M costs.
2. The Commission should adopt ComEd’s Switching Study for use in determining the distribution revenue requirement. The results of this study are consistent with ComEd’s customer service operations and are in line with how other Illinois utilities allocate such costs between distribution and supply. I conclude that the Switching Study is not overly speculative, as asserted by RESA witness Mr. White, and his criticism in this regard is not a reason to reject the Switching Study.
3. In the event that the Commission adopts the Allocation Study for allocating customer care costs, I recommend that the Commission reject Mr. White’s adjustments to ComEd’s Allocation study. Mr. White’s adjustments to the Allocation Study are inaccurate, illogical, and unsupported, and the Commission should reject them. However, Staff cautions the Commission in adopting the results of the Allocation Study which segments customer care costs between delivery and supply, as it would undoubtedly create additional

51 unnecessary complications as pointed out by Ms. Brinkman's testimony
52 which will have to be dealt with either in this proceeding or the next.

53 4. Based on clarification provided by the Company in response to discovery, it is
54 my understanding that ComEd's intention regarding customer billing
55 determinants associated with New Business plant as presented in its rebuttal
56 testimony have not been changed from that presented in its direct testimony. I
57 recommend the Commission accept the adjustment to customer billing
58 determinants associated with New Business plant and that the adjustment
59 should be to customer billing determinants only.

60

61 **I. CUSTOMER CARE COSTS**

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63 **Q. What issues of RESA's witness Mr. White's testimony will you discuss in**
64 **your rebuttal testimony?**

65 A. I will focus on the following positions taken by Mr. White:

66 a) His position that ComEd improperly limited its analysis to examining only
67 O&M costs;

68 b) His argument that the Allocation Study, rather than a Switching Study, should
69 be used to determine customer costs; and

70 c) His rejection of allocators within ComEd's Allocation Study and the revisions
71 he proposes.

72

73 A. COMED'S DEFINITION OF CUSTOMER CARE COSTS (OPERATION AND
74 MAINTENANCE ("O&M") COSTS VS. TOTAL COSTS)

75

76 **Q. What issue does RESA raise concerning ComEd's definition of customer**
77 **care costs?**

78 A. RESA witness White contends that the Company defines these costs too
79 narrowly. According to Mr. White, ComEd excluded a significant share of
80 customer care costs from its Allocation Study by limiting its analysis to direct
81 O&M costs. He argues that ComEd should account for the full revenue
82 requirement associated with customer care, instead of just a subset. (RESA Ex.
83 1.0, 4, 8.) In other words, rather than restrict the analysis only to direct O&M
84 costs as ComEd did, RESA argues that ComEd should include all costs (direct
85 and indirect) in the revenue requirement in its studies.

86

87 **Q. How do you assess this issue?**

88 A. I voiced the same concerns in my direct testimony (Staff Ex. 4.0, 25-28) and
89 argued that ComEd should account for the full revenue requirement associated
90 with customer care, instead of only O&M costs of \$203,407,637. Both RESA and
91 I agree that, in order to be consistent with Commission's Final Order in Docket
92 No. 10-0467, ComEd should consider "total costs," including direct operations
93 and maintenance ("O&M"), indirect O&M, and capital costs. (Commonwealth
94 Edison Co., ICC Order Docket No. 10-0467, 213 (May 24, 2011); see also RESA
95 Ex. 1.0, 4; Staff Ex. 4.0, 25-26.) Consequently, in rebuttal testimony, ComEd

96 revised its analysis (for both the Switching Study and the Allocation Study) to
97 include the costs associated with the full revenue requirement amount, which
98 equals \$374,578,469. (ComEd Ex. 16.0, 8.)

99

100 **Q. Following the inclusion of the costs associated with the full revenue**
101 **requirement amount, what are the results of ComEd's revised Allocation**
102 **Study calculation of the amount of customer care costs to be allocated to**
103 **the supply function?**

104 A. ComEd's revised calculations, which now reflect total costs, would increase the
105 costs allocated to supply under the Allocation Study from \$12,184,144 to
106 \$21,386,393 (ComEd Ex. 16.01) and would increase the costs allocated to
107 supply under the Alternative Analysis from \$4,710,594 to \$10,927,146. (ComEd
108 Ex. 16.03.)

109

110 **Q. What do you recommend with respect to the issue of total customer care**
111 **costs vs. direct O&M costs?**

112 A. I recommend the Commission accept ComEd's rebuttal position in which it
113 revised its allocation analysis to reflect total cost to serve, consistent with the
114 Commission's directive in Docket No. 10-0467.

115

116 **B. SWITCHING STUDY VS. ALLOCATION STUDY**

117

118 **Q. Please summarize the Switching Study vs. Allocation Study issue that**
119 **pertains to customer care costs.**

120 A. The issue is whether the level of customer care costs included in the delivery
121 services revenue requirement should be based on the Switching Study (i.e. an
122 avoided cost methodology which looks at whether increased switching would
123 lower the Company's customer care costs) or an embedded cost allocation
124 between distribution and supply used in the Allocation Study.

125

126 **Q. What position does RESA witness Mr. White take with respect to this**
127 **issue?**

128 A. Mr. White summarily dismisses the Switching Study, the results of which would
129 permit ComEd to continue to lump 100% of its customer care costs into its
130 delivery services rates, while allocating 0% of its customer care costs to its
131 supply rates. He contends the costs should be allocated based on an embedded
132 cost allocation between distribution and supply (i.e. as reflected in the Allocation
133 Study). (RESA Ex. 1.0, 4.) Therefore, Mr. White argues that the Company's
134 Switching Study has improperly allocated customer care costs to delivery
135 customers.

136

137 **Q. How do you respond to Mr. White's argument?**

138 A. Overall, I disagree with Mr. White's position on the issue. First, as stated in my
139 direct testimony, ComEd's customer care costs are incurred in providing and
140 making available customer care services for all its customers, regardless of the

141 source of supply service as indicated by the Switching Study. Therefore, it is
142 appropriate for ComEd to recover these costs from all its customers, rather than
143 from a subset of its customers or from RESs providing supply service to
144 ComEd's delivery service customers. This principle was recognized by the
145 Commission in a prior proceeding that addressed this topic: ICC Docket No. 07-
146 0531. In that proceeding, customer care costs were identified as common costs,
147 and the Commission Staff was concerned that ComEd would attempt to recover
148 common costs through the application of supply charges.

149 By allowing all actual supply administrative costs to be
150 recovered through Rider PE, there is no incentive for ComEd
151 to be conservative in incurring costs that can be related to
152 the procurement of power and energy supply. There is an
153 incentive for ComEd to classify common costs as costs
154 attributable to procuring power supply. In addition, the tariff
155 language describing costs that are recoverable through
156 Rider PE is overly broad and ambiguous.

157
158 ICC Docket No. 07-0531, Staff of the Illinois Commerce Commission
159 Response to Petition and Objections (Nov. 13, 2007) at 41.

160
161 To address Staff's concern as presented in the previously noted response,
162 ComEd made appropriate revisions to its then proposed Rider PE – Purchased
163 Electricity (Rider PE), and provided the following response:

164 ComEd makes clear that the internal and administrative
165 costs that that [sic] will flow through the rider are those
166 incurred solely as a result of ComEd meeting its statutory
167 procurement obligations. For example, ComEd would not
168 recover in the rider either the costs of employees who are
169 not devoted to procurement functions or allocated overhead
170 costs. These limitations should resolve the concerns Staff
171 has raised.

172

173 ICC Docket No. 07-0532, ComEd's Reply in Support of its Proposed Tariffs
174 Implementing a New Competitive Procurement Process and Recovering
175 Procurement Costs, dated November 30, 2007, at 10). Ultimately, the
176 Commission adopted the revised tariff language ComEd provided in response to
177 Staff's concerns, and when Rider PE became effective it included the following
178 provision:

179 "The Company's internal administrative and operational
180 costs *solely* arising from meeting the obligations set forth in
181 the Procurement Obligations section of this rider are
182 included in the PEPs and are subject to adjustment to the
183 extent that they are found to be unreasonable in the annual
184 proceeding described in the Miscellaneous General
185 Provisions section of this rider."
186

187
188 (ILL. C. C. No. 4, Rider PE, Original Sheet No. 637, effective February 13, 2008,
189 emphasis added) That provision has remained unchanged in Rider PE since that
190 time. Please see ILL. C. C. No. 10, Rider PE 3rd Revised Sheet No. 318,
191 effective May 1, 2014.

192
193 Second, according to ComEd's response to Staff DR PR 3.04, ComEd is
194 not simply "lumping" 100% of its Customer Care Costs into its delivery
195 services rates without rationale. (See ICC Staff Ex. 9.0, Attachment F.)
196 According to ComEd, the Switching Study examines and shows how
197 customer care costs actually change due to customers switching
198 suppliers. This examination of the impact of switching supports the
199 determination that customer care costs are inherently related to the
200 provision of service to all customers and not to supply service. In contrast,

201 the Allocation Study is predicated on an assumption that some customer
202 care costs are attributable to delivery service and some are not, relying on
203 the selection of allocation factors as the means of determining the extent
204 to which they should be allocated to delivery service or supply service. I
205 agree with ComEd that the Switching Study thus highlights that any
206 allocation factor employed to divide common customer care costs
207 between delivery service and supply service, as is done in the Allocation
208 Study, is inherently arbitrary. ComEd Ex. 7.0, 65.

209
210 Third, I dispute the argument that the Switching Study is inconsistent with
211 embedded cost principles. In my view, the Switching Study is not
212 inconsistent or incompatible with ComEd's embedded cost of service
213 study. The Switching Study is merely another means of determining and
214 demonstrating what portion of the remaining common costs are
215 distribution-related and which are not. It is an added step in the direct
216 assignment of costs that are attributable to the delivery service function,
217 like meter reading. In fact, direct assignments were the starting point for
218 both the Switching Study and Allocation Study. Moreover, the direct
219 assignment of costs is a common part of the development of an
220 embedded cost of service study. In fact, utilities such as ComEd utilize a
221 fully embedded and allocated cost of service study that breaks down the
222 complexities of all direct, joint, and common costs by function and
223 classification of cost causation.

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In fact, it is interesting to note that while Mr. White argues that the Switching Study is faulty partly because it does not adhere to embedded cost principles (RESA Ex. 1.0, 4), it is doubtful that the Allocation Study, (whether ComEd’s version or RESA’s “corrected” version) would achieve this goal instead. According to ComEd’s response to Staff 3.07(c), “ComEd’s ECOSS does not separate out the customer care costs identified in the Allocation Study nor does it include any identification of what supply choices residential or nonresidential customers have made.” (See ICC Staff Ex. 9.0, Attachment H.) Because the Allocation Study does not closely adhere to embedded cost of service principles either, it is not more accurate than the Switching Study in examining customer care costs.

238 **Q. What problems would arise from the adoption of the Allocation Study**
239 **proposed by RESA?**

240 A. In my opinion, RESA’s proposal to use the Allocation Study presents many
241 problems. It would create rate disparities between sales and delivery customers
242 that would be difficult to justify from a cost standpoint. Sales and delivery
243 customers would pay for significantly different billing costs according to RESA’s
244 analysis, even if the underlying costs have not changed substantially. Unlike the
245 Allocation Study, the Switching Study recognizes that the cost of providing
246 customer care for unbundled customers is almost equal to the combined cost for

247 bundled customers. Thus, under the Allocation Study, ComEd's remaining supply
248 customers would not be treated fairly because the Allocation Study bears no
249 relation to the reality of ComEd's operations.

250

251 **Q. Does the historical impact of customer switching on customer care costs**
252 **support using the Switching Study in contradiction to Mr. White's**
253 **arguments?**

254 A. Yes, it does. Debate regarding re-allocation of customer care costs has been
255 ongoing since Docket No. 07-0566. It is instructive to compare the projections
256 made in the past with respect to this issue and consider how they have
257 materialized. For example, consider the following excerpt from the Final Order of
258 Docket No. 08-0532:

259 Mr. Lazare concluded at the time that the evidence
260 presented by ComEd suggests the Company does
261 not incur significant differences in customer service
262 costs for bundled and unbundled customers. If
263 customer switching were to increase ten-fold from the
264 current 1% to 10%, ComEd identifies only a few
265 hundred thousand dollars in additional costs that
266 would be expended or saved as a result. Only if more
267 significant numbers migrated to alternative supply
268 would the impact run into the millions of dollars. Thus,
269 this does not appear to be a significant cost issue for
270 ComEd ratepayers.
271

272 Commonwealth Edison Co., ICC Order Docket No. 08-0532, 66 (April 21, 2010,
273 2010) (emphasis added). This statement was made back in 2010. Now, in 2014,
274 the year of the current proceeding, we are faced with a level of customer
275 switching (69%) that was considered to be a remote possibility in 2008. Later, in

276 Docket No. 10-0467, ComEd used 1%, 10% and 100% customer switching
277 scenarios to provide more insight on how customers switching to an ARES might
278 impact ComEd's customer care costs. The 1% and 100% scenarios tested the
279 high/low limits of switching impacts at the time when market conditions were
280 drastically different from present day. In 2009, switching was approximately 1%,¹
281 and although switching at higher levels was not expected in the then near future,
282 ComEd nevertheless examined the potential impacts of switching at higher
283 levels. Ultimately, in that proceeding, the Switching Study projected that
284 Customer Care Costs would not be reduced when and if customers switched to
285 an ARES, regardless of the level of switching.

286
287 The current data supports that earlier analysis. Since ComEd employs the same
288 Switching Study methodology in the current proceeding, the Commission can
289 evaluate not only the updated results of the Switching Study, but also evaluate
290 whether the previous results, which were heavily criticized as speculative,
291 accurately projected what would happen to ComEd's customer care costs under
292 much higher levels of switching as we see occurring presently. In fact, between
293 2008 and 2014, the number of customers that have switched to a RES has
294 increased dramatically. The current Switching Study employs switching levels of
295 64% (theoretically projected possible reduction from switching levels), 69%
296 (estimate of current levels of switching) and 100% (theoretically projected
297 maximum future switching levels). Despite of this dramatic difference in switching

¹ Public switching statistics: <http://www.icc.illinois.gov/electricity/switchingstatistics.aspx>.

298 levels, the Switching Study shows that the cost of providing customer care for
299 unbundled customers is almost equal to the combined cost for bundled
300 customers. As discussed by ComEd witness Mr. Feingold, ComEd has realized
301 no reduction in its customer care costs even though approximately 70% of
302 ComEd's customers receive electric supply service from RESs. Furthermore,
303 ComEd still projects that ComEd's customer care costs would increase at a
304 switching level of 100%. (ComEd Ex. 8.0, 26.) What's more, in Docket No. 10-
305 0467, the Commission stated the following:

306 While the Commission acknowledges that ComEd's figures
307 in the Switching Study regarding 10% or 100% of its
308 customers switching suppliers are hypothetical, there is no
309 evidence here indicating that ComEd's customer care costs
310 would diminish to any significant degree, if 10% or a greater
311 amount of its supply customers switched to retail electric
312 suppliers.

313
314 Commonwealth Edison Co., ICC Order Docket No. 10-0467, 210 (May 24, 2011).

315 To the contrary, according to ComEd's Response to Staff DR PR 2.01, ComEd's
316 Customer Care Costs increased between 2008 and 2014 (1% for 2008, 1.4% for
317 2010, and 69% for 2014), i.e. from the time of Docket. No. 08-0532 through the
318 current proceeding, in spite of customer switching. (See Staff Ex. 9.0, Attachment
319 C.) According to ComEd, with this current level of switching, customer care costs
320 are likely sensitive to at least four main factors: RES supply pricing, customer
321 driven usage, weather (see ComEd Ex. 7.0, 59-60), and the number of
322 customers within the service territory (see ICC Docket No. 08-0532, ComEd Ex
323 2.1). Therefore, ComEd's customer care costs are incurred in providing and

324 making available customer care services for all its customers. As stated by
325 ComEd in response to Staff 3.04:

326 ComEd is subject to providing electric supply service based
327 upon individual customers' elections, governmental
328 authorities' aggregation choices, and RESs' business
329 decisions (with respect to individual customers and/or overall
330 activity in ComEd's service territory). Thus, the types of
331 services provided to customers have not changed with
332 increased customer switching. Tracking and recording of
333 data required to assign a portion of these costs either to
334 customers taking supply service from ComEd, to a RES or to
335 customers taking service from a RES, for example the
336 number of conversations with customers with RES or
337 ComEd supply or the subject matter of the conversations
338 with customers regarding their supply would be complex and
339 costly.

340
341 (See ICC Staff Ex. 9.0, Attachment F.)
342

343 **Q. Contrary to Mr. White's assertions that the Switching Study's premise is**
344 **fundamentally flawed and it is not an embedded cost study (RESA Ex. 1.0,**
345 **4), do you consider ComEd's Switching Study to be consistent with**
346 **embedded cost of service and cost causation principles?**

347 A. Yes, I do. First, this is consistent with the Commission's statements recognizing
348 the Switching Study's ability to shape itself to the reality of ComEd's present
349 operations:

350 The Commission acknowledges that, in Docket No.
351 08-0532, a traditional embedded cost of service study
352 was required. However, such a study may not
353 recognize that many of the customer care costs, such
354 as metering, customer service calls related to power
355 outages, etc. will be incurred by ComEd, irrespective
356 of whether a customer takes electricity from an
357 alternative supplier.

358
359 Commonwealth Edison Co., ICC Order Docket No. 10-0467, 210 (May 24, 2011).

360 Second, customer care costs have been and continue to be recovered from all
361 customers, regardless of electric supplier, since the inception of open access in
362 1999. Since that time, the percentage of ComEd customers receiving electric
363 supply from RESs has risen from 0% to the current almost 70%. As explained by
364 ComEd in response to Staff DR PR 3.01(b):

365 When considering delivery service customers to mean
366 all ComEd's customers regardless of electric supplier
367 because all customers receive delivery service, the
368 correlation between numbers of customers and
369 customer care costs provides meaningful information
370 regarding cost causation in the sense that it shows
371 customer care costs are customer related. That is, as
372 the overall number of customers in ComEd's service
373 territory increases there is an expectation that
374 customer care costs would increase.

375 . . .
376 when considering delivery service customers to
377 mean only those customers that receive electric
378 supply from RESs, which was 69% of ComEd's
379 customers in 2013 . . . the correlation between
380 increased numbers of delivery service customers and
381 customer care costs provides meaningful information
382 regarding cost causation in the sense that as more
383 RESs participate in the electricity market in ComEd's
384 service territory and increasing numbers of customers
385 switch to and from electric supply provided by ComEd
386 and among various RESs, ComEd's customer care
387 services and transactions provided or available to all
388 its customers become more complicated and
389 extensive and there is an expectation that the
390 associated costs for these services and transactions
391 would increase. For example, today, all customer
392 service representatives must be trained and ready to
393 interact with any customer that has a question about
394 customer choice, which was not necessary in the
395 past.

397 (See ICC Staff Ex. 9.0, Attachment J.)

398 **Q. Do you agree with Mr. White's assertions that the current level of**
399 **customers switching to Retail Electric Suppliers ("RES") service, which**
400 **stands at 69%, has made an impact on ComEd's costs related to customer**
401 **services?**

402 A. No, I do not. The results of ComEd's Switching Study show that the current level
403 of customers switching to Retail Electric Suppliers ("RES") service, which is 69%,
404 has not made an impact on ComEd's costs related to customer services and,
405 thus, does not appear to be a significant cost issue for ComEd ratepayers. In
406 fact, the current results of ComEd's Switching Study, utilizing current switching
407 levels of 69%, confirms the Commission's conclusion in its Final Order in Docket
408 No. 10-0467, in which the Commission stated:

409 The Commission disagrees with REACT's averment
410 that the Switching Study is "guesswork." In fact, the
411 1% scenario therein is based on fact. The 10% and
412 100% scenarios therein are projections based upon
413 the 1% scenario. No party has presented evidence
414 indicating that these projections are scientifically
415 invalid.

416
417 However, the alternative electric supplier market is
418 just beginning to blossom. It is possible that, in the
419 future, ComEd's customer care costs could differ from
420 what they are now, in terms of the amounts involved
421 and the types of services involved, as, items like IT
422 interfacing with alternative suppliers becomes more
423 sophisticated.

424
425 Commonwealth Edison Co., ICC Order Docket No. 10-0467, 210 (May 24, 2011

426 As evident in the paragraph above, the Commission acknowledged the rapid
427 change inherent in the advancement of technological capabilities. Id. In fact,
428 similar to what RESA is trying to do in the current proceeding, in Docket No. 10-

429 0467, REACT tried to discredit the otherwise reasonable results of the Switching
430 Study as argued by ComEd and Staff at the time. For example, REACT deemed
431 the Switching Study to be highly speculative and concluded that both ComEd and
432 Staff ignore that, in order to construct the Switching Study avoided cost numbers,
433 ComEd “had to come up with” a total cost reflecting current circumstances,
434 heavily rely upon the estimated costs at 10% and 100% switching for
435 comparison. Id. at 208-211. In that proceeding REACT argued that the cost-
436 causation structure could undergo significant changes that are not predicted by
437 ComEd’s Switching Study, and therefore, REACT concluded that this would
438 acknowledge the “speculative nature” of future switching scenarios. (See
439 Commonwealth Edison Co., Docket No. 10-0467, REACT Brief on Exceptions at
440 14-15.) Undeniably, the current reality of 69% switching completely and wholly
441 discredits REACT’s previously skeptical positions with respect to the Switching
442 Study and should likewise discredit RESA’s similar sentiment in the current
443 proceeding.

444

445 **Q. Mr. White argues that customers who receive supply service from a RES**
446 **effectively wind up paying for customer care services (and their associated**
447 **costs) they do not receive (i.e. paying through ComEd’s delivery service**
448 **charges), which in effect amounts to a cross subsidy from customers that**
449 **receive supply service from a RES to ComEd’s supply customers. (RESA**
450 **Ex. 1.0, 4.) How do you respond?**

451 A. Customers with electric supply provided by RESs do not provide a subsidy
452 pertaining to customer care costs to customers with electric supply procured by
453 ComEd. As ComEd explains, all ComEd customers, regardless of their supplier,
454 receive the same level of customer care services from ComEd, with one
455 exception, which is described in ComEd's Response to Staff DR PR 2.04 as
456 follows:

457 Customers that receive electric supply from RESs and for
458 which the RESs have elected to serve in accordance with
459 Rider SBO – Single Bill Option (Rider SBO) do not receive
460 bills for electric service from ComEd. Under the provisions of
461 Rider SBO, the participating RESs elect to issue electric
462 service bills that list the charges for ComEd's delivery
463 service in addition to the RES provided supply service.
464 However, ComEd continues to compute the applicable
465 delivery service charges for these customers and provide
466 that information to the RESs so that the delivery service bill
467 information can be included on the customers' bills for
468 electric service. Moreover, because ComEd does not mail
469 bills to customers for which RESs have elected the single bill
470 option, each such customer is provided with a monthly
471 credit, which is currently equal to \$0.52 per bill. There are
472 approximately 45,300 customers that are issued bills by
473 RESs in accordance with the provisions of Rider SBO. All
474 other customer care services are available to these
475 customers.

476
477 (See ICC Staff Ex. 9.0, Attachment J.)

478 What is more, as explained in ComEd's Response to Staff DR PR 1.01(e),
479 ComEd is required to offer supply related services pursuant to Section 16-103(c),
480 Section 16-107(a), Section 16-107(b), and Section 16-110 of the Public Utilities
481 Act. (See ICC Staff Ex. 9.0, Attachment A.) ComEd meets those requirements
482 by offering bundled electric supply service under Rate BES – Basic Electric
483 Service (Rate BES) and Rate BESH – Basic Electric Service Hourly Pricing (Rate

484 BESH), as well as unbundled electric supply service under Rider PPO – Power
485 Purchase Option (Rider PPO), which are all on file with the Commission. ComEd
486 remains responsible for determining and filing with the Commission supply
487 related charges calculated in accordance with Rider PE - Purchased Electricity
488 (Rider PE) and Rate BESH.

489
490 Also in accordance with Rate BES, Rate BESH, and Rider PPO, ComEd is
491 responsible for calculating the individual supply service charges applicable to
492 each customer served under these tariffs. Indeed, while ComEd is not
493 responsible for calculating the actual charges for electric supply service provided
494 by RESs to customers, ComEd must always be ready to calculate the individual
495 supply service charges for any customer receiving electric supply from a RES
496 should that customer elect to receive service under Rate BES, Rate BESH, or
497 Rider PPO. ComEd has no control over the conditions under which a customer
498 may switch to ComEd for electric supply service. ComEd is subject to providing
499 electric supply service based upon individual customers' elections, governmental
500 authorities' aggregation choices, and RESs' business decisions (with respect to
501 individual customers and/or overall activity in ComEd's service territory). For that
502 reason, RES customers do not provide a subsidy related to customer care costs
503 benefitting customers with electric supply procured by ComEd. In fact, if the
504 Company re-allocates such costs between delivery and supply, as reflected in
505 the Allocation Study, a different scenario might develop in which an unbundled
506 service customer would by-pass the cost of customer services that are otherwise

507 charged to supply of a bundled customer and thus be subsidized by the bundled
508 customer.

509

510 **Q. What do you recommend with respect to the adoption of the Switching**
511 **Study in this proceeding?**

512 A. While the Switching Study approach has been historically questioned by the
513 Commission, the current situation wherein switching levels have increased to
514 69% demonstrates that the Commission has made the right decision with respect
515 to deeming the Switching Study in Docket No. 10-0467 to be credible, despite its
516 reservations at the time. Although the Switching Study shows that, both now and
517 in the near future, ComEd realizes virtually no cost savings when its supply
518 customers switch to a retail electric supplier, it does not follow that the Switching
519 Study must be flawed. RESA offered practically no criticism of the Switching
520 Study other than to dismiss its results as “flawed.” (RESA Ex. 1.0, 4.) The
521 Commission should conclude that there is nothing speculative about the
522 Switching Study given the reality of ComEd’s 69% switching levels, especially
523 when the results under this switching level are contrasted with previous
524 proceedings that dealt with then 1% switching levels, a far cry from today’s
525 reality.

526

527 Ultimately, when evaluating whether or not to adopt the results of the Switching
528 Study, the Commission should keep in mind that ComEd, as a delivery service
529 provider, is required to incur the costs of providing delivery service to each of its

530 delivery customers, regardless of where the customer obtains its supply of
531 electricity, and an arbitrarily shifting costs that are driven by delivery service to
532 only supply customers would understate the true cost of the delivery service. It is
533 appropriate for ComEd to recover these costs from all its customers, without
534 some portion being recovered from just ComEd's supply customers.

535
536 Customers can elect to buy commodity from other suppliers without changing the
537 nature of the ComEd's statutory obligations. Whether some customers elect
538 solely delivery service from the Company does not change the nature of the
539 Company's business; neither does it negate the fact that certain activities
540 established to support the delivery function will continue to support the delivery
541 function. ComEd will continue to have millions of utility customers irrespective of
542 its provision of supply services. That is the principle driver of the Company's cost
543 structure as reflected in Switching Study, a methodology adamantly opposed by
544 RESA.

545
546 C. RESA'S ADJUSTMENTS TO THE ALLOCATION STUDY ARE NOT
547 APPROPRIATE

548
549 **Q. Are the allocators for the Allocation Study a relevant issue that the**
550 **Commission needs to address?**

551 A. The issue is relevant only in the event that the Commission approves RESA's
552 witness Mr. White's proposal to allocate customer care costs on an embedded

553 cost basis using an Allocation Study, instead of a Switching Study that the
554 Company and I recommend. RESA witness Mr. White proposes several
555 adjustments to the ComEd Allocation Study.

556

557 **Q. What are Mr. White's concerns with the ComEd Allocation Study?**

558 A. First, Mr. White contends that failure to accurately allocate customer care costs
559 to ComEd's supply rates results in artificially-inflated delivery services rates, and
560 inaccurate price signals that have anti-competitive effects. Mr. White avers that
561 those inaccurate price signals advantage ComEd as a provider of supply service,
562 and place ARES at a disadvantage because alternative suppliers are forced to
563 compete against an artificially-low ComEd bundled supply rate. (RESA Ex. 1.0,
564 5-9.) While this is the first point made by Mr. White, I will address it after my
565 discussion of allocators.

566

567 Second, Mr. White contends that ComEd developed faulty allocators for its
568 Allocation Study. (RESA Ex. 1.0, 4, 12.) Mr. White contends that ComEd's
569 proposed allocators generate implausible results. (Id.) In essence, throughout his
570 testimony, Mr. White criticizes ComEd's allocators as flawed, or incomplete,
571 stating that "[t]he allocation factors ComEd uses do not give proper weight to the
572 costs that should be allocated to the supply function." Id. at 11. Therefore, to
573 mitigate the errors and enhance the 'reliability' of the Allocation Study, Mr. White
574 adjusted a few of ComEd's allocators, namely: revenue allocation, Id. at 13-15,
575 Bill Allocator, Id. at 15, and bill calculation allocator, Id. at 17, and presented a

576 few other miscellaneous adjustments. Mr. White recommends adjustments which
 577 result in an allocation of at least \$34 million instead of ComEd's \$21 million
 578 (based on total costs, not only O&M) of customer services costs to supply. His
 579 adjustments, or "fixes" to the allocation between supply and distribution, are as
 580 follows:

RESA's ALLOCATION TITLE	RESA's DISTRIBUTION ALLOCATION	ComEd's ALLOCATION TITLE	ComEd's DISTRIBUTION ALLOCATION
Revenue Allocator	70.3%	Revenue Allocator	77.2%
Bill Allocator (follow the Revenue Allocator approach)	70.3%	Bill Allocator	81.8%
Bill Calculation Allocator (follow the Revenue Allocator approach)	70.3%	Bill Calculation Allocator	83.3%
Other Miscellaneous Changes	Various (see discussion)		

581

582 **Q. Do you agree with Mr. White's proposed changes?**

583 A. No, I do not. I acknowledge that the Allocation Study is based on assumptions,
 584 according to which ComEd had to develop "base allocators," each of which
 585 represents a methodology to apportion a department's costs between delivery
 586 and supply. While the allocators are admittedly imperfect, they are a reasonable
 587 attempt to determine a rational allocation of costs. However imperfect ComEd's
 588 developed allocators may be, they are based upon the work functions of
 589 customer services and are certainly more logical than Mr. White's arbitrary
 590 adjustments, which I will discuss in detail below.

591

592 One of the reasons Mr. White gives for making his extensive adjustments to
593 ComEd's Allocation Study allocators is his argument that ComEd's only basis for
594 the validity of the allocators is the fact that ComEd calculated them, or as he puts
595 it, "ComEd's calculations are largely a matter of self-reporting". (Id. at 9) This is
596 not true, however, as ComEd developed the allocators utilizing ComEd's
597 knowledge of its own business and based them on how ComEd's business
598 operates. In contrast, Mr. White's adjustments to the allocators are based solely
599 on his unsupported assumptions and have little relation to the actual facts and
600 circumstances of ComEd's business operations. In short, his criticisms reflect a
601 simplistic view of ComEd's customer services costs, which produces an
602 allocation of customer services costs to supply of at least \$34 million instead of
603 the \$21 million figure calculated by ComEd.

604

605 **Q. Can you please identify and explain Mr. White's second proposed**
606 **adjustment ?**

607 A. Mr. White's second proposed adjustment is to the Bill Calculation Allocator. Mr.
608 White notes that ComEd determined that 2 of 11 lines on the bill relate to supply
609 and allocated billing costs based on this ratio. He argues that ComEd's resulting
610 allocation of 81.8% for the delivery function and 18.2% for the supply function is
611 flawed because "not all lines on a bill are created equally." (RESA Ex. 1.0, 16.)
612 Mr. White explains that "in [his] experience, customers usually call a RES to ask
613 about the big ticket items on the bill, i.e. the supply charges, which compose
614 approximately 60% of the bill." Id. (emphasis added). From here, Mr. White

615 argues that “[r]ecognizing that approximately 60% of a customer’s charges are
616 related to supply, [he] think[s] a conservative calculation would follow my
617 corrected Revenue Allocation methodology. Thus, [he] believe[s] that the Bill
618 Calculator Allocator should, at a minimum, allocate 70.3% to the delivery function
619 and 29.7% to the supply function.” Id. at 16-17 (emphasis added).

620

621 **Q. Is Mr. White’s assumption reasonable?**

622 A. No, it is not. Mr. White’s application of the Revenue Allocator is not reasonable or
623 based on any reasoned analysis. By ignoring the labor-driven nature of customer
624 care costs and allocating such costs on the basis of revenues to ComEd’s supply
625 function, RESA simply ignores the nature of these costs and the Company’s on-
626 going incurrence of these costs in connection with delivery service. In fact,
627 allocating billing costs based on revenues assumes it costs more to send bills
628 with a higher amount due than it does to send bills with a lower amount due. Mr.
629 White has not established any such relationship between the cost of sending a
630 bill and the amount due on that bill. Indeed, as expressed earlier in my direct
631 testimony, I believe the Allocation Study is flawed because the use of any
632 allocation factor is already inherently arbitrary. Mr. White’s arbitrary adjustment
633 compounds this problem even further as it appears to be a self-serving
634 adjustment without any regard to ComEd’s operations.

635

636 In fact, ComEd’s response to Staff DR PR 3.05 recognizes the labor-driven
637 nature of these costs:

638 when customers call ComEd with a billing concern, they call
639 because of the total bill amount and not just one part of the
640 bill. ComEd does not have its agents make a subjective
641 judgment about why the bill is high. ComEd understands that
642 customers with concerns related to their total bill are
643 primarily questions about usage (i.e. kWhs). ComEd fully
644 supports customer choice, and therefore ComEd's agents
645 are trained to not make a subjective judgment as to what
646 portion of the bill the customer has a concern with, if any;
647 consequently ComEd does not track whether calls are
648 related to supply or delivery service charges (including
649 charges for purchased receivables)

650
651 (See ICC Staff Ex. 9.0, Attachment G.)
652

653 **Q. Can you please identify and explain Mr. White's third proposed**
654 **adjustment?**

655 A. Mr. White explains that:

656 Similar to the Bill Allocator, ComEd calculated the Bill
657 Calculation Allocator based upon the amount of
658 surface area on the bill occupied by supply and
659 delivery charges. Under this calculation, ComEd
660 determined ComEd allocated 83.3% for the delivery
661 function and 16.7% to the supply function. I do not
662 think ComEd correctly devised this allocator,
663 because, as stated above, the majority of a
664 customer's billed amount is driven by supply-related
665 charges and not the amount of paper used in
666 providing the billed information. A more accurate
667 calculation would follow the Revenue Allocator.
668

669 (RESA Ex. 1.0 at 17) (emphasis added).

670

671 **Q. Do you agree with this allocator substitution?**

672 A. No, I do not. This arbitrary adjustment is once again inappropriate, unsupported
673 and unsubstantiated. This adjustment is even more subjective than the previous

674 one, which renders it almost useless. ComEd applied the Company Revenue
675 Allocator when the underlying work is driven primarily by the total amount of
676 dollars owed to ComEd. Once again, Mr. White is proposing an illogical
677 adjustment to the Allocation Study. The problem with this approach is that the
678 record does not contain evidence that these functions are purely supply driven. A
679 similar arbitrary allocation methodology such as the one proposed by RESA was
680 rejected by the Commission in previous cases in Docket Nos. 08-0532 and 10-
681 0467.

682

683 **Q. Can you please identify and explain Mr. White's fourth proposed**
684 **adjustment?**

685 A. Mr. White recommends that ComEd allocate 100% of \$7,332,000 in charitable
686 contributions (Id. at 22) which it planed to recover through distribution rates
687 through the supply function instead. The following is Mr. White's justification for
688 the proposed reallocation of such costs:

689 [I] am recommending that these cost be allocated to
690 the service that benefits most from them. Because
691 ComEd is a monopoly provider of distribution service,
692 a customer has no choice of distribution provider
693 regardless of its opinion of ComEd. But customers do
694 have a choice between a RES and the default
695 service. Charitable contributions improve a utility's (or
696 RES's) brand, instill good will and customer loyalty.
697 Further, RESs spend money on charitable and
698 community investment but they are unable to recover
699 these costs through distribution rates. Accordingly
700 ComEd's charitable contributions and community
701 investment should be recovered from default supply
702 customers. With the allocation of ComEd's charitable
703 contributions to the supply function, ComEd should
704 allocate at least \$34,083,652 in customer care costs,

705 including charitable contributions, to the supply
706 function.
707

708 (RESA Ex. 1.0 at 22.)

709

710 **Q. Do you agree with this allocator substitution?**

711 A. No. RESA has not provided a compelling reason to warrant this treatment for
712 costs that typically and historically have been recovered through base rates.
713 Costs and expenses should be allocated to, and recovered from, those who
714 caused the costs to be incurred. In fact, while I am not an attorney, my
715 understanding is that Mr. White's treatment of such costs is contrary to the Public
716 Utilities Act:

717 It shall be proper for the Commission to consider as
718 an operating expense, for the purpose of determining
719 whether a rate or other charge or classification is
720 sufficient, donations made by a public utility for the
721 public welfare or for charitable scientific, religious or
722 educational purposes, provided that such donations
723 are reasonable in amount. In determining the
724 reasonableness of such donations, the Commission
725 may not establish, by rule, a presumption that any
726 particular portion of an otherwise reasonable amount
727 may not be considered as an operating expense. The
728 Commission shall be prohibited from disallowing by
729 rule, as an operating expense, any portion of a
730 reasonable donation for public welfare or charitable
731 purposes.

732

733 220 ILCS 5/9-227.

734

735 Therefore, Mr. White's attempt to allocate \$7,332,000 from delivery to supply is
736 unwarranted, unjust, contrary to State law and, therefore, should be denied by
737 the Commission.

738

739 **Q. Do you have any other comments regarding Mr. White's adjustments to**
740 **ComEd's Allocation Study allocators?**

741 A. Yes. Despite all of Mr. White criticisms concerning ComEd's flawed allocators
742 used in its Allocation Study, Mr. White presents no compelling arguments why,
743 from a cost standpoint, his adjustments to these allocators renders them more
744 accurate. He dismisses ComEd's Allocation Study's ability to allocate costs
745 between distribution and supply because many of the allocators seem to have
746 little to do with the costs they are purportedly allocating. (See generally RESA
747 Ex. 1.0, 9-20) Mr. White, however, fails to provide cost justification for the
748 alternative allocators he proposes. In fact, RESA's use of revenues (i.e. use of
749 Revenue Allocator in place of where ComEd utilize another type of allocator) as a
750 basis for allocating costs between delivery and supply produces inappropriate
751 results that do not reflect cost causation. In some instances, it simply results in
752 gross over-allocations of customer care costs to ComEd's departments
753 comprised of relatively small numbers of employees as these departments utilize
754 only a small fractional amount of the Company's resources.

755

756 RESA plainly fails to support its conclusion that approximately \$34 million should
757 be allocated away from ComEd's distribution service-related revenue
758 requirement and towards the supply function. (See generally RESA Ex. 1, p. 9-
759 24) In fact, the fundamental purpose of ComEd's Allocation Study is to establish
760 links between the cost being incurred, and who or what causes the costs to be

761 incurred. This link is commonly referred to as "cost causation." The Company's
762 Allocation Study is premised upon the fundamental underpinning of cost
763 causation and long-standing embedded cost of service allocation methodologies
764 that prefer the direct assignment of costs as the first step in the cost
765 functionalization process. That is, when the Company identified costs as being
766 incurred for the purpose of providing a specific function, whether supply or
767 delivery, those costs were directly assigned to that function. Where a direct
768 causal link was not clear but was indicated, the Company performed a special
769 study. And where a causal connection between a particular cost and a particular
770 function could not be identified, costs were allocated among two or more
771 functions on bases that relate to the nature of the underlying costs.

772

773 ComEd has clearly established the proper methodology for establishing cost
774 causation when performing its Allocation Study via the use of direct assignments,
775 special studies and generally accepted functional allocators. Direct assignments
776 establish the highest degree of correlation between the cost and the cause of the
777 cost. The second best alternative to properly identify cost causation with a
778 function, class, or service would be some sort of special study such as the call
779 center study that identifies a group of costs that can be split among two or more
780 functions. The third alternative is to use a meaningful relationship such as an
781 allocation study or generally accepted functional allocator (i.e. labor and/or rate
782 base, etc.). Finally, when all else fails, revenue could be considered as a method
783 for functionalizing costs to functions, class or service. This is where RESA

784 commits an error by using revenues as the allocation method of choice,
785 according to which RESA adjusts ComEd's allocation of costs.

786

787 **Q. How do you respond to Mr. White's argument that "[i]f RES must incur**
788 **customer care costs and recover such costs through rates, and ComEd is**
789 **permitted to recover its costs through distribution rates, the default supply**
790 **rate will have a competitive advantage"? (RESA Ex. 1.0, 25-26.)**

791 A. They are irrelevant assertions by Mr. White. For example, Mr. White states that
792 "[i]n order to make the default rate product available to customers, ComEd must
793 incur [various non-commodity expenses.] The only difference is that the default
794 rate product is able to recover many of these expenses through distribution rates
795 and RES products do not, and cannot, recover these expenses through
796 distribution rates." (RESA Ex. 1.0, 24-25.) Fundamentally, Mr. White criticizes
797 ComEd for being a natural monopoly. Indeed, ComEd is a regulated monopoly
798 operating in an industry in which it is most efficient (involving the lowest long-run
799 average cost) for production is be concentrated in a single firm. In turn, this
800 market situation gives the largest supplier in an industry, such as ComEd (as
801 opposed to individual RESs) often the first supplier in a market, an overwhelming
802 cost advantage over other actual and potential competitors (RESs), so a natural
803 monopoly situation generally leads to an actual monopoly.

804

805 ComEd's current design for the recovery of customer care costs is consistent
806 with cost causation principles given the direction from the General Assembly for

807 the Commission to "promote" competitive markets, and the Commission's own
808 directive in the 2010 ComEd Rate Case that the Customer Care Cost issue be
809 further explored as market conditions changes. In my view, the discussions in Mr.
810 Wright's testimony regarding the benefits of competitive electric markets are
811 skewed in favor of RESs and against ComEd.

812

813 **Q. Does Mr. White's approach to reallocate \$34 million of customer care costs**
814 **from delivery to supply violate other important principles that the**
815 **Commission has continually espoused in other proceedings, i.e. avoiding**
816 **improper costs subsidies?**

817 A. Yes. Fundamentally, the Allocation Study produces a subsidy. Subsidies do not
818 foster efficient competition and do not support the concept of cost causation
819 (more on that later). Such subsidies distort prices, create inefficiencies, and
820 potentially could increase costs to customers. Contrary to the Commission's
821 concerns about improper subsidies and undue customer impacts, the positions
822 taken by RESA by allocating \$34 million to ComEd's supply function would
823 create subsidies to be borne by ComEd's customers and without any regard for
824 the impact on these customers. RESA's various adjustments to shift significant
825 costs from delivery to supply take results-oriented approaches to achieve the
826 pre-determination result of making RESs artificially more competitive. Ultimately,
827 the assumptions embodied in RESA's proposals are based on improper theories
828 of cost allocation and ignore the basic principle of cost causation.

829

830 **Q. In your opinion, if the Commission were to accept Mr. White's arguments**
831 **and reallocate approximately \$34 million of customer care costs between**
832 **ComEd's supply function and delivery services function, will that reduce**
833 **the delivery service revenue requirement?**

834 A. Yes, it appears so. In the event that a portion of the these costs is reallocated
835 from ComEd's delivery function to ComEd's supply function, then the delivery
836 service revenue requirement would be reduced by the amount that is reallocated
837 to ComEd's supply function. Therefore, such a reallocation would not be revenue
838 neutral with respect to ComEd's delivery service revenue requirement. (See ICC
839 Staff Ex. 9.0, Attachment D.)

840

841 **Q. Please explain.**

842 A. According to ComEd, if the level of customer care activity and the related costs
843 cannot reasonably be expected to decrease with increased customer switching to
844 RESs, given that ComEd must stand ready to offer electric supply service to all
845 customers, then such costs should continue to be recovered through delivery
846 service charges. (ComEd Ex. 8.0, 12-13.) Therefore, in the event that a portion of
847 the Customer Care Costs ComEd incurs is reallocated from ComEd's delivery
848 function to ComEd's supply function, ComEd's overall recovery of these costs will
849 be affected in both the short term and the long term.

850

851 In the short term, in order to effectuate overall customer care costs recovery with
852 a reallocation of a portion of those costs to ComEd's supply function, new tariff

853 provisions will be necessary to determine how the portion of these costs
854 allocated to the ComEd supply function will be identified and recovered from only
855 those customers for which ComEd procures electric supply service. (ComEd Ex.
856 2.0, 41). Furthermore, because of the level of switching activity now occurring
857 within ComEd's service territory, there may also be a need for the new tariff
858 provisions to incorporate periodic true-up or balancing determinations in order to
859 ensure full recovery of the portion of customer care costs allocated to ComEd's
860 supply function. However, after the fact true-up recovery from applicable
861 customers may be complicated with on-going switching to and from ComEd and
862 RESs. (See ICC Staff Ex. 9.0, Attachment B.) In the long term, ComEd's overall
863 Customer Care Costs recovery with a reallocation of a portion of those costs to
864 ComEd's supply function is at risk due to the "last one standing" concept, as
865 described in ComEd Exhibit 2.0. (ComEd Ex. 2.0, 40.) According to ComEd, in
866 both the short term and the long term there is an inequitable impact on
867 customers for which ComEd provides electric supply if customer care costs are
868 reallocated from (a) being allocated in their entirety to the delivery function to (b)
869 being allocated in a two-way division between ComEd delivery and ComEd
870 supply.

871
872 Furthermore, there has been no apportionment of the portion of ComEd's
873 customer care costs that are incurred due to RES-related activities, such as
874 fielding customer complaint calls pertaining to RES price increases. (ComEd Ex.
875 7.0, 60.) In fact, without an apportionment of RES-related customer care costs to

876 only RES-supplied customers, the result is that customers for which ComEd
877 procures electric supply service will pay for customer care costs allocated to
878 ComEd's delivery function, customer care costs allocated to ComEd's supply
879 function, and customer care costs that are incurred only for the benefit of RES-
880 supplied customers. (ComEd Ex. 2.0, 41.)

881

882 **Q. What is the risk with an apportionment of RES-related customer care**
883 **costs?**

884 A. According to ComEd's response to Staff DR 1.14:

885

886 A three-way apportionment that includes an allocation to a
887 RES supply function to account for the portion of customer
888 care costs ComEd incurs that pertain to RES-supplied
889 customers, would require new tariff provisions to determine
890 how the portion of these costs allocated to the RES supply
891 function will be identified and recovered from only those
892 customers for which RESs procure electric supply service.
893 Such new tariff provisions may need to incorporate periodic
894 true-up or balancing determinations in order to ensure full
895 recovery of the portion of customer care costs allocated to
896 the RES supply function. However, after the fact true-up
897 recovery from applicable customers may be complicated
898 with ongoing switching to and from ComEd and RESs.
899 Moreover, recovery of such costs is at risk if a "last one
900 standing" scenario occurs with RES-supplied customers.

901

902 (See ICC Staff Ex. 9.0, Attachment B.)

903 **Q. Are there any other risks with respect to either the short term or long term**
904 **effects on the overall recovery of Customer Care Costs?**

905 A. Yes, according to ComEd's response to Staff DR 1.14:

906 [T]here may be a negative impact on all customers to
907 varying degrees, regardless of electricity supplier, if the
908 Commission directs ComEd to apportion its customer care

909 costs among two (2) or more functions. Ultimately,
910 customers will have to provide for the recovery of additional
911 costs that will be incurred by ComEd and intervening parties
912 for such things as the annually recurring identification,
913 review, and litigation of what portions of the customer care
914 costs should be allocated to the different specified functions,
915 as well as such things as the implementation, and ongoing
916 administration, tracking, and potential reconciliation of the
917 charges that will need to be instituted to provide for the
918 recovery of the various portions separately.

919
920 Id.
921

922 **Q. What do you therefore recommend with respect to customer care costs?**

923 A. I continue to recommend that the Commission should accept the results of the
924 Switching Study and reject the Allocation Study. The Switching Study comports
925 with the Commission's treatment of customer services costs in the past, as part
926 of delivery services costs. The Switching Study reflects the reality of ComEd's
927 operations and avoids an arbitrary allocation between supply and distribution
928 would not reflect cost causation.

929
930 While I do not support the use of allocation factors to segment customer care
931 costs between delivery and supply functions, in the event that the Commission
932 adopts such an approach, I recommend the following:

- 933 1. The Commission should adopt the results of ComEd's Alternative
934 Analysis, ComEd Ex. 16.03, which would allocate \$10,927,146 of
935 customer care costs from delivery to supply.
- 936 2. In the alternative, the Commission should adopt the results of ComEd's
937 Allocation Study, ComEd Ex. 16.01, which would allocate \$21,386,393 of

938 customer care costs from delivery to supply, and reject RESA's
939 adjustments to ComEd's Allocation Study.

940

941 In addition, in the event that the Commission adopts one of the two alternative
942 methods as described above which will segment ComEd's customer care costs
943 between delivery and supply functions, Staff notes that the Commission may
944 need to also consider other complexities, such as whether these costs should be
945 allocated between three functions or two functions as discussed by ComEd
946 witness Brinkman who states that "[i]f an allocation methodology is employed, a
947 portion of those costs should be allocated to a RES supply function and
948 recovered from just 830 customers with electric supply service provided by
949 RESs." (ComEd Ex. 12.0 REV, 39.) As explained in detail by Ms. Brinkman in her
950 rebuttal testimony, "there should be a RES supply function, in addition to the
951 ComEd delivery function and ComEd supply function identified up to this point in
952 the Allocation Study." Id. at 38-41. MrMs. Brinkman provides a comprehensive
953 example of how allocation factors could be developed to segment costs among
954 the three functions. Id. at 39-40.

955

956 Nevertheless, Staff cautions the Commission to adopt the results of the
957 Allocation Study which segments customer care costs between delivery and
958 supply, as it would undoubtedly create additional unnecessary complications as
959 pointed out by Ms. Brinkman's testimony which will have to be dealt with either
960 in this proceeding or the next.

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II. OTHER ISSUES - BILLING DETERMINANTS

Q. Please address ComEd’s testimony regarding billing determinants.

A. In its direct testimony, ComEd indicated that it had increased the customer billing determinants associated with New Business plant in the ECOSS and rate design model in this proceeding, as directed by the Commission in the 2013 FRU Order, while still explaining why ComEd believes no such adjustment should be made in this case in order to preserve ComEd’s position on appeal. (ComEd Ex. 2.0, 46-48; ComEd Ex. 10.0, 7-8; ComEd Ex. 10.03.) In light of ComEd witness Brinkman’s rebuttal testimony regarding billing determinants (ComEd Ex. 12.0, 20-23), I asked ComEd to clarify whether ComEd still intends to increase the customer billing determinants associated with New Business plant in the ECOSS and rate design model in this proceeding as directed by the Commission in the 2013 FRU Order. (Docket No. 13-0318)

Q. How did ComEd respond to your inquiry on this matter?

A. In response to Staff DR PR 4.01, ComEd stated the following:

As Mr. Leick testifies, ComEd’s calculated delivery service charges do reflect increased customer billing determinants in the ECOSS and rate design model in accordance with Commission decisions to date. Please see Leick Dir., ComEd Ex. 10.0, 6:122-132, 7:154 - 8:169, and 12:245-248. ComEd does not challenge in this proceeding the past decisions of the Commission and the Appellate Court that the Commission has the legal authority to adjust the customer billing determinants where warranted by the

989 evidence. Ms. Brinkman's testimony rather explains
990 why, in ComEd's view, the Commission should not
991 order ComEd to make that adjustment in this case as
992 a factual matter. Please see Brinkman Dir., ComEd
993 Ex. 2.0, 46:972 - 48:1006 and Brinkman Reb., ComEd
994 Ex. 12.0, 20:396 - 23:466. ComEd has no intention of
995 reversing the increase to the customer billing
996 determinants already reflected in the ECOSS and rate
997 design model in this proceeding unless the
998 Commission or a reviewing court ultimately makes
999 that decision.

1000
1001 (See ICC Staff Ex. 9.0, Attachment I.)
1002

1003 **Q. Does this respond to your concerns with respect to this issue?**

1004 A. Yes, it does. For the record, it is my understanding that ComEd's intention
1005 regarding customer billing determinants associated with New Business plant as
1006 presented in its rebuttal testimony has not changed from that presented in its
1007 direct testimony. I recommend the Commission accept the adjustment advocated
1008 by AG Witness Effron (AG Exhibit 2.0, 5-6) to customer billing determinants
1009 associated with New Business plant that ComEd included in its rate design
1010 model (ComEd Ex. 10.03) and that the methodology used should be an
1011 adjustment to customer billing determinants only. This is the same methodology
1012 approved by the Commission in ComEd's last three formula rate cases Docket
1013 Nos. 11-0721, 12-0321 and 13-0318 based on similar facts. In my opinion, the
1014 Company has provided insufficient information in this proceeding to justify a
1015 change in the methodology already approved by the Commission, nor any
1016 evidence to warrant any other adjustment to sales billing determinants. In her
1017 rebuttal testimony, ComEd witness Brinkman argues that, based on the facts in
1018 this case, the Commission should not make the billing determinants adjustment

1019 ComEd has included in its rate design calculation in compliance with the
1020 Commission's previous Orders cited above. However, Ms. Brinkman's arguments
1021 merely point to the mechanics of the formula rate model that have not changed
1022 throughout all these cases. (ComEd Ex. 12.0 REV, pp. 20-23). Therefore, these
1023 facts have all been considered in the prior cases.

1024

1025 **Q. Does this complete your prepared rebuttal testimony?**

1026 **A.** Yes, it does.

ICC Docket No. 14-0312

**Commonwealth Edison Company's Response to
Illinois Commerce Commission ("STAFF") Data Requests
PR 1.01 – 1.14
Date Received: June 9, 2014
Date Served: June 25, 2014**

REQUEST NO. PR 1.01:

Recognizing that Company witness Feingold testifies that an embedded costing method is not his preferred approach to unbundle ComEd's traditional bundled utility service into its individual delivery and supply components (ComEd Ex. 8.0, p. 24), please answer the following four questions under the assumption that the Commission adopts an embedded cost approach for the allocation of customer care costs:

- a) Please explain how the Company will allocate customer care costs to delivery for bundled service customers and for unbundled service customers.
- b) With respect to how the Company proposes to recover customer care costs for unbundled service customers that are allocated to supply, as reflected in the Allocation Study, is it correct that an unbundled service customer can potentially by-pass the cost of customer services that are otherwise charged to supply of a bundled customer? In other words, could an unbundled customer "piggyback" their effective lower delivery charges onto a bundled customer's service bill, so the end result would be that a bundled customer will pay effectively more and an unbundled customer will pay effectively less since the supply portion of the unbundled customer is unknown while the supply portion of the bundled customer will effectively carry a higher portion of the re-allocated costs?
- c) Is it ComEd's position that it will also still have the same responsibility for calculating supply service charges for all customer bills regardless of the level of switching that may occur in the future?
- d) If the answer to (c) is no, then how will ComEd's cost associated with calculating supply service charges change if ComEd experiences more than the current level (69%) of switching?
- e) If the answer to (c) is yes, why will ComEd still have any cost associated with calculating supply service charges if there was a drastic increase in switching levels?

RESPONSE:

- a) In the event that the Commission adopts the Allocation Study, ComEd will allocate customer care costs between its delivery function and its supply function in accordance with the results of assignments and the application of allocation factors presented in the Allocation Study as directed by the Commission, and only customers receiving electric supply from ComEd will be responsible for the costs allocated to ComEd's supply function. In the event that the Commission adopts the alternative study, ComEd will allocate customer

care costs between its delivery function and its supply function in accordance with the results of assignments and the application of allocation factors presented in the alternative study as directed by the Commission, and only customers receiving electric supply from ComEd will be responsible for the costs allocated to ComEd's supply function. Please also see ComEd's Response to Staff Data Request PR 1.14.

Customer care costs allocated to ComEd's delivery function will continue to be allocated to all customers, regardless of electric supplier, in accordance with the results of the applicable assignments and allocation factors presented in ComEd's embedded cost of service study (ECOSS) as they are today.

- b) Yes. In the event that there is a bifurcation of ComEd's customer care costs between ComEd's delivery function and ComEd's supply function as reflected in the Allocation Study, customers receiving electric supply from retail electric suppliers (RESs) will not be responsible for the recovery of the costs allocated to the ComEd supply function. Please also see ComEd's Response to Staff Data Request PR 1.14.
- c) Yes.
- d) Not applicable.
- e) ComEd is required to offer supply related services pursuant to Section 16-103(c), Section 16-107(a), Section 16-107(b), and Section 16-110 of the Public Utilities Act. ComEd meets those requirements by offering bundled electric supply service under Rate BES – Basic Electric Service (Rate BES) and Rate BESH – Basic Electric Service Hourly Pricing (Rate BESH), as well as unbundled electric supply service under Rider PPO – Power Purchase Option (Rider PPO), which are all on file with the Commission. ComEd remains responsible for determining and filing with the Commission supply related charges calculated in accordance with Rider PE - Purchased Electricity (Rider PE) and Rate BESH. Also in accordance with Rate BES, Rate BESH, and Rider PPO, ComEd is responsible for calculating the individual supply service charges applicable to each customer served under these tariffs. Moreover, while ComEd is not responsible for calculating the actual charges for electric supply service provided by RESs to customers, ComEd must always be ready to calculate the individual supply service charges for any customer receiving electric supply from a RES should that customer elect to receive service under Rate BES, Rate BESH, or Rider PPO. ComEd has no control over the conditions under which a customer may switch to ComEd for electric supply service. ComEd is subject to providing electric supply service based upon individual customers' elections, governmental authorities' aggregation choices, and RESs' business decisions (with respect to individual customers and/or overall activity in ComEd's service territory).

ICC Docket No. 14-0312

**Commonwealth Edison Company's Response to
Illinois Commerce Commission ("STAFF") Data Requests
PR 1.01 – 1.14
Date Received: June 9, 2014
Date Served: June 17, 2014**

REQUEST NO. PR 1.14:

Will the re-allocation of Customer Care Costs between ComEd's supply function and delivery services function affect ComEd's overall cost recovery (short term or long term)? Please explain in detail why or why not.

RESPONSE:

For clarity, customer care costs include costs ComEd incurs as described in Brinkman Dir., ComEd Ex. 2.0, 33:680-688 and Donovan Dir., ComEd Ex. 7.0, 37:815-38:826.

As noted in Brinkman Dir., ComEd Ex. 2.0, 33:689 - 34:695 and Donovan Dir., ComEd Ex. 7.0, 38:827-836, customer care costs are currently recovered through delivery service charges, and this practice is consistent with the manner in which these costs have been recovered from customers since pricing for electric service was unbundled. Additionally, Mr. Feingold testifies that if the level of customer care activity and the related costs cannot reasonably be expected to decrease with increased customer switching to Retail Electric Suppliers (RESs), then such costs should continue to be recovered through delivery service charges. He also points out that ComEd must stand ready to offer electric supply service to all customers (ComEd Ex. 8.0, 12:235-13:250). Therefore, yes, in the event that a portion of the customer care costs ComEd incurs is reallocated from ComEd's delivery function to ComEd's supply function, ComEd's overall recovery of these costs will be affected in both the short term and the long term.

In the short term, in order to effectuate overall customer care cost recovery with a reallocation of a portion of those costs to ComEd's supply function, new tariff provisions will be necessary to determine how the portion of these costs allocated to the ComEd supply function will be identified and recovered from only those customers for which ComEd procures electric supply service. Please see Brinkman Dir., ComEd Ex. 2.0, 41:849-855. Because of the level of switching activity now occurring within ComEd's service territory, there may also be a need for the new tariff provisions to incorporate periodic true-up or balancing determinations in order to ensure full recovery of the portion of customer care costs allocated to ComEd's supply function. However, after the fact true-up recovery from applicable customers may be complicated with ongoing switching to and from ComEd and RESs.

In the long term, ComEd's overall customer care cost recovery with a reallocation of a portion of those costs to ComEd's supply function is at risk due to the "last one standing" concept, as described in Brinkman Dir., ComEd Ex. 2.0, 40:828-848.

It is important to note that in both the short term and the long term there is an inequitable impact on customers for which ComEd provides electric supply if customer care costs are reallocated from (a) being allocated in their entirety to the delivery function to (b) being allocated in a two-way division between ComEd delivery and ComEd supply. There has been no apportionment of the portion of ComEd's customer care costs that are incurred due to RES-related activities, such as fielding customer complaint calls pertaining to RES price increases. For example, please see Donovan Dir., ComEd Ex. 7.0, 60:1302-1319. Without an apportionment of RES-related customer care costs to only RES-supplied customers, the result is that customers for which ComEd procures electric supply service will pay for customer care costs allocated to ComEd's delivery function, customer care costs allocated to ComEd's supply function, and customer care costs that are incurred only for the benefit of RES-supplied customers. Please see Brinkman Dir., ComEd Ex. 2.0, 41:856-869.

A three-way apportionment that includes an allocation to a RES supply function to account for the portion of customer care costs ComEd incurs that pertain to RES-supplied customers, would require new tariff provisions to determine how the portion of these costs allocated to the RES supply function will be identified and recovered from only those customers for which RESs procure electric supply service. Such new tariff provisions may need to incorporate periodic true-up or balancing determinations in order to ensure full recovery of the portion of customer care costs allocated to the RES supply function. However, after the fact true-up recovery from applicable customers may be complicated with ongoing switching to and from ComEd and RESs. Moreover, recovery of such costs is at risk if a "last one standing" scenario occurs with RES-supplied customers.

Furthermore, there may be a negative impact on all customers to varying degrees, regardless of electricity supplier, if the Commission directs ComEd to apportion its customer care costs among two (2) or more functions. Ultimately, customers will have to provide for the recovery of additional costs that will be incurred by ComEd and intervening parties for such things as the annually recurring identification, review, and litigation of what portions of the customer care costs should be allocated to the different specified functions, as well as such things as the implementation, and ongoing administration, tracking, and potential reconciliation of the charges that will need to be instituted to provide for the recovery of the various portions separately.

ICC Docket No. 14-0312

**Commonwealth Edison Company's Response to
Illinois Commerce Commission ("STAFF") Data Requests**

PR 2.01 – 2.05

Date Received: June 12, 2014

Date Served: June 19, 2014

REQUEST NO. PR 2.01:

Did ComEd's customer care costs increase or decrease (in total) between 2008 and 2014, as the number of customers that have switched to a retail electric supplier ("RES") supply has increased?

RESPONSE:

Yes. ComEd's customer care costs increased between 2008 and 2014.
(See ICC Dkt. No. 08-0532, ComEd Ex. 2.1; ICC Dkt. No. 10-0467, ComEd Ex.19.1; and ICC Dkt. No. 14-0312, ComEd Ex. 7.04).

Case Year	Percentage of Customers with RES supply	Customer Care Costs
2008	1%	\$138,582,450
2010	1.4%	\$176,231,365
2014	69%	\$203,407,637

ICC Docket No. 14-0312

**Commonwealth Edison Company's Response to
Illinois Commerce Commission ("STAFF") Data Requests
PR 2.01 – 2.05
Date Received: June 12, 2014
Date Served: June 18, 2014**

REQUEST NO. PR 2.03:

Would an adjustment to ComEd's allocation of a portion of its customer care costs reduce ComEd's Commission-approved delivery service revenue requirement in delivery service charges? In other words, would such an adjustment be revenue neutral with respect to ComEd's delivery service revenue requirement?

RESPONSE:

For clarity, customer care costs include costs ComEd incurs as described in Brinkman Dir., ComEd Ex. 2.0, 33:680-688 and Donovan Dir., ComEd Ex. 7.0, 37:815 - 38:826).

In the event that a portion of the customer care costs ComEd incurs is reallocated from ComEd's delivery function to ComEd's supply function, then the Delivery Service Revenue Requirement would be reduced by the amount that is reallocated to ComEd's supply function. Therefore, such a reallocation would not be revenue neutral with respect to ComEd's Delivery Service Revenue Requirement.

Please also see ComEd's Response to Staff Data Request PR 1.14.

ICC Docket No. 14-0312

**Commonwealth Edison Company's Response to
Illinois Commerce Commission ("STAFF") Data Requests**

PR 3.01 – 3.07

Date Received: June 19, 2014

Date Served: July 1, 2014

REQUEST NO. PR 3.01:

If Customer Care Costs that are associated with supply are included in ComEd's delivery services rates, then does the Company believe that the RESs would be competing against a ComEd supply rate that is artificially deflated? If the Company disagrees, please explain fully the basis for the Company's disagreement.

RESPONSE:

For clarity, customer care costs include costs ComEd incurs as described in Brinkman Dir., ComEd Ex. 2.0, 33:680-688 and Donovan Dir., ComEd Ex. 7.0, 37:815 - 38:826.

No. The results of the Switching Study (ComEd Ex. 7.05) do not support the position that ComEd has customer care costs that are supply related and that ComEd's supply charges are therefore artificially deflated. The results of the Switching Study show that ComEd's customer care costs do not decrease as the number of customers with electric supply provided by retail electric suppliers (RESs) increases.

Furthermore, ComEd's customer care costs are incurred in providing and making available customer care services for all its customers. Therefore, it is appropriate for ComEd to recover these costs from all its customers, without some portion being recovered from just ComEd's supply customers.

This fact was supported by the Commission Staff and the Commission in a prior proceeding that addressed this topic, ICC Docket No. 07-0531. In that proceeding, customer care costs were identified as common costs, and the Commission Staff was concerned that ComEd would attempt to recover common costs through the application of supply charges.

By allowing all actual supply administrative costs to be recovered through Rider PE, there is no incentive for ComEd to be conservative in incurring costs that can be related to the procurement of power and energy supply. There is an incentive for ComEd to classify common costs as costs attributable to procuring power supply. In addition, the tariff language describing costs that are recoverable through Rider PE is overly broad and ambiguous.

ICC Docket No. 07-0531, Staff of the Illinois Commerce Commission Response to Petition and Objections, dated November 13, 2007, at 41.

To address Staff's concern as presented in the previously noted response, ComEd made appropriate revisions to its then proposed Rider PE – Purchased Electricity (Rider PE), and provided the following response:

ComEd makes clear that the internal and administrative costs that that will flow through the rider are those incurred solely as a result of ComEd meeting its statutory procurement obligations. For example, ComEd would not recover in the rider either the costs of employees who are not devoted to procurement functions or allocated overhead costs. These limitations should resolve the concerns Staff has raised.

ICC Docket No. 07-0532, ComEd's Reply in Support of its Proposed Tariffs Implementing a New Competitive Procurement Process and Recovering Procurement Costs, dated November 30, 2007, at 10).

The Commission adopted the revised tariff language ComEd provided in response to Staff's concerns, and when Rider PE became effective it included the following provision:

“The Company's internal administrative and operational costs *solely* arising from meeting the obligations set forth in the Procurement Obligations section of this rider are included in the PEPs and are subject to adjustment to the extent that they are found to be unreasonable in the annual proceeding described in the Miscellaneous General Provisions section of this rider.” (ILL. C. C. No. 4, Rider PE, Original Sheet No. 637, effective February 13, 2008, emphasis added)

That provision has remained unchanged in Rider PE since that time. Please see ILL. C. C. No. 10, Rider PE 3rd Revised Sheet No. 318, effective May 1, 2014.

ICC Docket No. 14-0312

**Commonwealth Edison Company's Response to
Illinois Commerce Commission ("STAFF") Data Requests**

PR 3.01 – 3.07

Date Received: June 19, 2014

Date Served: July 7, 2014

REQUEST NO. PR 3.04:

According to Commission statistics, total residential switching as of May 2010 was 0.006%, and as of 2013, the percentage of residential customers taking service from a RES was approximately 69.0%. Notwithstanding the significant evolution of market conditions, ComEd continues to simply lump 100% of its Customer Care Costs into its delivery services rates, while allocating 0% of its Customer Care Costs to its supply rates. Please explain why that is reasonable in light of the changing market dynamics and the evolution of costs and the types of services involved between delivery and supply (IT interfacing with RESs, PORCB, implementation of smart meters and smart grid technology, etc.).

RESPONSE:

For clarity, customer care costs include costs ComEd incurs as described in Brinkman Dir., ComEd Ex. 2.0, 33:680-688 and Donovan Dir., ComEd Ex. 7.0, 37:815 - 38:826.

As stated in ComEd's Response to Staff Data Request PR 3.01, ComEd's customer care costs are incurred in providing and making available customer care services for all its customers regardless of the source of supply service. Therefore, it is appropriate for ComEd to recover these costs from all its customers rather than from a subset of its customers or from Retail Electric Suppliers ("RESs") providing service to its delivery service customers.

This principle was recognized by the Commission Staff and the Commission in a prior proceeding that addressed this topic, ICC Docket No. 07-0531. In that proceeding, customer care costs were identified as common costs, and the Commission Staff was concerned that ComEd would attempt to recover common costs through the application of supply charges.

By allowing all actual supply administrative costs to be recovered through Rider PE, there is no incentive for ComEd to be conservative in incurring costs that can be related to the procurement of power and energy supply. There is an incentive for ComEd to classify common costs as costs attributable to procuring power supply. In addition, the tariff language describing costs that are recoverable through Rider PE is overly broad and ambiguous.

ICC Docket No. 07-0531, Staff of the Illinois Commerce Commission Response to Petition and Objections (Nov. 13, 2007) at 41.

From 2010 to 2013, while the percentage of residential customers taking supply from a RES has significantly increased due to municipal aggregation, so too have the customer care costs.

Case Year	Percentage of Customers with RES Supply	Customer Care Costs
2008	1%	\$138,582,450
2010	1.4%	\$176,231,365
2014	69%	\$203,407,637

With this current level of switching, customer care costs are likely sensitive to at least four main factors: RES supply pricing, customer driven usage, weather, (*see*, Donovan Dir., ComEd Ex. 7.0, 59:1295 - 60:1319) and the number of customers within the service territory (*see* ICC Docket No. 08-0532, ComEd Ex 2.1). Therefore, ComEd’s customer care costs are incurred in providing and making available customer care services for all its customers.

ComEd’s customer service representatives must be able to provide instructions to customers on how they can obtain information regarding alternative electric supply choices and address their questions regarding the electric supply they are receiving from RESs, in large part due to the consolidated bills ComEd must provide for certain customers. ComEd must also always stand ready to provide electric supply service for any or all customers. Moreover, ComEd has no control over the conditions under which customers may switch to or from ComEd for electric supply service.

ComEd is subject to providing electric supply service based upon individual customers’ elections, governmental authorities’ aggregation choices, and RESs’ business decisions (with respect to individual customers and/or overall activity in ComEd’s service territory). Thus, the types of services provided to customers have not changed with increased customer switching. Tracking and recording of data required to assign a portion of these costs either to customers taking supply service from ComEd, to a RES or to customers taking service from a RES, for example the number of conversations with customers with RES or ComEd supply or the subject matter of the conversations with customers regarding their supply would be complex and costly.

The following situation supports that customer care costs should be only assigned to the delivery function: assume that each high bill investigation performed by ComEd costs \$8 and assume that using allocators from the Allocation Study it is determined that \$2 of the cost of such investigations are “supply-related” and should be assigned based upon the supply choice of the customer. That supply choice may be RES supply under Rider PORCB or ComEd supply depending on the supply position of that customer. ComEd must still recover the same \$8 cost per investigation (plus any additional cost that may be needed to identify and record the complaining customer’s supplier). It is not practical to assign that \$2 in “supply-related” costs to only Rider PORCB RES-supplied customers or to only ComEd-supplied customers considering that high bill calls are generally attributable to kWh usage or RES supply pricing and it is not reasonable to make such an adjustment because allocators in the Allocation Study do not represent cost causation.

Furthermore, ComEd is not simply “lumping” 100% of its Customer Care Costs into its delivery services rates without rationale. The Switching Study examines and shows how customer care costs *actually* change, due to customers switching suppliers. The examination of the impact of switching enables the determination that customer care costs are inherently related to the provision of service to all customers and not to supply service. In contrast, the Allocation Study is predicated on an *assumption* that some customer care costs are attributable to delivery service and some are not, relying on the selection of allocation factors as the means of determining the extent to which they should be allocated to delivery service or supply service. The Switching Study thus highlights that **any** allocation factor employed to divide common customer care costs between delivery service and supply service, as is done in the Allocation Study, is inherently arbitrary. Donovan Dir., ComEd Ex. 7.0, 65:1408 - 1417.

ICC Docket No. 14-0312

**Commonwealth Edison Company's Response to
Illinois Commerce Commission ("STAFF") Data Requests
PR 3.01 – 3.07
Date Received: June 19, 2014
Date Served: July 7, 2014**

REQUEST NO. PR 3.05:

Does ComEd presently track which Customer Care Costs are attributable to its supply function and which are attributable to its delivery function? If the answer is no, please explain why not.

RESPONSE:

No. ComEd does not track whether customer care costs are related to supply or delivery service charges because customer care costs are incurred in providing and making available customer care services for all its customers. See ComEd Response to Staff Data Request PR 3.01.

For example, when customers call ComEd with a billing concern, they call because of the total bill amount and not just one part of the bill. ComEd does not have its agents make a subjective judgment about why the bill is high. ComEd understands that customers with concerns related to their total bill are primarily questions about usage (i.e. kWhs). ComEd fully supports customer choice, and therefore ComEd's agents are trained to not make a subjective judgment as to what portion of the bill the customer has a concern with, if any; consequently ComEd does not track whether calls are related to supply or delivery service charges (including charges for purchased receivables).

ComEd, however, does track the number of calls, questions, concerns, or complaints related to supplier diversity and/or choice. These calls are placed into a category known as "Customer Choice" and are pertaining to either ComEd or RES electric supply service. ComEd does not consider the costs related to these calls to be costs that should be recovered from a supply related charge because ComEd is required to answer these questions as a delivery services utility. The calls could range from customers expressing their questions and/or concerns over the marketing materials received by a retail electric supplier, requests to return to ComEd's bundled service, or general questions about choice. In 2013, ComEd's Call Center handled over 4.7 million calls of which approximately 27,000 were related to Customer Choice, or 0.56% percent.

ICC Docket No. 14-0312

**Commonwealth Edison Company's Response to
Illinois Commerce Commission ("STAFF") Data Requests**

PR 3.01 – 3.07

Date Received: June 19, 2014

Date Served: June 27, 2014

REQUEST NO. PR 3.07:

Referring to ComEd Ex. 10.01 (ECOSS) and ComEd Ex. 7.02 (Allocation Study), please answer the following:

- a) Did ComEd compare its allocation of its customer care costs to residential customers in its ECOSS with its total allocation of ComEd's customer care costs to residential customers in the Allocation Study?
- b) If the answer to (a) is yes, did the result show a difference in the total allocation? Please provide all work papers and analysis.
- c) If the answer to (a) is no, please explain in detail why not.
- d) Did ComEd compare the total allocation of ComEd's customer care costs to non-residential customers in its ECOSS with its total allocation of ComEd's customer care costs to non-residential customers in its Allocation Study?
- e) If the answer to (d) is yes, did the result show a difference in the total allocation? Please provide all work papers and analysis.
- f) If the answer to (d) is no, please explain in detail why not.
- g) Please provide references and all documents, work papers, and analysis that ComEd reviewed, generated, or relied upon in developing its answers to this data request.

RESPONSE:

ComEd objects to this request as vague and ambiguous in that the Allocation Study does not specifically allocate costs to residential or nonresidential customers. Furthermore, ComEd's ECOSS does not separate out the customer care costs identified in the Allocation Study nor does it include any identification of what supply choices residential or nonresidential customers have made. Without waiving these foregoing objections, or ComEd's General Objections, ComEd responds as follows:

- a) No.
- b) Not Applicable.

- c) The requested comparison is not able to be made because the Allocation Study does not specifically allocate costs to residential customers or nonresidential customers. Furthermore, ComEd's ECOSS does not separately identify customer care costs as they are identified in the Allocation Study, nor does it include any identification of the supply choices residential or nonresidential customers have made. For clarification, both the ECOSS and the Allocation Study do utilize costs from the following ComEd FERC Accounts:

580 - Operation Supervision and Engineering
587- Customer Installations Expenses
590- Maintenance Supervision and Engineering
901 – Supervision
902 – Meter Reading Expense
903 – Customer Records and Collection Expenses
908 - Customer Assistance Expenses

The majority of the costs identified as customer care costs in the Allocation Study are from FERC Accounts 901, 902 and 903. ComEd's ECOSS allocates the costs from FERC Accounts 901, 902, and 903 to the following sub-functions in Schedule 1a: (See ComEd Ex. 10.01, Schedule 1a, Page 10, Page 11, and Page 12, at Lines 151-153)

Metering Services
Indirect Uncollectibles
Billing –Comp. & Data Mang.
Bill Issue & Processing

The costs from Accounts 901, 902, and, 903, along with other costs assigned to these sub-functions, are then allocated to residential, nonresidential, and lighting delivery classes, as applicable, in Schedule 2a. (See ComEd Ex. 10.01, Schedule 2a, Page 1, Page 2 and Page 3 at Lines 16-19).

- d) No.
- e) Not Applicable.
- f) Please see ComEd's response to subpart (c), above.
- g) Please see ComEd's response to subpart (c), above.

REQUEST NO. PR 4.01:

In its direct testimony, ComEd indicated that it will increase the customer billing determinants associated with New Business plant in the ECOSS and rate design model in this proceeding, as directed by the Commission in the 2013 RDI Order, unless otherwise directed by the Commission, while still explaining why ComEd believes no such adjustment should be made in this case in order to preserve ComEd's position on appeal. (ComEd Ex. 2.0, pp. 46-48; ComEd Ex. 10.0, pp. 7-8; ComEd Ex. 10.03.) In light of ComEd witness Brinkman's rebuttal testimony regarding billing determinants (ComEd Ex 12.0, pp. 20-23), please clarify whether ComEd still intends to increase the customer billing determinants associated with New Business plant in the ECOSS and rate design model in this proceeding as directed by the Commission in the 2013 RDI Order. If ComEd's intention regarding customer billing determinants associated with New Business plant as presented in its rebuttal testimony has changed from that presented in its direct testimony, then please explain fully the change and the reasons for it.

RESPONSE:

As Mr. Leick testifies, ComEd's calculated delivery service charges do reflect increased customer billing determinants in the ECOSS and rate design model in accordance with Commission decisions to date. Please see Leick Dir., ComEd Ex. 10.0, 6:122-132, 7:154 - 8:169, and 12:245-248. ComEd does not challenge in this proceeding the past decisions of the Commission and the Appellate Court that the Commission has the legal authority to adjust the customer billing determinants where warranted by the evidence. Ms. Brinkman's testimony rather explains why, in ComEd's view, the Commission should not order ComEd to make that adjustment in this case as a factual matter. Please see Brinkman Dir., ComEd Ex. 2.0, 46:972 - 48:1006 and Brinkman Reb., ComEd Ex. 12.0, 20:396 - 23:466. ComEd has no intention of reversing the increase to the customer billing determinants already reflected in the ECOSS and rate design model in this proceeding unless the Commission or a reviewing court ultimately makes that decision.

ICC Docket No. 14-0312

**Commonwealth Edison Company's Response to
Illinois Commerce Commission ("STAFF") Data Requests**

PR 2.01 – 2.05

Date Received: June 12, 2014

Date Served: June 18, 2014

REQUEST NO. PR 2.04:

Please explain whether, in the Company's observation, do customers who receive supply service from a RES in effect end up paying for customer care services they do not receive, which in effect amounts to a cross subsidy from customers that receive supply service from a RES to ComEd's supply customers?

RESPONSE:

For clarity, customer care costs include costs ComEd incurs as described in Brinkman Dir., ComEd Ex. 2.0, 33:680-688 and Donovan Dir., ComEd Ex. 7.0, 37:815 - 38:826).

Specifically, as noted by Mr. Donovan, customer care costs refer to the expenditures ComEd incurs that pertain to nearly every aspect of customers' interactions with ComEd's Meter Reading, Field and Meter Services, AMI implementation, Billing, Revenue Management, Revenue Protection, Cash Processing, the Contact Center, and Customer Relations departments, as well as costs related to back office support of these functions, such as Support Services, IT, and Large Customer Solutions (LCS). These services primarily are the responsibility of Customer Operations. As explained by Ms. Brinkman, these services include activities related to maintaining customer information, billing and mail services, revenue management, credit and payment processing, field and meter services, call center activities responding to customer inquiries, and customer relations.

No, there is no subsidy pertaining to customer care costs paid by customers with electric supply provided by retail electric suppliers (RESs) for the benefit of customers with electric supply procured by ComEd. ComEd's customer care services are available to all its customers regardless of the customers' electric supply provider with one exception, which is described in the following paragraph.

Customers that receive electric supply from RESs and for which the RESs have elected to serve in accordance with Rider SBO – Single Bill Option (Rider SBO) do not receive bills for electric service from ComEd. Under the provisions of Rider SBO, the participating RESs elect to issue electric service bills that list the charges for ComEd's delivery service in addition to the RES provided supply service. However, ComEd continues to compute the applicable delivery service charges for these customers and provide that information to the RESs so that the delivery service bill information can be included on the customers' bills for electric service. Moreover, because ComEd does not mail bills to customers for which RESs have elected the single bill option, each such customer is provided with a monthly credit, which is currently equal to \$0.52 per bill. There are approximately 45,300 customers that are issued bills by RESs in accordance with the provisions of Rider SBO. All other customer care services are available to these customers.