

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY :
: Annual formula rate update and revenue : No. 15-0287
: requirement reconciliation under Section 16- :
: 108.5 of the Public Utilities Act :

Surrebuttal Testimony of

MICHAEL C. MOY

Director,
Asset Performance

Commonwealth Edison Company

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1 **I. INTRODUCTION**

2 **A. Identification of Witness**

3 **Q. What is your full name and business address?**

4 A. My name is Michael C. Moy. My business address is Two Lincoln Centre, 7th Floor,
5 Oakbrook Terrace, Illinois 60181.

6 **Q. Are you the same Michael C. Moy who has previously submitted direct and rebuttal
7 testimony on behalf of Commonwealth Edison Company (“ComEd”) in this Docket?**

8 A. Yes. My direct testimony is ComEd Exhibit (“Ex.”) 6.0 and my rebuttal testimony is
9 ComEd Ex. 10.0R.

10 **B. Purpose of Surrebuttal Testimony**

11 **Q. What is the purpose of your surrebuttal testimony?**

12 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of
13 Michael P. Gorman submitted on behalf of the Citizens Utility Board (“CUB”) and the
14 Illinois Industrial Energy Consumers (“IIEC”), which he collectively refers to as “CI”.

15 **II. RESPONSE TO CUB/IIEC WITNESS, MR. MICHAEL P. GORMAN**

16 **Q. Have you reviewed the rebuttal testimony of Mr. Gorman?**

17 A. Yes, in part. Specifically, I have reviewed Mr. Gorman’s rebuttal testimony on material
18 and supplies (“M&S”) (Gorman Reb., CUB/IIEC Ex. 2.0, 2:18-8:143).

19 **Q. CI Witness Mr. Gorman continues to propose to reduce ComEd’s adjusted
20 inventory of jurisdictional M&S in rate base from an adjusted \$52.7 million (\$69.2**

21 **million total before adjusting for accounts payable) to \$32.0 million (\$42 million**
22 **total before adjusting for accounts payable). Do you agree with this proposal?**

23 A. No. I do not agree with Mr. Gorman's proposal for the reasons explained in my rebuttal
24 testimony and as I further explain below.

25 Q. **Please summarize your rebuttal testimony.**

26 A. My rebuttal testimony provided additional information regarding three major inventory
27 groupings (NIC cards, wire and cable, and distribution automatic switches) that account
28 for the vast majority of the increases in the 2014 year-end M&S balance as compared to
29 the 2010 balance. *See* Moy Reb., ComEd Ex. 10.0R, 5:89-108. My rebuttal testimony
30 explained why Mr. Gorman's assertion that levels of growth in distribution plant,
31 maintenance and M&S inventory should generally be comparable is an
32 oversimplification. *See* Moy Reb., ComEd Ex. 10.0R, 3:52-59. My rebuttal testimony
33 also explained that, in my layman's opinion, Mr. Gorman's adjustment is not consistent
34 with provisions of the Energy Infrastructure Modernization Act ("EIMA"). *See* Moy
35 Reb., ComEd Ex. 10.0R, 3:60-4:74.

36 Q. **Please describe your understanding of Mr. Gorman's responses to your rebuttal**
37 **testimony regarding M&S.**

38 A. While I disagreed with Mr. Gorman's original premise that the year-end 2014 M&S
39 balance was inadequately supported, additional information was provided in ComEd's
40 rebuttal testimony addressing Mr. Gorman's concerns. Mr. Gorman disregards the
41 available information, fails to provide support for his continuing recommendation to
42 reduce ComEd's year-end M&S inventory balance to approximately \$42 million, and

43 fails to present any substantive testimony calling into question the prudence or
44 reasonableness of ComEd's year-end M&S balance. Mr. Gorman's only support for his
45 recommendation appears to be what he describes as "escalation rates in distribution plant
46 and maintenance expenses." Gorman Reb., CUB/IEEC Ex. 2.0, 8:137-139. As explained
47 in my rebuttal testimony, this is an oversimplification that ignores the factors that can
48 drive changes in the levels of M&S. Moy Reb., ComEd Ex. 10.0R, 3:49-59.

49 **Q. Mr. Gorman states that the specific increases cited in your rebuttal testimony do not**
50 **justify the increase in M&S inventory balance. Do you have any comment on this?**

51 A. Yes. My rebuttal testimony explained that the main driver of the increase in M&S
52 inventory level since 2010 is the type and volume of work ComEd is performing to
53 implement new investments in ComEd's distribution infrastructure as a result of EIMA
54 and other reliability programs, thereby requiring ComEd to stock additional items
55 historically used as well as items ComEd did not use prior to 2010. Moy Reb., ComEd
56 Ex. 10.0R, 4:75-80. Mr. Gorman fails to consider this explanation.

57 **Q. Mr. Gorman testifies that your rebuttal testimony only accounts for \$30 million of**
58 **the \$40 million increase in M&S since 2010. Do you have any comment on this?**

59 A. Yes. My rebuttal testimony presented three major inventory groupings that were the
60 primary contributors to the increase in M&S from 2010 to 2014. The \$10 million that
61 Mr. Gorman now focuses on represents increases in M&S in various other inventory
62 groupings presented in Table 1 below. As I explained in my rebuttal testimony,
63 investments in distribution infrastructure and technology changes require ComEd to stock
64 items historically used as well as new items ComEd did not use prior to 2010. Note that

65 a single change may require multiple new items to be stocked. For example, ComEd is
66 assessing over 30,000 manholes through EIMA and developed a new standard for a round
67 manhole cover that enhances safety and reliability compared to what has been used for
68 the past 100 years. These new covers are designed so that contractors and employees
69 cannot fall into the manhole opening potentially injuring themselves and other employees
70 or damaging equipment. This new standard alone requires multiple new items to be
71 stocked, for instance rectangular-to-round conversion frames, necks, collars, rings, and
72 ladders.

73

Table 1: Remaining Inventory Groupings

Inventory Grouping	Examples of New Items in Grouping	Total
BUILDING HARDWARE	Electronic locks and keys for improved substation security	\$ 11,615
CHEM/FUEL/GAS/LUBE/OIL/R	Polyurethane foam used for pole setting, bags of masonry mortar used for underground construction	\$ 39,472
DISTRIBUTION TRANSFORMER	Transformers	\$ 29,774
ELECTRICAL DISTRIBUTION	Vacuum reclosers, switchgear, capacitor banks, newly designed round manhole covers and conversion frames, manhole ladders	\$ 4,025,788
ELECTRICAL METERS/ ACCES	Locks, testers and fuse clips	\$ 3,564
ELECTRICAL MRO & LIGHTIN	Arc proofing tape, junction boxes, molded circuit breaker cases	\$ 88,902
FASTENERS	Stainless steel anchors, screws	\$ 72,478
JANITORIAL	Security door card tags, salt rock	\$ 18,591
OFFICE EQUIPMENT	Laser printer toner	\$ 479
PAINT/ ADHESIVE/ EPOXY/	Epoxy, sealing compound	\$ 7,384
PIPE, VALVES, & FITTINGS	Stainless steel pipe connectors	\$ 753
POLES - WOOD/FIBERGL/CON	Wood poles	\$ 464,594
SAFETY PRODUCTS	Various transformer spill containment bags, E-VAC filters used for occupying cable space, umbrella kits to help prevent dog bites	\$ 545,312
STEEL & PLASTIC CONDUIT	Polyethylene conduit, liquid tight conduit	\$ 20,647
STREET LIGHTING SUPPLIES	Security LED luminaries, Long life Photoelectric street light	\$ 20,214
SUBSTATION EQUIP & PARTS	Circuit breakers, voltage regulators, transformer bushings	\$ 3,378,991
RELAYS/ COMMUNICAT	Light-triggered thyristor, light emitter module, multi-function relays	\$ 1,078,737
TOOLS - HAND TOOLS	Insulation testers, 1000V insulated tools, wire watcher/patroller storm kits	\$ 92,575
TOOLS - POWER/PNEUMAT/HY	Hydraulic pumps and hoses, battery chargers	\$ 12,968
WELDING SUPPLIES	Nitrogen regulators, aluminum rods	\$ 3,534
Grand Total		\$ 9,916,372

74 Q. **Mr. Gorman states that increased usage of certain materials does not justify**
75 **ComEd's increase in M&S inventory balance. Do you have any comment on this?**

76 A. Mr. Gorman appears to conclude that the only justification for ComEd increasing its
77 M&S balances would be if the Company encountered difficulties in obtaining timely
78 shipments of needed supplies. As I stated in direct testimony, ComEd's equipment and
79 materials used in the installation of facilities are obtained using procedures developed by

80 the Exelon Business Services Company (“BSC”) Supply Department. Moy Dir., ComEd
81 Ex. 6.0, 15:297-299. In accordance with these procedures, ComEd purchases M&S
82 based on demand. ComEd orders supplies based on historical usage, manufacturer’s lead
83 time, and minimum order requirements. As I noted in my rebuttal testimony, having
84 M&S on hand is necessary to meet the installation schedule ComEd has committed to as
85 part of EIMA. Moy Reb., ComEd Ex. 10.0R, 5:107-108. Difficulties in obtaining
86 supplies could result in meaningful delays for ComEd’s investment programs as there are
87 items, such as transformers and cable, that require up to 16 weeks lead time to procure.
88 Delays in completing this work are ultimately to the detriment of ComEd’s customers
89 who benefit from the improved reliability resulting from these system investments.

90 **Q. Do you agree with Mr. Gorman’s assertion that levels of growth in distribution**
91 **plant and M&S inventory should generally be comparable (Gorman Reb.,**
92 **CUB/IEEC Ex. 2.0, 7:119-129)?**

93 **A.** No. Mr. Gorman’s assertion is incorrect. Table 1 in Mr. Gorman’s rebuttal testimony
94 (*see* CUB/IEEC Exhibit 2.0, 7:125-126) is overly simplistic for two main reasons. First,
95 distribution plant additions are not directly correlated to M&S. The distribution plant in
96 service includes many different types of costs, such as labor and labor related costs,
97 contracting, overtime, pensions and benefits, and taxes. Those cost components will vary
98 from year to year. Second, the year-end level presented in this proceeding represents the
99 amount of M&S on hand as of December 31, 2014 and, therefore, is only representative
100 of the M&S balance at that particular point in time.

101 **III. CONCLUSION**

102 **Q. Does this complete your surrebuttal testimony?**

103 **A. Yes.**