

REVISED REBUTTAL TESTIMONY

of

BURMA C. JONES

Accountant
Accounting 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. 15-0287

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1 **Witness Identification**

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

3 A. My name is Burma C. Jones. My business address is 527 East Capitol
4 Avenue, Springfield, Illinois 62701.

5

6 **Q. Are you the same Burma C. Jones who previously filed testimony in
7 this proceeding?**

8 A. Yes. My direct testimony was filed on June 30, 2015 as ICC Staff Exhibit
9 2.0.

10

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

12 A. The purpose of my rebuttal testimony is to express my understanding of,
13 and to respond to, ComEd's rebuttal position regarding the adjustments that
14 I proposed in my direct testimony.

15

16 **Schedule Identification**

17 **Q. Are you sponsoring any schedules as part of ICC Staff Exhibit 6.0R?**

18 A. Yes, I prepared the following schedules for the Company, which show data
19 as of, or for the year ending on, December 31, 2014:

20 **ADJUSTMENT SCHEDULES**

21 Schedule 6.01 Adjustment to Industry Association Dues

22 Schedule 6.02 Adjustment to Rate Case Expense

23 Schedule 6.03 Adjustment to Credit Card Expenditures

24

25 **Status of Proposed Adjustments**

26 **Q. Does the Company accept any adjustments proposed in your direct**
27 **testimony?**

28 A. Yes. ComEd partially accepts my adjustment to industry association dues.
29 ComEd accepts in total my adjustments regarding regulatory commission
30 expense, charitable contributions, and rate case expense.¹

31

32 **Q. Does the Company contest any adjustments proposed in your direct**
33 **testimony?**

34 A. Yes. ComEd contests part of my adjustment to industry association dues
35 and the total amount of my adjustments to credit card expenditures for
36 employee recognition expenses and to outside services.²

37

38 **Industry Association Dues**

39 **Q. Please describe Schedule 6.01, Adjustment to Industry Association**

¹ ComEd Ex. 9.07, lines 3, 5, 8, 11.

² ComEd Ex. 9.0, 2-3: 29-37, 48-54.

40 **Dues.**

41 A. Schedule 6.01 presents the balance of my proposed adjustment to disallow
42 industry association dues. The Company accepted 100% of my adjustment
43 for Will County Center for Economic Development and 50% of my
44 adjustments for the Illinois Environmental Regulatory Group (“IERG”) and
45 the Utility Solid Waste Activities Group (“USWAG”).³ The balance
46 represents the remaining 50% of my adjustments for IERG and USWAG
47 and 100% of my adjustment for the Executives’ Club of Chicago.

48

49 **Q. Do you agree with ComEd’s rationale for accepting only 50% of your**
50 **adjustment for IERG and USWAG dues?**

51 A. No, I do not. According to ComEd, these organizations provide information
52 and services beyond regulatory advocacy and 50% is a generous estimate
53 for the amount of regulatory advocacy performed, noting that “a range of
54 20% to 35% of non-deductible regulatory advocacy costs is typically noted
55 on invoices for associations such as these.”⁴ The Company errs in making
56 such a comparison. Regulatory advocacy is not an ancillary function for
57 these two organizations as it is for organizations such as the Edison Electric

³ ComEd Ex. 9.0, 19:384-397.

⁴ Id. at 20-21: 426-429.

58 Institute or the Illinois Chamber of Commerce, which identify the percent of
59 their dues attributable to influencing legislation. Regulatory advocacy is the
60 primary, not subordinate, function of the IERG and USWAG, as set forth in
61 the mission statement for each organization,⁵ and the Public Utilities Act
62 expressly prohibits including any amount expended for political activity or
63 lobbying in the determination of rates.⁶ The information and other services
64 the Company indicates it receives appear to be simply by-products of the
65 organizations' primary function and there is no basis for allocating a
66 percentage of the dues to be recovered from ratepayers.

67

68 **Q. What is your response regarding ComEd's rejection of your proposed**
69 **adjustment to disallow the membership fees for the Executives' Club?**

70 A. Company witness Chad Newhouse erroneously points to my description of
71 club membership as "exclusive" as the reason for my proposed adjustment.⁷
72 He fails to respond to the reason for my proposed adjustment, which is that
73 any benefit that may result from such a membership accrues to the
74 Company's shareholders and not to ratepayers.⁸ Further, the response to

⁵ ICC Staff Ex. 2.0R, 5-6: 87-96, 101-104.

⁶ 220 ILCS 5/9-224.

⁷ ComEd Ex. 9.0, 21: 436-437.

⁸ ICC Staff Ex. 2.0R, 4:72-73.

75 Staff data request BCJ-12.05 seeking explanation of the benefits customers
76 receive from the Company's membership in the Executives' Club was
77 simply a reiteration of Mr. Newhouse's rebuttal testimony describing the
78 benefits of the membership to ComEd executives, which can be
79 summarized as opportunities for ComEd's leaders to connect/network with
80 other leaders of industry in and around Chicago. If ComEd's executives are
81 the only ones to benefit from this club membership, then it is neither just nor
82 reasonable to recover the cost of the membership from ComEd's
83 customers, and the membership dues should be removed from the revenue
84 requirement.

85

86 **Rate Case Expense**

87 **Q. Please describe Schedule 6.02, Adjustment to Rate Case Expense.**

88 A. Schedule 6.02 presents the balance of my proposed adjustment to rate
89 case expense that the Company did not reflect in its rebuttal testimony.
90 Although the Company does not contest my proposed adjustment,⁹ the
91 amount reflected in its rebuttal revenue requirement is incorrect. It appears
92 that ComEd inadvertently applied the Wages and Salaries allocation factor
93 to my proposed adjustment. Rate case expense is reflected in the revenue

⁹ ComEd Ex. 8.0, 31:666-667.

94 requirement at 100% and my rate case expense adjustment should be, as
95 well.

96

97 **Credit Card Expenditures**

98 **Q. Please describe Schedule 6.03, Adjustment to Credit Card**
99 **Expenditures.**

100 A. Schedule 6.03 is the same as Schedule 2.03 filed with my direct testimony,
101 except that I have removed transmission-related costs that should not be
102 considered for disallowance in the instant proceeding because
103 transmission-related costs are not included in the Company's revenue
104 requirement.

105

106 **Q. What is your understanding of the Company's position regarding your**
107 **proposed adjustment to disallow recovery of credit card expenditures**
108 **for employee recognition expenses?**

109 A. It is my understanding that the Company believes the credit card
110 expenditures for employee recognition expenses are prudently and
111 reasonably incurred, and should not be disallowed because the expenses

112 are necessary to motivate employees to perform their day-to-day work at
113 higher standards in order to provide customers with a premier experience.¹⁰

114

115 **Q. Do you agree with the Company's position?**

116 A. No. In a competitive environment, it might be necessary to provide
117 customers with a premier experience to keep their business. While I am not
118 an attorney, it is my understanding that ComEd does not operate in a
119 competitive environment and its customers are not required under the law
120 to receive a premier experience; customers need to receive adequate,
121 efficient, reliable, environmentally safe, and least-cost service based on
122 prudent and reasonable costs necessary to provide such service. Captive
123 delivery service customers, who pay through rates for employees' base pay,
124 incentive compensation, and other benefits, should not be required to pay
125 again to motivate those same employees to provide customers with a
126 premier experience; i.e., those costs are neither prudent nor reasonable.

127

128 **Q. Is it your position that ComEd should not recognize its employees'**
129 **accomplishments?**

¹⁰ ComEd Ex. 9.0, 18:364-372.

130 A. No. It is my position that, if the Company chooses to recognize employee
131 accomplishments, those employee recognition expenses should be the
132 responsibility of utility shareholders.

133

134 **Outside Services**

135 **Q. What is your understanding of the Company's position regarding your**
136 **proposed adjustment to disallow expenditures to an event-**
137 **management company to give away ice cream cones and cookies in**
138 **communities where smart meters were being installed**
139 **(#SmartMeetsSweet initiative)?**

140 A. ComEd rejects my proposed adjustment. The Company maintains that the
141 expenditures related to the #SmartMeetsSweet initiative were for the
142 purpose of bringing information related to AMI meters and their deployment
143 to customers and were prudently incurred and reasonable in amount.¹¹

144

145 **Q. What is your response?**

146 A. I do not dispute that some dissemination of information occurred, but I stand
147 by my position that the strategy seems primarily designed to enhance the
148 Company's image in the communities ComEd serves. The Company spent

¹¹ Id. at 16:327-329, 340-341.

149 over \$500,000 for an initiative that resulted in approximately 36,000 direct
150 customer interactions.¹² If each of those customers represents one distinct
151 meter installation, only 6.66% of the customers who had meters installed in
152 2014 were contacted by the #SmartMeetsSweet initiative.¹³

153

154 **Q. Can you describe how the money for the #SmartMeetsSweet initiative**
155 **was spent?**

156 A. An analysis of information provided by ComEd shows that less than 5% of
157 the more than \$500,000 that was spent on the #SmartMeetsSweet initiative
158 was for documentation and educational materials provided to customers
159 who were engaged through the event. Management fees, vehicles, and
160 staffing account for 84% of the expenditures. The remaining 11% of
161 expenditures was spent on insurance costs, site fees and permits, time and
162 labor costs for creating the concept of the social media campaign, and time
163 and labor costs for designing the truck wrap to identify the vehicles to
164 customers.¹⁴

165

¹² Id. at 16:323-330.

¹³ 540,744 AMI meters were deployed in 2014, per ComEd Ex. 4.03. $540,744/36,000=6.66\%$

¹⁴ ComEd Responses to Staff Data Requests BCJ-12.02 and BCJ-12.03.

166 **Q. Do you agree with the Company that the expenditures for the**
167 **#SmartMeetsSweet initiative were prudently incurred and reasonable**
168 **in amount to engage customers?**

169 A. No. Considering how few customers were contacted relative to the total
170 number of customers who received new AMI meters in 2014 and how little
171 of the total amount spent on the initiative was for educational materials, I do
172 not consider the expenditures to be prudently incurred and reasonable in
173 amount to engage customers.

174

175 **Q. Do you think that the expenditures for the #SmartMeetsSweet initiative**
176 **were incorrectly classified, as alluded to in Mr. Newhouse's**
177 **testimony?**

178 A. No. Mr. Newhouse mischaracterizes my testimony, wherein I point out that
179 ComEd recorded the "SmartMeetsSweet" expenditures as marketing
180 expense instead of customer service and informational expense. I think
181 recording the expenditures as marketing expense is appropriate, since this
182 initiative is designed primarily to improve the image of the utility (i.e., the
183 Company is marketing itself), and the Company should not be allowed to
184 recover the expense from ratepayers.

185

186 **Conclusion**

187 **Q. Does this question end your prepared rebuttal testimony?**

188 **A. Yes.**