PUBLIC

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY	)	
	)	Docket No. 01-0423
Petition for approval of delivery services tariffs and	)	
tariff revisions and residential delivery services	)	
implementation plan, and for approval of certain	)	
other amendments and additions to its rates, terms,	)	
and conditions	)	

Revised Rebuttal Testimony of

JOHN T. LONG

Vice President and Chief Technical Officer
Midwest Generation, LLC

October 16, 2001

Midwest Ex. 3.0

I. Introduction and Summary

Q. Please state your name and business address.

A. My name is John T. Long.

Q. Have you previously testified in this Docket?

A. Yes. I submitted direct testimony on behalf of Midwest Generation, LLC ("Midwest").

Q. What is the purpose of your rebuttal testimony in this proceeding?

A. The purpose of my rebuttal testimony is to address the rebuttal testimony of Commonwealth Edison Company ("ComEd") witnesses Sally T. Clair and Paul R. Crumrine (ComEd Ex. 31.0), Steven T. Naumann (ComEd Ex. 35.0), and Michael F. Born (ComEd Ex. 37.0), including further describing the manner in which Midwest takes auxiliary power at its generating stations. I also am providing an overview of the rebuttal testimonies of Midwest witnesses Dr. Phillip W. McLeod (Midwest Ex. 4.0) and Dr. George R. Schink (Midwest Ex. 5.0).

Q. Please summarize the deficiencies in ComEd's rebuttal testimony.

A. ComEd's rebuttal testimony does not directly address Midwest's testimony in this proceeding. ComEd's response also is marred by generalities and incorrect characterizations of Midwest's positions in this case, including Midwest's proposal, described by Dr. McLeod, for a "production credit" to reflect the distribution facilities that generators do not use. In short, it cannot be denied that Midwest and other generators use energy in a manner that is fundamentally different from other end-use

customers. Unlike other customers, generators in many cases take auxiliary power back-flowed over transmission lines whose primary function is to take power out of the generating plants. In such unique circumstances, generators impose no costs on ComEd's distribution system, yet under ComEd's proposed delivery service tariffs, they are required to pay for distribution facilities they do not use. This is the essence of Midwest's testimony, and ComEd fails to respond.

Q. Are there any inconsistencies between ComEd's rebuttal testimony and ComEd's own positions in this proceeding?

A. Yes. Midwest's proposal is similar in nature to ComEd's proposed High Voltage Delivery Service ("HVDS") Rider, which allows high-voltage customers to receive a credit for distribution facilities which they do not use. Midwest's proposal shares the same essential concept. ComEd's rebuttal testimony, however, does not attempt to reconcile its sponsorship of Rider HVDS with its opposition to Midwest's proposal for a production credit. In my opinion, it would be difficult, if not impossible, for ComEd to do so.

Q. Please describe the testimony of each of Midwest's rebuttal witnesses:

A. In addition to my rebuttal testimony, Midwest is submitting the rebuttal testimony of the following witnesses:

- Dr. Phillip W. McLeod (Midwest Ex. 4.0), principal with LECG, LLC, responds to the rebuttal testimonies of ComEd witnesses Ms. Clair and Mr. Crumrine (ComEd Ex. 31.0), Mr. Naumann (ComEd Ex. 35.0), and Mr. Born (ComEd Ex. 37.0) and further testifies that the Commission should adopt a production credit in this proceeding so that generators are not required to pay for distribution facilities which they do not use.

- Dr. George Schink (Midwest Ex. 5.0), director of LECG, LLC, supports the testimony of Dr. McLeod and responds to the rebuttal testimonies of ComEd witnesses Ms. Clair and Mr. Crumrine (ComEd Ex. 31.0) and Mr. Naumann (ComEd Ex. 35.0). Dr. Schink testifies that it is in the public interest to establish cost-based pro-competitive delivery service charges, which do not place any merchant generator at a competitive disadvantage, and that Midwest's proposed production credit will not result in unfair cost-shifting. He proposes a "production adder" designed to recover the marginal cost of any incidental distribution facilities which generators may use. Finally, Dr. Schink supports ComEd's use of a marginal ratemaking approach to determining its delivery service tariffs.

II. Specifics as to How Midwest Takes Auxiliary Power and Energy

Q. Does ComEd accurately describe Midwest's limited use of the distribution system and its proposal for a production credit?

A. No. In this respect, ComEd's testimony is misleading and incomplete. (*See, e.g.*, Clair and Crumrine Reb., pp. 28-32; Naumann Reb., ComEd Ex. 35.0, pp. 11-20; Born Reb., ComEd Ex. 37.0, p. 8)

Q. What is lacking in ComEd's rebuttal testimony?

A. Chiefly, clarity. I believe that the lack of clarity in ComEd's response reflects the fact that ComEd cannot deny that Midwest imposes little or no costs on the distribution system. As shown in the diagrams submitted with Dr. McLeod's direct testimony (McLeod Dir., Midwest Ex. 2.1P), Midwest's plants are connected to ComEd's transmission and distribution system in numerous ways. The connections range from 4 kV to 765 kV. I would like to describe the service connections at each of the stations, so that Midwest is on record with specifics rather than ComEd's generalities.

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Q. What do you conclude based on your description of the service connections at Midwest's generating stations?

A. All the 765 kV and 345 kV service connections described above and virtually all the 138 kV service connections (with the exception of the 138 kV connections at Collins and Powerton) are sized strictly for generation output and any backflow of auxiliary power to Midwest at these service points imposes no distribution costs on ComEd.[1] ComEd, however, has imposed on Midwest full Retail Customer Delivery Service ("RCDS") tariff Distribution Facilities Charges on all auxiliary kilowatt-hours through these service connections. It is Midwest's position that auxiliary power delivered at these service points should receive the production credit described by Dr. McLeod. (*See* McLeod Reb., Midwest Ex. 4.0)

Q. Can you draw further conclusions based on your description of the service connections at Midwest's generating stations?

A. Yes. In some cases described above, ComEd owns the 34 kV and 12 kV step-up/step-down transformers that connect Midwest's peaker generators to ComEd's transmission system. These are functionalized as distribution. The primary function of these facilities is to permit ComEd to supply power to other local distribution customers. Midwest's primary use of the facilities, however, is to supply power to ComEd's transmission system. Therefore, it is Midwest's position that auxiliary power delivered at these service points, which are connected directly to ComEd's transmission system and whose primary use is associated with the supply of power,

[1] Because Midwest already pays a separate transmission services charge for such usage, Midwest compensates ComEd for any possible congestion effects when such auxiliary usage occurs. (*cf.* Naumann Reb., ComEd Ex. 35.0, p. 17)

should receive the production credit described by Dr. McLeod. (*See* McLeod Reb., Midwest Ex. 4.0)

In the alternative, if the Commission concludes that Midwest should be required to pay Distribution Facilities Charges in these limited circumstances involving the incidental use of certain distribution equipment, if any, which primarily functions to supply power to ComEd's transmission system, then the Commission should adopt the "production adder" proposed by Dr. Schink (*see* Schink Reb., Midwest Ex. 5.0, pp. 9-10), which would allow ComEd to recover the marginal cost of such incidental distribution facilities.

Q. Can you draw any further conclusions from your description of Midwest?

A. Yes. Because of the on-site, or adjacent to the site, transmission facilities for generation output, the 34 kV and 12 kV service connected to these facilities qualify for the HVDS credit. Also included in the service connections described above are some 34 kV, 12 kV and 4 kV connections directly to ComEd's distribution system. Midwest has not disputed that Distribution Facilities Charges apply to service at these connections.

III. Clair and Crumrine Panel Rebuttal Testimony

Q. Please respond to ComEd witnesses Ms. Clair and Mr. Crumrine's rebuttal testimony attempting to characterize Midwest's proposal as "typical" in a rate case. (Clair and Crumrine Reb., ComEd Ex. 31.0, p. 29)

A. This statement is not credible given Midwest's and other merchant generators' factually unique circumstances as customers who impose no costs on ComEd's

distribution system. It appears to be an attempt to shift the Commission's focus away from Midwest's proposal without addressing its merits.

IV. Naumann Rebuttal Testimony

Q. Mr. Naumann testifies that "generating stations use electricity just like other end users." (Naumann Reb., ComEd Ex. 35.0, p. 11) Do you agree?

A. To the extent that Mr. Naumann is saying that Midwest's lighting, HVAC, and other end uses, run on electricity, I obviously agree. However, the manner in which ComEd delivers electric power and energy to Midwest and other generators is patently different than the manner in which it delivers power and energy to other non-generator end users. Other non-generator end users do not generate electricity. Other non-generator end users do not supply ComEd's system with electricity. Other non-generator end users are not served over facilities that would exist whether or not the customer used electricity for lighting, HVAC, etc. For Mr. Naumann to claim that Midwest is just like other end users is contrary to the facts.

Q. Are there other flaws in Mr. Naumann's testimony concerning generators' use of electric power and energy?

A. Yes. Mr. Naumann does not distinguish between ComEd's transmission and distribution systems. (*See* Naumann Reb., ComEd Ex. 35.0, p. 11) As I have previously have described, Midwest's use of auxiliary power does not place a load on ComEd's distribution system, except under isolated circumstances. Mr. Naumann, however, lumps transmission and distribution together in his testimony. He is not specific when he discusses the loads that Midwest places on ComEd's systems. As I

stated above, if Mr. Naumann were to try to be more specific, his testimony would conflict with ComEd's support for Rider HVDS, which shares the same theoretical underpinning as Midwest's proposal for a production credit.

Q. Does Mr. Naumann acknowledge that, where a generator's auxiliary power does not flow over the interconnected network, no delivery service charges may apply? (*See* Naumann Reb., ComEd Ex. 35.0, p. 13)

A. Yes.

Q. Please comment on Mr. Naumann's further testimony that in many cases, "what may appear to be 'on-site self supply' may actually require the use of retail transmission and/or delivery service if the power from the operating generating unit can only reach the station load by flowing over the utility's facilities." (Naumann Reb., ComEd Ex. 35.0, p. 14)

A. To a great extent, Mr. Naumann's testimony illustrates just how different a generator is than another non-generator end-use customer. The "on-site self supply" issue is a good example of this fact. Mr. Naumann basically testifies that even though a generator is operating, i.e., *producing power and energy*, the auxiliary power needs of that generator could be delivered over ComEd's distribution system. Mr. Naumann does not give specifics regarding such a situation, however.

Q. Mr. Naumann admits that in some instances, the types of interconnection a generator has can create "*disadvantages*" for the generator. (Naumann Reb., ComEd Ex. 35.0, p. 14) (*emphasis added*) Please comment on this statement.

A. I believe that Mr. Naumann's admission is noteworthy. His refusal to consider a solution is unfortunate. He is correct in that Midwest is competitively disadvantaged in the way it is currently charged for delivery service. As I state above, Midwest is saddled with exorbitant Distribution Facilities Charges that simply do not correspond with the costs that it imposes on ComEd's distribution system. His adoption of a *caveat emptor* approach to dealing with this problem as it applies to Midwest has no place in this docket, however. This is not a breach of contract case between ComEd and Midwest. It is a rate case. Rate design goes beyond Midwest and ComEd and involves the citizens of the State of Illinois. As Dr. Schink testifies, it is in the public interest for the Commission to correct these disadvantages to the extent that they are brought on by ComEd's unfair and unreasonable Distribution Facilities Charges. (*See* Schink Reb., Midwest Ex. 5.0) This interest is especially acute where the disadvantage is caused by an unfair and unreasonable imposition of Distribution Facilities Charges that bear no relation to the costs that Midwest causes. Moreover, if ComEd is sincere in its claims about encouraging the development of competitive generation in Illinois, ComEd should seek to eliminate, not perpetuate, such competitive disadvantages.

Q. Mr. Naumann states that new generators may choose configurations similar to Midwest. (Naumann Reb., ComEd. Ex. 35.0, p. 14) Do you agree?

A. The answer to that question depends on many circumstances. For example, a small peaker plant with few auxiliary power needs may not be willing to invest in a step-down transformer or other such facilities to avoid paying Distribution Facilities Charges. Such a generator may find it more economical to take auxiliary power off a

low-voltage distribution line. On the other hand, it is highly unlikely that an entity building a large baseload or intermediate load plant, such as those operated by Midwest, with substantial auxiliary power needs, would ever choose to incur enormous Distribution Facilities Charges to obtain auxiliary power—especially if the only distribution equipment involved, if any, is an obscure and immaterial piece of distribution equipment. To imply otherwise, as Mr. Naumann does, is misleading.

Q. Mr. Naumann states that Midwest is "subject to ComEd's retail service tariffs, including RCDS, regardless of the voltage at which they take service and regardless of how the element to which they are connected is functionalized." (Naumann Reb., ComEd Ex. 35.0, p. 15) Please comment.

A. Mr. Naumann's statement is carefully crafted to miss the point entirely. For some portion of its auxiliary power usage, Midwest may be and may remain a delivery service customer. Midwest does not dispute its payment of meter and customer charges under Rate RCDS. Nonetheless, it is well within the Commission's wide discretion in this proceeding to ensure that ComEd's imposition of Distribution Facilities Charges on Midwest and other generators is reasonable and consistent with the Commission's long-standing cost causation principles. Just as the Commission has the discretion to accept ComEd's proposed Rider HVDS, which I believe is a sound proposal, the Commission also has the discretion to accept Midwest's proposal for a production credit. There is little difference.

V. Born Rebuttal Testimony

Q. Mr. Born states that, with two exceptions, the transformers that connect Midwest's peaking units directly to the transmission system are functionalized as production. (Born Reb., ComEd. Ex. 37.0, p. 8) Please comment.

A. Mr. Born's testimony supports Midwest's proposal for a production credit. ComEd should not be allowed to collect Distribution Facilities Charges for facilities that are properly functionalized as production.

Q. Mr. Born states that at Midwest's Waukegan, Will County, Joliet, Crawford and Fisk stations, auxiliary power is supplied to Midwest at 12.5 kV and/or 34 kV and the transformers used to step-down the voltage and associated breakers are functionalized as distribution. (Born Reb., ComEd. Ex. 37.0, p. 8) Please comment.

A. Both Dr. McLeod (McLeod Dir., Midwest Ex. 2.0, p. 12, n. 6) and myself (Long Dir., Midwest Ex. 1.0, p. 6, and Ex. 1.1) clearly testify that at Waukegan, Will County, Joliet, Crawford, and Fisk, Midwest takes auxiliary power at low voltage from the distribution system, and, accordingly, Midwest does not object to paying applicable delivery service costs. Mr. Born's discussion of these stations is of no consequence to this proceeding. Other than to confuse the issues, I do not understand why Mr. Born includes this discussion in his testimony.

Q. Mr. Born states that "facilities serving [Midwest] pumping facilities" are functionalized as distribution, even where such facilities operate at high voltages. (Born Reb., ComEd Ex. 37.0, p. 8) Please comment.

A. The reference is to Midwest's Collins pumping facilities. Midwest does not dispute that the specified 138 kV service point, which serves the pumping facilities, is subject to Rate RCDS Distribution Facilities Charges and the proposed Rider HVDS.

Q. Does Mr. Born testify with respect to Midwest's other generating stations?

A. No. This is significant, because I believe that ComEd cannot dispute that where Midwest takes auxiliary power over high-voltages, the power is being backflowed over the same facilities that Midwest utilizes to flow power into the system. As I stated in my direct testimony, it is Midwest's position that the occasional backflow of auxiliary power over these oversized transmission lines does not impose any cost on ComEd's distribution system.

Q. Does this complete your rebuttal testimony?

A. Yes.