

Makholm  
Cross ex 28

**ICC Docket No. 01-0423**  
**Response of Commonwealth Edison Company**  
**To Staff's Data Request PCL-10 through PCL-16**  
**To Commonwealth Edison Company**  
**Dated September 26, 2001**

**PCL-15** Please answer the following concerning the statement on page 7 of Dr. Makholm's rebuttal testimony that:

Mr. Lazare's implication that historical embedded costs in the provision of regulated services are a signal of competitiveness in unregulated markets is ridiculous.

- a) Does Dr. Makholm consider either the market for billing services or metering services to be unregulated?
- b) If the answer to part a is yes, please provide all evidence relied on for his response.
- c) Please provide a reference where Mr. Lazare discusses unregulated markets in his direct testimony.

**RESPONSE:** a) It is unregulated in relevant part. It is unregulated in the sense that new entrants are not barred from providing service to customers if their prices are competitive. Moreover, new entrants into the metering and billing business are not subject to price regulation as regulated utilities. Existing utilities can also provide these services in other territories, at prices set by the marketplace. ComEd, in contrast, provides unbundled billing and metering services within its service territory on a regulated basis. Thus, metering and billing regulation is asymmetric, with ComEd subject to significant regulation (including regulation of the prices it can charge for these services), while the balance of the market is not price regulated.

- b) In preparing this response, I reviewed Illinois' Public Utilities Act and the ICC's certification rules for MSPs (83 Ill. Admin. Code 460), both of which are available on the ICC's website.
- c) He says "[e]mbedded costs provide the best measure of a utility's ability to compete with alternative providers." (lines 180-181) This statement, while untrue in and of itself, discusses "a utility's" competition in unregulated markets.

He also says "...the utilities that have been beset by high costs may have the most difficulty becoming competitive in the future." (lines 204-205) This statement, also untrue in and of itself, discusses a utility's prospects for success in unregulated markets.

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Witness \_\_\_\_\_  
Date 11/5/01 Reporter \_\_\_\_\_  
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