

ILLINOIS COMMERCE COMMISSION
DOCKET NO. 01-0423

COMMONWEALTH EDISON COMPANY

PETITION FOR APPROVAL OF
DELIVERY SERVICES TARIFFS AND TARIFF REVISIONS
AND OF RESIDENTIAL DELIVERY SERVICES
IMPLEMENTATION PLAN AND FOR APPROVAL OF
CERTAIN OTHER AMENDMENTS AND
ADDITIONS TO ITS RATES, TERMS, AND CONDITIONS

**Rebuttal Testimony of
David A. Schlissel**

**On behalf of
The People of the State of Illinois
The City of Chicago
The Citizens Utility Board and
The Cook County State's Attorney's Office**

October 16, 2001

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

2 A. My name is David A. Schlissel. I am a Senior Consultant at Synapse Energy
3 Economics, Inc., 22 Pearl Street, Cambridge, MA 02139.

4 **Q. On whose behalf are you testifying in this case?**

5 A. I am testifying on behalf of the People of the State of Illinois, by and through
6 James E. Ryan, Illinois Attorney General (“the People”), the City of Chicago
7 (“the City”), the Citizens Utility Board (“CUB”), and the Cook County State's
8 Attorney's Office (“CCSAO”).

9 **Q. Have you previously filed testimony in this proceeding?**

10 A. Yes. I filed Direct Testimony on August 23, 2001 and Supplemental Testimony
11 on September 14, 2001.

12 **Q. What is the purpose of this Rebuttal Testimony?**

13 A. This Rebuttal Testimony responds to the rebuttal testimony filed by ComEd
14 witnesses Juracek, DeCampli, Voltz, and Hill.

15 **Q. Please comment on the claim by ComEd rebuttal witnesses DeCampli,
16 Juracek and Voltz, that it was not appropriate for you to rely on the results
17 of the Vantage Consulting, Liberty Consulting Group, ComEd, and EPRI
18 investigative reports.¹**

19 A. It was entirely appropriate for me to rely on the investigative reports that I cited in
20 my Direct and Supplemental Testimony. These reports presented the results of
21 in-depth reviews by personnel experienced in the design, operation, maintenance,
22 funding, and management of electric distribution systems. They were
23 commissioned by parties who did not have interests adverse to ComEd and,

¹ ComEd Ex. 20.0, at page 38, lines 884-890, ComEd Ex. 26.0, at page 2, line 57, to page 3, line 70, ComEd Ex. 39.0, at page 3, line 63, to page 4, line 72, and ComEd Ex. 40.0, at page 1, line 18 through page 2, line 24.

1 therefore, there is no basis for ComEd to even suggest that the findings and
2 conclusions were in any way exaggerated or biased against the Company.

3 **Q. What were the purposes of each of the main investigative reports that you**
4 **cited in your Direct and Supplemental Testimony?**

5 A. The investigation by Vantage Consulting, Inc., was commissioned by the ICC to
6 examine certain specific outages that occurred in ComEd's distribution system
7 during the July 30, 1999 to August 13, 1999 period.² The basis for Vantage's
8 work plan was a Request for Proposal prepared by the ICC. This RFP provided
9 direction as to the scope and specifics of the investigation.

10 The fundamental focus of the investigation by the Liberty Consulting Group for
11 the ICC was to review ComEd's transmission and distribution system and (1)
12 describe and evaluate ComEd's transmission, distribution, and related
13 management systems as they existed during the summer of 1999, (2) provide a
14 statement of electric utility practices that should result in adequate and reliable
15 performance in those systems, and (3) report those areas in which ComEd's
16 systems and practice fell short of those good practices and specify the actions
17 needed to move ComEd to the higher standard.³ Liberty was instructed by the
18 Commission Staff to not be concerned with the initiatives undertaken by ComEd
19 following the outages of July and August 1999. Instead, Liberty was to focus on
20 ComEd's T&D systems and practices as they existed, and as they should have
21 existed, as of the first half of 1999.⁴

22 The goals stated by the ICC for Liberty's investigation were to evaluate ComEd's:

23 1. planning, procedures and practices used to mitigate any deficient system
24 performance

² *Stage I Investigation of Commonwealth Edison System Outages for the Period of July 30, 1999 to August 13, 1999*, Vantage Consulting, Inc., December 1999, at Section I, page 1

³ *Investigation of Commonwealth Edison's Transmission and Distribution System, Final Report*, Liberty Consulting Group, December 2000, at pages 1 and 2.

⁴ *Investigation of Commonwealth Edison's Transmission and Distribution System, Final Report*, Liberty Consulting Group, December 2000, at page 2.

- 1 2. planning for and execution of emergency response and system restoration
2 efforts
- 3 3. internal and external communications related to outages and service
4 restoration
- 5 4. inspection, maintenance, replacement, and upgrading of equipment and
6 overall transmission and distribution system
- 7 5. system performance compared to other major metropolitan service
8 territories, detailing significant differences and similarities in system
9 operation, planning and design
- 10 6. organizational and management structure and the adequacy of
11 performance measures used to evaluate personnel and system reliability.⁵

12 ComEd released its Blueprint for Change and related Transmission and
13 Distribution Investigation Report on September 15, 1999. These documents
14 reported the results of the Company's extensive investigation into the outages of
15 July and August 1999 and the integrity of the entire system.⁶

16 Finally, the EPRI investigative report summarized the results of ComEd's
17 Blueprint for Change and related Transmission and Distribution Investigation
18 Report and drew upon the observations of the 23 EPRI technical experts who
19 assisted the ComEd investigation.⁷ The purpose of the EPRI report was to publish
20 lessons learned at ComEd that can be applied to other organizations.

21 **Q. Please comment on the claim by ComEd rebuttal witnesses Juracek and**
22 **DeCampli that you did not independently investigate or verify the underlying**
23 **facts in each of the investigative reports you cited in your Direct and**
24 **Supplemental Testimony.⁸**

25 A. The Company's rebuttal witnesses are simply wrong, because I did verify the
26 findings and conclusions in these investigative reports by examining reports
27 prepared by four separate and independent parties -- the Vantage and Liberty

⁵ *Investigation of Commonwealth Edison's Transmission and Distribution System, Final Report*,
Liberty Consulting Group, December 2000, at page 3.

⁶ *A Blueprint for Change*, September 15, 1999, at page 1.

⁷ Attachment B to the Supplemental Testimony of David A. Schlissel, at page 2.

⁸ ComEd Ex. 20.0, at page 38, lines 886-888 and ComEd Ex. 26.0, at page 3, lines 71 through 78.

1 reports commissioned by the ICC, the Company-produced own Blueprint for
2 Change and Transmission and Distribution Investigation Report, and the EPRI
3 report. The findings from each of these independent investigations that I cited in
4 my Direct and Supplemental Testimony all reached conclusions that were
5 mutually supportive and confirming.

6 In addition, we asked the Company to provide contemporaneous documents from
7 as far back as the early 1990s in order to independently assess the validity of the
8 findings in these investigative reports. Although many of the documents that
9 ComEd provided to us were received in a completely chaotic state, i.e., pages
10 were in no clear order, these contemporaneous documents did confirm key
11 findings from the Liberty and ComEd investigative reports.

12 **Q. Please comment on the claim by ComEd rebuttal witnesses that the**
13 **investigative reports on which you have relied were based on a hindsight**
14 **standard of what the authors believed could have been done differently given**
15 **what the author knew at the time the report was written.⁹**

16 A. The Company confuses an after-the-fact report and a report written based on
17 hindsight.

18 It is only possible to assess the causes of events or adverse circumstances after
19 those events or circumstances have occurred. This does not mean that all of the
20 findings in such after-the-fact assessments are tainted by hindsight.

21 Moreover, the Company's rebuttal witnesses have provided absolutely no
22 evidence that the key findings from the Vantage, Liberty, ComEd, and EPRI
23 reports that I have cited in my Direct and Supplemental Testimony were based on
24 the use of hindsight. The Company is simply raising hindsight as a red-herring in
25 an attempt to divert the ICC's attention from the critical nature of the findings I
26 have cited.

⁹ ComEd Ex. 39.0, at page 3, line 63, to page 4, line 72 and ComEd Ex. 40.0 at page 1, lines 18-19.

1 **Q. Please comment on the claim that the investigative reports which you have**
2 **cited were "inherently negative in nature."¹⁰**

3 A. This claim is simply untrue. For example, as I noted in my Direct Testimony, the
4 Liberty Consulting Group identified many positive aspects of ComEd's T&D
5 systems.¹¹ However, it is not surprising that the investigative reports I have cited
6 did make many negative findings given the very serious distribution system
7 reliability-related problems experienced by the Company and its customers in
8 1998 and 1999 and the widespread and long-standing weaknesses and deficiencies
9 which had led to those problems.

10 **Q. Please comment on the claim of ComEd rebuttal witness DeCampli that a**
11 **number of the recommendations by Liberty were "unsupported, unverified,**
12 **contradicted by Liberty's own data or contrary to standard industry**
13 **practices."¹²**

14 A. Mr. DeCampli merely addresses some Liberty recommendations with which
15 ComEd apparently disagreed. He does not identify any mistakes or
16 inconsistencies in any of the findings or conclusions in the Liberty, Vantage,
17 ComEd, or EPRI investigative reports that I cited in my Direct and Supplemental
18 Testimony. Further, he did not provide any evidence substantiating the claim that
19 the findings or conclusions I addressed might be unsupported, unverified,
20 contradicted by the investigators' own data or contrary to standard industry
21 practices.

¹⁰ ComEd Ex. 39.0, at page 3, line 63, to page 4, line 72.

¹¹ Exhibit GC 3.0, at page 6, lines 22-25.

¹² ComEd Ex. 26.0, at page 3, lines 81-83.

1 **Q. Does ComEd witness DeCampli accurately present the nature of the findings**
2 **in the Company’s September 15, 2001 Blueprint for Change and related**
3 **Transmission and Distribution Investigation Report?**¹³

4 A. No. Mr. DeCampli completely ignores the very serious weaknesses and
5 deficiencies in ComEd’s distribution system design, maintenance and
6 management that were identified in the Blueprint for Change and the related
7 Transmission and Distribution Investigation Report. Some of these serious
8 findings are discussed at page 5, line 8, to page 6, line 12, of my Direct
9 Testimony. Other findings of the investigative team that prepared these
10 documents formed the basis for the presentation to the Board of Directors that I
11 discussed at page 1, line 24, to page 3, line 2, of my Supplemental Testimony.

12 **Q. Does ComEd rebuttal witness DeCampli provide any evidence to support his**
13 **claim that none of the test-year expenses incurred to address the issues**
14 **discussed in the Blueprint for Change were “excessive, negligent, or**
15 **extraordinary”?**¹⁴

16 A. No. Mr. DeCampli does not present any evidence to support this claim.

17 **Q. Has the Company provided any evidence to support its claims that it is not**
18 **seeking to recover any test costs due to its “past mistakes” and that no system**
19 **repair costs or catch-up capital costs due to past mismanagement have been**
20 **incurred in the test year period?**¹⁵

21 A. No. The Company merely has repeated the same unsupported claims that were
22 previously made by Ms. Juracek in her Direct Testimony. Further, the Company
23 has failed to quantify or identify any costs due to past mistakes that it has
24 excluded from its test-year revenue requirement, despite evidence demonstrating

¹³ ComEd Ex. 26.0, at page 5, line 132, to page 6, line 154.

¹⁴ ComEd Ex. 26.0, at page 5, line 148.

¹⁵ ComEd Ex. 24.0, at page 15, lines 317-319 and ComEd Ex. 26.0, at page 8, line 214, to page 9, line 229.

1 that, in fact, the Company did spend a substantial amount to cure the problems
2 that gave rise to the 1998 and 1999 distribution system outages.¹⁶

3 ComEd spent well over \$1 billion as part of the two-year recovery program that it
4 announced in September 1999. Therefore, the time-period in which this recovery
5 program was implemented, and this money was spent, included the 2000 test year
6 used in this proceeding. Given the significant mismanagement revealed by the
7 findings of the Vantage, Liberty, ComEd and EPRI investigative reports, it is
8 simply not credible to claim that none of the costs of the two-year recovery
9 program were due to what the Company has called its past mistakes.

10 ComEd has admitted that it has included some of the costs of the two-year
11 recovery program in its test-year revenue requirement.¹⁷ However, ComEd has
12 not quantified how much of the cost of the two-year recovery program it has
13 included in its test-year revenue requirement.¹⁸ Nor has the Company quantified
14 the portion of the cost of the two-year recovery program, if any, that it excluded
15 from its test-year revenue requirement.¹⁹

16 The Company also has admitted that it does not have documents in which it has
17 quantified either the portion of the cost of two-year recovery program that it has
18 included in the test-year revenue requirement or the portion of that cost that was
19 excluded.²⁰

20 For these reasons, a detailed audit is needed to prevent ComEd from collecting the
21 possibly substantial costs related to past distribution system mismanagement that
22 it may be attempting to include in its test-year revenue requirement.

¹⁶ See Exhibit GC3.0, at page 15 line 9, to page 16, line 12.

¹⁷ Response of Commonwealth Edison Company to the City of Chicago's First Request for Admissions RA1.15.

¹⁸ Response of Commonwealth Edison Company to the City of Chicago's First Request for Admissions RA1.16.

¹⁹ Response of Commonwealth Edison Company to the City of Chicago's First Request for Admissions RA1.18.

²⁰ Response of Commonwealth Edison Company to the City of Chicago's First Request for Admissions RA1.17, RA1.19, RA1.20, RA1.21, RA1.23, RA1.25, RA1.26, and RA1.27.

1 **Q. Is it possible to determine without such an audit the validity of Mr.**
2 **DeCampli's claim that all of the distribution plant expenditures which**
3 **ComEd is seeking to add to rate base were prudent and needed and that no**
4 **premiums were paid to construct these projects in the aftermath of any of the**
5 **1998 and 1999 distribution system outages?**²¹

6 A. No. A detailed audit is needed to examine the reasonableness of the distribution
7 plant expenditures that ComEd is seeking to add to rate base in this proceeding.

8 **Q. Is it your testimony that all of the Company's capital project construction**
9 **expenditures between 1998 and 2000 were due to past mismanagement?**²²

10 A. No. As Company rebuttal witness DeCampli has testified, ComEd clearly
11 incurred large capital costs as a result of load growth. However, it is not possible
12 to determine how much of the distribution capital costs that ComEd is seeking to
13 add to rate base were due to load growth as opposed to mismanagement.

14 **Q. Please comment on the claim by ComEd rebuttal witness DeCampli that**
15 **none of the test year expenses could have been avoided without adverse**
16 **reliability consequences.**²³

17 A. Mr. DeCampli's comment ignores the evidence that I cited in my Direct
18 Testimony that suggests that the Company's T&D capital and maintenance
19 expenses have been higher as a result of ComEd's earlier mismanagement of its
20 T&D system.²⁴ This evidence shows that a portion of the test year expenses may
21 only have been necessary as a result of the Company's earlier failure to reasonably
22 manage, design, fund, and maintain its distribution system. Some test year
23 expenses may also have been higher as a result of the same Company failures.

²¹ ComEd Ex. 26.0, at page 6, lines 158-172.

²² ComEd Ex. 26.0, at page 9, lines 228-229.

²³ ComEd Ex. 40.0, at page 2, lines 39-40.

²⁴ Direct Testimony of David A. Schlissel, at page 16, line 16, to page 17, line 23.

1 **Q. Is the claim of ComEd rebuttal witness DeCampli that the Company's**
2 **proposed tree trimming expenses are not inflated credible?**

3 A. No. As I explained in my Direct Testimony, the Company's tree trimming
4 expenditures during 1999 and 2000 reflect extraordinary efforts to catch-up from
5 the backlog of work that arose from the Company's failure to perform adequate
6 levels of this work in previous years.²⁵

7 **Q. Do you have any comment on the claim of ComEd rebuttal witness Voltz that**
8 **the information you presented in your Supplement Testimony regarding the**
9 **Company's projected distribution group O&M expenditures for 2001 and**
10 **2002 was "superseded and outdated"?**²⁶

11 A. In preparing my Direct and Supplemental Testimony I used the most recent data
12 that I could find in the materials that the Company provided in response to our
13 data requests. Although Mr. Voltz claims that the information in the document
14 from which I took the Company's projected distribution group O&M expenditures
15 was "superseded and outdated some time ago," he does not present any evidence
16 to support this claim. Nor does he present the Company's current distribution
17 group O&M projections for 2001 and 2002, or for any other future years.
18 Therefore, it is impossible to determine whether his claim is valid.

19 It is also significant that Mr. Voltz does not present any evidence to challenge my
20 conclusion that the Company's overall 2000 distribution group O&M expenditures
21 are not representative of future on-going expenditures.

22 **Q. Does this complete your Rebuttal Testimony?**

23 A. Yes.

24

²⁵ Direct Testimony of David A. Schlissel, at page 17, line 30, to page 18, line 30.

²⁶ ComEd Ex. 39.0, at page 4, lines 78 to 84.