



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

**Supplemental 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**

**September 14, 2001**

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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.

11 **Q. What is the purpose of this Supplemental Testimony?**

12 A. This Supplemental Testimony reports the results of my review of those  
13 documents that I received after I prepared my Direct Testimony or that were the  
14 subject of my client’s Motion to Compel.

15 **Q. Have you now received all of the documents you requested from ComEd?**

16 A. No. The Company has not provided any documents related to meetings,  
17 presentations, or documents provided to its Board of Directors after October  
18 2000. In addition, we have seen only a very few documents related to the  
19 Company’s budgets and forecasts of distribution O&M expenditures in 2002 and  
20 subsequent years.

21 **Q. Did any of the documents that you have recently reviewed provide additional  
22 evidence that ComEd had mismanaged its distribution system during the  
23 1990s?**

24 A. Yes. An August 23, 1999 status report to the Company’s Board of Directors  
25 presented an overview of the State of the System. [BEGIN CONFIDENTIAL]  
26 This overview identified a number of significant deficiencies in ComEd's

1 distribution system planning, management, design, maintenance and resource  
2 allocation:

3 Load Planning/Management

- 4 • Distribution planning did not adequately address peak loads
- 5 • Large numbers of substations exceeded summer emergency ratings for  
6 “first contingency.”

7 Substations

- 8 • The Company’s program of inspection and maintenance was defined but  
9 inconsistently implemented.
- 10 • The corrective maintenance backlog was large.
- 11 • The preventive maintenance appeared to be deficient and performance  
12 problems were not solved.
- 13 • Recent transformer failures were attributable to the Company’s failure to  
14 respond to identified problems.
- 15 • The Company’s condition monitoring program was not well developed or  
16 implemented.
- 17 • The material condition of key facilities was poor.

18 Underground Cables

- 19 • Preventive maintenance had been discontinued several years earlier.
- 20 • Diagnostic tests had not been performed.
- 21 • There was a large corrective maintenance backlog for distribution cables  
22 and facilities.
- 23 • The Company’s inspection program had significant weaknesses.

24 Resource Allocation

- 25 • The budget had not matched organization resources.
- 26 • Maintenance work was not getting done.
- 27 • Substantial ComEd resources were working on new business hook-ups  
28 and third party projects. The remaining resources were stuck in a  
29 reactionary mode.



1 technology developments in a number of key areas that could have helped  
2 mitigate their problems, EPRI concluded that:

3 these technologies were not implemented widely enough to be  
4 useful. In fact, information about the availability of these tools  
5 never made it to some departments which could have benefited.”<sup>6</sup>

6 EPRI also concluded that ComEd’s very “compartmentalized” structure insured  
7 that communication between departments – necessary to insure proper  
8 deployment of new tools – “did not exist.”<sup>7</sup>

9 **Q. Do the additional documents that you have reviewed contain any evidence  
10 that mismanagement led to the significantly higher capital and O&M  
11 expenditures that ComEd is seeking to pass along to ratepayers in this  
12 proceeding?**

13 A. Yes. For example, EPRI’s April 2000 evaluation of ComEd’s distribution  
14 program concluded that inadequate maintenance had led to the equipment failures  
15 which contributed to the outages experienced in July and August 1999:

- 16 • “In ComEd’s case, discontinuing routine inspections of transformers and  
17 cables may have resulted in a number of the failures which contributed to  
18 their string of outages. *Calculation of future costs must include*  
19 *catastrophic failures and lost revenue.* Failure to include these costs in the  
20 maintenance prioritization process guarantees the vital routine  
21 maintenance tasks will be underprioritized, setting the system up for major  
22 – costly -- incidents.”<sup>8</sup> (Emphasis in original)
- 23 • “Many of the components which failed on ComEd’s system – leading to  
24 the system failures of last summer – failed at well below their rating. In a  
25 number of cases, the inability of these components to operate as designed  
26 and rated be directly traced to inadequate maintenance.”<sup>9</sup>

27 A June 1, 2000 report by ABB-Power T&D Company, Inc., similarly noted the  
28 negative effects of the heavy loading of ComEd’s distribution system:

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6  
7 Ibid., at page 16, Bates Page Number AG 0001123.  
8 Ibid., at page 12, Bates Page Number AG 0001119.  
9 Ibid., at page 17, Bates Page Number AG 0001124.

1 A significant portion of the Commonwealth Edison distribution  
2 system is heavily loaded to the point of reliability degradation.  
3 This is the result of capacity-focused efforts to increase asset  
4 utilization and reduce cost. From a reliability perspective, loading  
5 equipment close to thermal limits results in the following:

- 6 - Thermal aging of insulation increases exponentially and the expected  
7 life of equipment is generally reduced. The increase in equipment  
8 failure rates results in increased SAIFI and SAIDI values. This study  
9 does not model the increase in failure rates as a result of loading, but  
10 the effect is widely observed and accepted in industry.<sup>10</sup>

11 ABB further noted that increasing the transfer capability of ComEd's distribution  
12 system would "improve reliability. increase operational flexibility, **increase**  
13 **equipment life and reduce the failure rates of equipment with thermally**  
14 **degradable insulation.**"<sup>11</sup> (Emphasis added)

15 In addition, the Company's December 1999 Quarterly Report to the Illinois  
16 Commerce Commission and City of Chicago noted that additional overtime or  
17 weekend crews or contractors would be employed to ensure that the substation  
18 preventive maintenance and corrective maintenance programs remained on  
19 schedule.<sup>12</sup>

20 Finally, ComEd signed a contract with ABB Power T&D Company Inc. in  
21 November 1999 to upgrade four Company substations. This contract noted the  
22 "urgency" felt by ComEd in the safe, "timely" and effective implementation of  
23 this work and contained a number of incentive provisions including a 25%  
24 incentive for "on-time completion."<sup>13</sup> This provision had the potential to raise the  
25 maximum payment (and increase the cost of the work) under the contract by  
26 nearly \$16 million.

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<sup>10</sup> *ComEd Feeder System Evaluation & Performance Optimization*, ABB Power T&D Company  
Inc., June 1, 2000, at page 10, Bates Page Number AG 0001229.

<sup>11</sup> *Ibid.*, at page 12, Bates Page Number AG 0001231.

<sup>12</sup> *ComEd December 1999 Quarterly Status Report to the Illinois Commerce Commission and the  
City of Chicago*, at pages ES.3 and ES.6.

<sup>13</sup> *Services and Materials Agreement for Turnkey Chicago Substation Projects*, November 3, 1999,  
at page 10, Bates Page Number AG 0001882.

1 **Q. Do the documents that you have recently reviewed provide any evidence that**  
2 **the Company's O&M expenditures during 2000 are not representative of**  
3 **future on-going expenditures?**

4 A. Yes. Internal Company documents reveal that the year 2000 O&M expenditures  
5 on distribution system improvements are considerably higher than the  
6 expenditures that ComEd expects to make in future years.

7 For example, a November 8, 1999 report on “Year 2000 Overhead Feeder  
8 Inspection & Repair Program” by the Company’s Overhead Reliability Team  
9 recommended that the Company initiate in the year 2000, a one time two-year  
10 inspection program for 4 kV and 12 kV feeders.<sup>14</sup> This same report noted that the  
11 total cost for this Feeder Inspection and Repair Program would be \$13,355,107  
12 per year for 2000 and 2001 which was slightly less than double the \$6,831,114  
13 projected total cost per year for the program for each of the years 2002-2005.<sup>15</sup>

14 [BEGIN CONFIDENTIAL] An October 19, 2000 presentation to ComEd’s Board  
15 of Directors by Carl Croskey, the President of the Distribution Group, noted that  
16 the Company had incurred average annual storm costs of \$13.9 million during the  
17 years 1993 through 1999 (which reflected \$36.5 million of storm costs during  
18 1998).<sup>16</sup> The Company’s estimated storm costs during 2000 were \$35.5 million,  
19 or \$21.6 million above this historic average.<sup>17</sup> [END CONFIDENTIAL]

20 [BEGIN CONFIDENTIAL] Most significantly, O&M expenditure variance  
21 documents provided by ComEd show that the Company spent a total of \$670 .7  
22 million on distribution group O&M during 2000. Other Company documents

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<sup>14</sup> *Year 2000 Overhead Feeder Inspection & Repair Program, Overhead Reliability Team,*  
November 8, 1999, at Bates Page Numbers AG 0001145 and AG 0001153.

<sup>15</sup> Ibid.

<sup>16</sup> [BEGIN CONFIDENTIAL] *ComEd Distribution Group Presentation, Carl Croskey, Board of*  
Directors Meeting, October 19, 2000, at page 4. [END CONFIDENTIAL]

<sup>17</sup> Ibid.



1 reveal that the Company expected to spend \$552 million on distribution group  
2 O&M during 2001 and \$507.3 million in 2002.<sup>18</sup> [END CONFIDENTIAL]

3 **Q. Has your review of these additional documents enabled you to quantify the**  
4 **distribution system capital improvement costs and O&M expenditures that**  
5 **should be disallowed?**

6 A. No. My documents reviews have revealed that there are substantial capital  
7 improvement costs and O&M expenditures that ComEd incurred as a result of its  
8 past mistakes and mismanagement of its distribution system . However, I have not  
9 been able to fully quantify these costs and expenditures because of the very short  
10 schedule allowed intervenors to prepare testimony in this rate proceeding.

11 **Q. Have you changed any of the findings or recommendations from your August**  
12 **23, 2001 Direct Testimony?**

13 A. No. It is still my recommendation that the Commission not allow into rate base  
14 the distribution system capital costs requested by ComEd or include in rates the  
15 levels of test year distribution system O&M expenditures proposed by the  
16 Company. Instead, ComEd should be required to provide more detailed  
17 information to show that (a) the capital improvement projects whose cost it seeks  
18 to add to rate base and (b) its proposed test year O&M expenses were reasonable  
19 and not related to its past mismanagement and inadequate funding and  
20 maintenance of its distribution system. The Company also should be required to  
21 show that its requested costs reflect a reasonable level of costs on a going-forward  
22 basis and not its massive distribution system recovery effort.

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<sup>18</sup> [BEGIN CONFIDENTIAL] *Distribution Group 2000 Budget and 2001/2002 Targets*, April 12, 2000, at page 4, Bates Page Number AG 0001397. [END CONFIDENTIAL]

1 **Q. Are there any additional O&M costs beyond distribution group O&M**  
2 **expenditures that need to be investigated as well?**

3 A. Yes. The Company needs to identify and justify all additional costs, such as rate  
4 year legal and consultant fees, damage settlement costs, and insurance payments,  
5 that are related to distribution system reliability issues.

6 **Q. Does this complete your Supplemental Testimony?**

7 A. Yes.

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