STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

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	:	**Docket No. 01-0423**

REPLY BRIEF OF THE NATIONAL ENERGY MARKETERS ASSOCIATION

December 21, 2001

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This Reply Brief is submitted by The National Energy Marketers Association ("NEM") in the above-referenced proceeding. NEM urges Commission adoption of the following recommendations with respect to Commonwealth Edison's (ComEd's) proposed delivery services tariff and implementation plan.

I. LEGAL ISSUES AND STANDARDS FOR DECISION

II. REVENUE REQUIREMENT ISSUES

F. COST OF SERVICE AND RATE DESIGN

1. Cost of Service Study Issues

NEM reiterates its support for the use of an embedded cost-based methodology for unbundled rate design and consumer shopping credits. As explained by Staff, the use of an embedded cost-based methodology, "reflects the accumulation of actual costs to serve customers, rather than an estimate of costs to serve an unknown level of future growth in the use of the distribution system, and is therefore a better representation of cost causation pertaining to the costs at issue in this docket." (Staff Initial Brief at 89). NEM agrees with Staff's analysis. As previously argued by NEM, customers currently and historically have paid bundled rates based on the utility's embedded costs. By contrast, the use of a marginal cost methodology will understate the costs of serving customers, distort price signals, and undermine competition in the ComEd service territory. NEM urges that use of an embedded cost-based methodology for design of ComEd's delivery services rates be affirmed in this proceeding.

G. RATE DESIGN

6. SBO Credit

NEM and Staff both support the use of an embedded cost-based methodology for the design of the single bill option (SBO) credit. Staff asserts that ComEd's proposed approach is unfairly biased in its own favor, would undermine delivery services unbundling and is contrary to Commission precedent. (Staff Initial Brief at 105). NEM concurs.

NEM reiterates its support of an embedded cost-based methodology for the design of SBO credits as the means of sending an accurate price signal. To the extent that any costs that are "unavoidable" because ComEd must incur such costs to perform POLR-related services such POLR-related costs should properly be recovered through adjustments to the rates charged for POLR-related services. By the same token, costs that are "unavoidable" due to customers remaining on fully bundled sales services should be added to the rate charged for fully bundled sales customers. Any other "unavoidable" costs not associated with ComEd's POLR-related services and fully bundled services could be recovered after migration occurs and an amount of unrecovered revenues can be quantified and properly mitigated.

Staff has proposed implementation of an SBO credit computed on an embedded cost-based basis of $0.60 with an offset of $0.27 for EDI transactions between ComEd and an SBO provider or an offset of $0.03 for transactions between ComEd and an SBO provider over ComEd's Internet site. (Staff Initial Brief at 109-110). NEM finds it hard to believe that the fully allocated embedded cost of billing services is only 60 cents, and NEM opposes the proposed credit offset. If the SBO credit is to be an approximation of ComEd's embedded costs of rendering a bill, applying an offset for transaction fees will distort the credit and understate a proper price signal. Accurate price signals are derived from embedded costs because the rates customers currently and have historically been charged are based on embedded costs.

7. Metering Service Charge Credit

NEM urges the Commission to reaffirm the use of an embedded cost-based methodology for the design of the metering service charge credit. As observed by Staff, "[t]he use of an avoided cost standard stacks the market for unbundled services in the utility's favor. In contrast to alternative suppliers who must compete on the basis of their full cost of providing the unbundled service, avoided costs enable utilities to compete under a more relaxed standards, the costs they avoid by providing less." (Staff Initial Brief at 112). ComEd advances the same argument in support of marginal cost-based metering credits as it utilized with respect to SBO credit design. (ComEd Initial Brief at 128). As previously argued by NEM, metering service credits must be based on embedded costs because the rates customers currently and have historically been charged are based on embedded costs and therefore, accurate price signals are derived therefrom. Furthermore, to the extent ComEd incurs "unavoidable" costs because of its POLR obligations or due to fully bundled sales customers, the rates for POLR and fully bundled sales customers should be modified to reflect these costs.

9. 24-Month Return to Bundled Service Requirements

ComEd supports the continued imposition of a 24-month minimum stay period for small commercial and residential delivery service customers that return to bundled services. (ComEd Initial Brief at 135-136). Staff argues that imposing the requirement would be a harsh penalty for customers. (Staff Initial Brief at 115). NEM agrees with Staff. The 24-month minimum stay imposes an unnecessary restriction on consumers' ability to exercise choice. Particularly during these early formative years of the competitive market, it is important the customers be able to realize the benefits of choice without being subjected to unreasonable restrictions such as a 24-month minimum stay requirement.

III. TERMS AND CONDITIONS ISSUES

B. ENROLLMENT ISSUES

NEM urges the expansion of approved methods for customer enrollment with competitive suppliers to include telephonic and Internet enrollments. As previously argued by NEM and as recognized by Staff (Initial Brief at 117), Commission approval of Internet enrollment is fully consistent with state and federal law. Approval of enrollment methods other than "wet signatures" will also reduce administrative burdens and costs incurred by competitive suppliers.

IV. OTHER ISSUES

V. CONCLUSION

For the reasons set forth herein, the National Association of Energy Marketers respectfully requests the Commission enter an Order in this docket consistent with the following:

1. Adopt NEM's proposed changes to the delivery services tariffs set forth herein.
2. Enter an Order in conformance with the arguments presented.

Respectfully submitted,

THE NATIONAL ENERGY MARKETERS ASSOCIATION

By______________________________

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