

1 **ILLINOIS COMMERCE COMMISSION DOCKET NO. 23-0069**

2 **DIRECT TESTIMONY OF MARK PRUITT**

3 **I. Witness Introduction**

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

5 A. My name is Mark J. Pruitt. My business address is 291 Riverside Drive, Burns
6 Harbor, Indiana 46304. I am the Principal of The Power Bureau, a specialty energy
7 consulting practice.

8 **Q. Please state your educational background and employment and business experience.**

9 A. I hold a B.A. in Political Science from Bradley University and a Master's in
10 Business Administration from the University of Illinois. I have over 20 years of experience
11 in the Illinois energy markets. My energy sector business experience ranges from
12 developing energy efficiency and cogeneration projects for federal facilities served by
13 Nicor Gas and securing statewide natural gas and electricity supplies for state agencies as
14 the Senior Program Manager at the University of Illinois at Chicago.

15 In 2008, I was appointed by the governor to be the first director of the Illinois Power
16 Agency (“IPA”). In that role, I built a new state agency tasked with reversing substantial
17 consumer price increases resulting from the end of the transition period that was part of the
18 restructuring of the electricity market in Illinois. Under my leadership, the IPA was
19 responsible for development and oversight of statewide portfolio planning, hedging,
20 securing statewide wholesale electricity supply, and renewable portfolio standard
21 compliance. During my tenure, consumers realized \$1.6 billion in cost savings through
22 statewide electric procurement plans valued at over \$5.3 billion.

23 Since 2011, I have been an energy consultant focused on advising multiple public
24 and private sector clients on energy supply planning and procurement issues as Principal
25 at the Power Bureau. I am also an Adjunct Associate Professor in the Master of Science in
26 Energy and Sustainability Program at Northwestern University where I teach courses on
27 energy markets, policy, and regulation. My CV is attached as BOMA Ex. 2.1.

28 **Q. What are your duties and responsibilities as Principal at The Power Bureau?**

29 A. I provide U.S.-based clients with services in support of their energy policy,
30 planning, and procurement activities. This entails provision of a range of analyses related
31 to federal and state energy policy; wholesale and retail energy market operations; risk
32 assessment and management; procurement processes; and utility rate analysis. Through a
33 sister company named the Illinois Community Choice Aggregation Network I advise
34 municipalities on the development and management of municipal aggregation programs as
35 well as represent energy consumers in retail electricity and natural gas transactions.

36 **Q. Have you previously testified before the Illinois Commerce Commission?**

37 A. No. However, while at the Illinois Power Agency I participated in the preparation
38 of primary materials and submissions related to the procurement dockets for
39 Commonwealth Edison and Ameren Illinois in Dockets Nos. 08-0519, 09-0373, and 10-
40 0563. I also have submitted written testimony in the ongoing consolidated Docket No. 23-
41 0068/22-0069.

42 **II. Summary**

43 **Q. On whose behalf are you testifying in this proceeding?**

44 A. I am testifying on behalf of BOMA/Chicago.

45 **Q. What are your duties and responsibilities for BOMA/Chicago?**

46 A. BOMA/Chicago has engaged me to evaluate and provide testimony on the impacts
47 of Commonwealth Edison Company's ("ComEd") proposed Multi-Year Grid Plan
48 ("MYGP") and Multi-Year Rate Plan ("MYRP"). In prior engagements with
49 BOMA/Chicago, The Power Bureau has provided modeling and analysis of proposed
50 energy policies in Illinois including the Future Energy Jobs Act and the Climate and
51 Equitable Jobs Act. I have also provided written testimony on behalf of BOMA/Chicago
52 on the impacts of Peoples Gas proposed rate increase currently the subject of consolidated
53 Docket No. 23-0068/23-0069.

54 **Q. What topics will you be covering in your direct testimony?**

55 A. I will discuss BOMA/Chicago's opinions on investments and costs in ComEd's
56 proposed MYGP, including those that BOMA/Chicago is supportive of and those that
57 BOMA/Chicago believes should be reconsidered, removed, or postponed. I will also
58 discuss ComEd's proposed MYRP, including the impact that proposal will have on
59 commercial and industrial ("C&I") customers, including members of BOMA/Chicago. I
60 will also address how certain costs that are currently borne by individual ComEd
61 Customers under Rider NS should be included in the ComEd ratebase, paid for through
62 delivery rates, and, therefore, included as part of the MYGP and MYRP.

63 **Q. In addition to your prepared direct testimony, which is identified as BOMA Exhibit**
64 **2.0, are you presenting any other exhibits?**

65 A. Yes, I am also presenting BOMA Exhibits 2.1 – 2.2, which were prepared by me.

66 **III. Multi-Year Grid Plan**

67 **Q. Have you reviewed ComEd's Multi-Year Grid Plan proposal?**

68 A. Yes, I have reviewed ComEd’s proposed Grid Plan presented in the Direct
69 Testimony of Craig Creamean, ComEd Ex. 5.0, and the attachments to that testimony
70 (ComEd Ex. 5.01 – 5.02).

71 **Q. What conclusions have you drawn regarding the approach and projected costs set**
72 **forth in the MYGP?**

73 A. Generally, I observe that the MYGP aligns with the direction set forth by statute.
74 BOMA/Chicago members are most interested in those portions of the MYGP that have the
75 potential to enhance supply reliability and cost control throughout the entire ComEd
76 service region and especially the Central Business District (“CBD”): Capacity Expansion,
77 Corrective Maintenance, IT Projects, and System Performance. BOMA/Chicago members
78 are gratified that the MYGP acknowledges the importance of reliability and cost within the
79 CBD by stating that “any outages in downtown Chicago can have large safety and financial
80 consequences” (ComEd Ex. 5.01, p 175 of 680).

81 The MYGP projects a capital expenditure of \$12.1 billion across all program
82 categories between 2022 and 2027 (ComEd Ex. 5.01, p 11 of 680). To be clear, these
83 expenditures would be additive to the \$8.0 billion in capital expended by ComEd between
84 2017 and 2021 (ComEd Ex. 5.01, p 160 of 680) for a total capital investment into the
85 ComEd system of over \$20 billion in just 10 years. When factored for returns of and returns
86 on capital, consumers will experience a massive and long-term increase in delivery
87 charges. While BOMA/Chicago members understand and appreciate the need to invest in
88 infrastructure, they also understand that value engineering and project scheduling can
89 significantly reduce impacts on stakeholders. As such, the following are recommendations

90 intended to minimize, at least in the near-term, consumer cost impact of the MYGP capital
91 programs.

92 First, BOMA/Chicago recommends that ComEd revisit its Administrative and Back
93 Office Allocation program budgets. As noted in the MYGP, the Administrative program
94 represents an annual capital cost of between 0.5% and 1.2% with an average of 0.7%.
95 Reducing Administrative program costs through outsourcing, equipment leasing and other
96 approaches to contain Administrative program capital costs to no more than 0.35% over
97 the 2022-2027 period would represent a \$42.5 million reduction in capital costs. ComEd
98 projects \$161 million in reductions in Back Office Allocation program capital costs in the
99 first two years of the MYGP and then zero reductions for the remaining years. As with
100 Administrative program cost, ComEd should seek to further reduce program costs in this
101 area by pursuing options to outsource or lease capital assets.

102 Second, BOMA/Chicago is unclear why ComEd proposes its New Business
103 program with a capital budget of \$1.75 billion over the planning period instead of relying
104 on the revenue generated under the current Rider DE (Distribution System Extensions).
105 Rider DE requires new customers to submit an up-front payment to cover the costs
106 associated with extending new services to their planned new location. This approach
107 ensures that new customer services are not subsidized by other ComEd customers and
108 provides a high level of transparency. As such, BOMA/Chicago recommends that the
109 \$1.75 billion in capital program costs for New Business be adjusted to maintain the current
110 approach where new customers are responsible for paying the costs of establishing their
111 new utility service..

112 Third, BOMA/Chicago recommends that ComEd consider delaying planned capital
113 spending for programs that are not directly associated with reliability or cost containment,
114 which amounts to roughly \$846 million in spending over the planning period after the
115 elimination of the New Business program expenditures noted above. Postponing 50% of
116 the planned capital expenditures in planning years 2022 through 2024 in the Customer
117 Operations, Facility Relocation, Real Estate, Administration, Back Office Allocation,
118 Vehicles and Tools programs would reduce capital expenditures by approximately \$500
119 million and thereby delay the rate increases associated with these expenditures.

120 **Q. What would be the benefits of delaying certain expenditures contained in the MYGP?**

121 A. The MYGP identifies a range of projects and programs that meet the goals set forth
122 in the Climate and Equitable Jobs Act, meet approved performance metrics, and are
123 responsive to the guidance received from stakeholders. However, the costs associated with
124 the MYGP are substantial and stand to negatively impact consumers by requiring higher
125 ComEd delivery charges. Delaying the commencement of capital spending on some of the
126 projects and programs within the MYGP until years 3 and 4 would result in a more gradual
127 rate increase for all consumers while still allowing ComEd to meet its objectives within the
128 term of the MYGP.

129 **Q. Are there any elements not included in ComEd's Grid Plan that you believe should
130 be included in ComEd's Grid Plan?**

131 A. Generally, the MYGP should be much more expansive in its treatment of data
132 access and sharing. Access to real time energy data is essential to allow BOMA/Chicago
133 members, and other ComEd large energy consumers, the ability to contribute to the
134 reliability and resiliency of the CBD (and other areas where such customers are located)

135 by reducing overall consumption, reducing peak load, deploying distributed energy
136 resources, and maximizing the value of demand response. As such, BOMA/Chicago
137 supports the inclusion and level of support within the MYGP for IT Projects. While the IT
138 Projects platform appears to invest in systems that support operational decisions by
139 ComEd, it does not address how to share that system data and information with Customers.
140 BOMA/Chicago recommends that a portion of the IT Projects capital budget be redirected
141 towards providing solutions to large energy consumers that allow access to real time energy
142 consumption, system demand, and other elements that would inform the operation of
143 efficiency and demand management tools at the building level. Further, BOMA/Chicago
144 recommends that ComEd prioritize these redirected funds towards Customers and
145 customer classes that can provide substantive support to the local and regional grid.

146 **Q. Are there any other elements not included in ComEd’s Grid Plan that you believe**
147 **should be included in ComEd’s Grid Plan?**

148 A. The MYGP should include a robust Commercial Demand Response (“CDR”)
149 program to balance load variability in the CBD, as well as the Chicago Region within the
150 ComEd service territory. A well-structured CDR program would provide compensation to
151 system owners for their actual performance during utility-selected periods. As a result,
152 ComEd would be better able to meet its commitment to reduce peak load in accordance
153 with Performance Metric 3. By providing a structure and appropriate price signals to
154 customers, the CDR program will be able to unlock the value of existing resources, delay
155 expenditures on new systems and enhance reliability at a lower total cost.

156 At a minimum, the CDR program should be market-based, meaning that Customers
157 participating in the CDR program would be compensated at the market value of their

158 demand response during the period in which they are dispatched. Additionally, the CDR
159 program should allow and even encourage the participation of third-party aggregators to
160 ensure that even Customers with marginal volumes of demand response capability can
161 participate. And lastly, the CDR program should allow participants the ability to dispatch
162 their demand response capabilities based on reliability as well as economic variables.

163 **IV. Multi-Year Rate Plan**

164 **Q. Have you reviewed ComEd’s proposed MYRP?**

165 A. Yes, I have reviewed ComEd’s proposed MYRP including the Embedded Cost of
166 Service Study (“ECOSS”), the projected rate changes for the various customer rate classes,
167 and projected cost impacts for the proposed rates over the term of the MYRP for
168 representative customer profiles in each of the non-lighting customer rate classes.

169 **Q. What impact will ComEd’s MYRP have on rates for C&I customers like
170 BOMA/Chicago members?**

171 A. The majority of BOMA/Chicago members receive service from ComEd as
172 members of the Large, Very Large, and Extra Large rate classes with a significant majority
173 of BOMA/Members falling into the Large and Very Large rate classes. Most tenants of
174 BOMA/Chicago members receive service from ComEd as members of the Small and
175 Medium rate classes. To calculate the potential cost impacts of the proposed rates that are
176 included in the MYRP I created a series of spreadsheets which applied the proposed rates
177 to representative billing determinants (i.e., monthly consumption, monthly billing demand,
178 etc.) for a representative Customer in each rate class in each year between 2023 and 2027.
179 The results of those calculations are included in BOMA Exhibit 2.2. The aggregated results
180 of the analysis are presented below in Table 1.0.

TABLE 1.0

RATE CLASS	CUMULATIVE COST INCREASE BETWEEN 2023 AND 2027
RESIDENTIAL	
Single Family	36.69%
Multi-Family	40.10%
Single Family with Space Heat	51.75%
Multi-Family with Space Heat	46.33%
NON-RESIDENTIAL	
Watt-Hour	20.4%
Small	40.7%
Medium	61.9%
Large	63.3%
Very Large	53.0%
Extra Large	45.3%
High Voltage	44.0%

181 As shown, the analysis identifies that ComEd’s proposed rate changes will increase
 182 distribution costs for Consumers anywhere from 20.4% (for Watt-Hour Rate Class
 183 Customers) to 63.3% (for Large Class Customers). The Large rate class which serves many
 184 of the BOMA/Chicago member buildings will realize the highest cost increase of all non-
 185 Railroad rate classes. This is fully 30% higher cost increase than for the Extra Large rate
 186 class and the average increase for all residential rate classes.

187 **Q. Do you have any concerns regarding the potential economic impact of the rate**
 188 **increases that would result from ComEd’s proposed MYRP?**

189 A. The large rate increases that would result from ComEd’s MYRP proposal is likely
 190 to result in major increased expense for all ComEd customers. For BOMA/Chicago
 191 specifically, electricity costs are a major expense. The proposed rate increases under the
 192 MYRP will make BOMA/Chicago buildings far more costly to operate. As a result, current

193 and potential tenants may seek marginally lower cost options such as leased space in other
194 cities with lower total energy costs, or non-lease alternatives such as telecommuting. This
195 will result in continued low occupancy rates which will negatively impact planning for new
196 construction in the CBD as well as renovations for existing properties. The resulting drag
197 on construction activity in the commercial sector will then impact employment and
198 business operations in the building trades and support services to the CBD and other areas
199 around Chicago. Reductions in employment will then further reduce business activity and
200 tax revenues.

201 **Q. Do you believe there are any costs that are currently not included for recovery**
202 **through ComEd’s MYRP that should be?**

203 A. Yes, there are cases where ComEd is potentially collecting costs for ratebase
204 related expenses from individual consumers under Rider NS (Non Standard Service).
205 Rider NS was established to allow ComEd to recover costs for providing individual
206 customers with equipment and services that exceeded the levels ComEd provided as
207 standard service. My understanding is that there is ambiguity and inconsistency around
208 how ComEd specifically defines standard and non-standard services. The lack of clarity
209 around definitions, terms, replacement costs, and even documentation around Rider NS
210 issues indicates that Rider NS charges may not be accurately and consistently applied and
211 raises the prospect that certain equipment or services labeled as “non-standard” in the past
212 may be standard today.

213 **Q. How should the MYRP be amended to correct the deficiencies you have identified?**

214 A. Reducing or delaying capital expenditures and redirecting capital funds in the
215 MYGP towards programs that can reduce costs for commercial office buildings and other

216 large energy customers (e.g., access to real time data, demand response); controlling
217 revenue requirements and return on equity in the MYRP to limit the detrimental economic
218 impact of increased rates that will result; and transferring certain charges that broadly
219 benefit the public and ComEd system from individual customers under Rider NS to the
220 ratebase.

221 **Q: Does this conclude your direct testimony?**

222 A: Yes.