

**DIRECT TESTIMONY**

of

**Mary E. Selvaggio  
Manager of Accounting**

**Accounting Department  
Financial Analysis Division  
Illinois Commerce Commission**

**Commonwealth Edison Company**

**Proposal to implement a competitive procurement process by establishing Rider  
CPP, Rider PPO-MVM, Rider TS-CPP and revising Rider PPO-MI**

**Docket No. 05-0159**

**June 8, 2005**

1 **Witness Identification**

2 Q. Please state your name and business address.

3 A. My name is Mary E. Selvaggio. My business address is 527 East Capitol  
4 Avenue, Springfield, Illinois 62701.

5 Q. By whom are you employed and in what capacity?

6 A. I am currently employed as the Manager of the Accounting Department of the  
7 Financial Analysis Division of the Illinois Commerce Commission (“ICC” or  
8 “Commission”).

9 Q. Please describe your professional background and affiliations.

10 A. I have been employed for the Illinois Commerce Commission since May 1982. I  
11 have been the Manager of Accounting since November 1997. Prior to my  
12 employment with the Commission, I was a Staff Accountant for a regional public  
13 accounting firm.

14 I have a Bachelor of Science degree in Accounting from the University of Illinois  
15 at Champaign. I am a Certified Public Accountant, licensed to practice in the  
16 State of Illinois, and am a member of the American Institute of Certified Public  
17 Accountants.

18 Q. Have you previously testified before any regulatory bodies?

19 A. Yes. I have testified on several occasions before the Commission.

20 **Purpose of Testimony**

21 Q. What is the purpose of your testimony in this proceeding?

- 22 A. The purpose of my testimony is to present my recommendations regarding
- 23 1) The tariff language of the Accuracy Assurance Mechanism (AAM) proposed
- 24 by Commonwealth Edison Company (“ComEd” or the “Company”) (Proposed
- 25 ILL. C. C. No. 4, Original Sheet No. 291);
- 26 2) The formula to calculate the Customer Demand and Usage Factor (CDU) for
- 27 the CPP Auction-Blended Segment and the CPP Auction-Annual Segment
- 28 (Proposed ILL. C. C. No. 4, Original Sheet Nos. 291 and 292);
- 29 3) The calculation of the CDU Factor for the CPP-H Auction (Proposed ILL. C.
- 30 C. No. 4, Original Sheet Nos. 292); and
- 31 4) The formula to calculate the Contingency Factor (CF) (Proposed ILL. C. C.
- 32 No. 4, Original Sheet No. 293).

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34 Q. Please summarize your recommendations.

35 A. I am making the following recommendations:

- 36 • Modify tariff language introducing the AAM and the CDU Factor as follows:
- 37 1. The phrase in the Company’s proposed tariff that is used to represent
- 38 costs, “payments that the Company makes,” should be changed to
- 39 “expenses incurred by the Company”;
- 40
- 41 2. The term in the Company’s proposed tariff that is used to represent the
- 42 process that compares costs incurred with amounts billed, “balanced,”
- 43 should be changed to “equal”;
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- 45 3. Language used in the Company’s proposed tariff that adjusts the
- 46 balance representing the amounts billed to customers should be
- 47 deleted;
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4. Language should be added to the Company proposed tariff language that clarifies the purpose of the AAM;
  5. Language should be added that gives the Manager of Accounting of the Accounting Department of the Illinois Commerce Commission authority to determine the revenue and cost accounts that are to be included as components of the CPP Rate; and
  6. Language should be added to the Company proposed tariff that defines the determination month, filing month, and effective month.
- Modify the Company's proposed formula to calculate the CDU Factor for the CPP Auction Blended Segment and the CPP Auction-Annual Segment as follows:
    1. The term  $MWAP_{m-2} \times WE_{m-2}$  in the Company's proposed formula to derive the CDU Factor should be changed to represent the cost for procurement supply expensed on ComEd's books during the determination month;
    2. The term,  $Billings_{m-2}$ , in the Company's proposed formula to derive the CDU Factor should be changed to include amounts billed in association with previously applied CDU Factors;
    3. The denominator in the Company's proposed formula to derive the CDU Factor should represent "Forecasted Customer Usage in kWh for the Effective Month";
    4. The Automatic Balancing Factor ("AB Factor") in the Company's proposed formula should be modified to represent the actual amount of over/under recovery and not a cents/kWh;
    5. The AB Factor in the Company's proposed formula should be included in the numerator that compares the cost of procurement supply with the customer billings;
    6. The calculation of the AB Factor should include a provision for interest; and
    7. Language should be added to the Company proposed tariff that provides for a Commission ordered reconciliation factor to refund or recover amounts ordered by the Commission.

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- Modify the calculation of the CDU Factor for the CPP-H Auction as follows:
    1. The mechanism should be depicted by formula;
    2. The Company proposed tariff language modifying the cost of procurement supply, “including without limitation, costs due to differences in the actual and forecast aggregate line losses and in other charges imposed by PJM pursuant to tariffs on file with the FERC, during the previous calendar year,” should be deleted;
    3. The Company proposed tariff language setting forth the formula to calculate the CDU Factor for the CPP-H Auction should be modified in accordance with recommendations that I made regarding the CDU Factor for the CPP Auction – Blended Segment and the CPP Auction – Annual Segment; and
    4. Language should be added to the Company proposed tariff that clarifies how the January actual balances will be trued up since the January actual balances will not yet be known when the annual filing is submitted.
  
  - Modify the calculation for the Contingency Factor (CF) as follows:
    1. The term  $MWAP_{m-2} \times WE_{m-2}$  in the numerator of the Company’s proposed formula should be changed to represent the cost for procurement supply expensed on ComEd’s books during the determination month;
    2. The denominator in the Company’s proposed formula for CF should be deleted and replaced with the “Forecasted Customer Usage in kWh for the Effective Month”;
    4. The Contingency Factor Adjustment (CFA) in the Company’s proposed formula should be modified to represent the actual amount of over/under recovery and not a cents/kWh;
    5. The CFA term in the Company’s proposed formula should be included in the numerator that calculates the CF; and
    6. The CFA term should include a provision for interest.

135 Q. Are you attaching any attachments to your testimony?

136 A. Yes. I am attaching the following attachments to my testimony:

137 A ComEd Data Request Response AD 2.08; and

138 B ComEd Data Request Response AD 2.13.

139 **Modification of Tariff Language Introducing the AAM and the CDU**

140 Q. What is your understanding of the Company's definition of the AAM and CDU  
141 Factor?

142 A. As presented in the direct testimony of Lawrence S. Alongi and Paul R.  
143 Crumrine, ComEd Ex. 7.0, pages 65-68, the AAM consists of the CDU and the  
144 CF.

145 
$$\text{AAM} = \text{CDU} + \text{CF}$$

146 The CDU Factor and the CF are determined and applied on a monthly basis,  
147 except in the event that the CCP-H Auction is conducted, then the CDU Factor  
148 would be determined on an annual basis. (ComEd Ex. 7.0, lines 1466-1468)

149 The Company proposes that the CDU Factor will balance the amount billed to  
150 customers with the cost of power incurred by the Company through the auction  
151 process to make sure that the cost pass-through does not "include a mark-up nor  
152 an under-recovery." (ComEd Ex. 7.0, p. 67, lines 1488-1489) Each month the  
153 CDU Factor in relation to the CPP Auction will balance the applicable amounts  
154 billed to customers from two months prior with the costs of power procured  
155 through the auction.

156 The Company proposes that the CF will be triggered in "the unlikely event of an  
157 under subscription of an auction or auction segment, or a supplier default and  
158 termination of the SFC" (Supplier Forward Contract). (ComEd Ex. 7.0, p. 67,

159 lines 1501-1502) The CF would be “applied two monthly billing periods after the  
160 monthly billing period for which the CF is determined.” (ComEd Ex. 7.0, p. 67,  
161 lines 1504-1506) The CF will take into account interim procurement costs,  
162 execution on collateral, and payment for damages in the event of supplier  
163 default.

164 Q. Please explain the basis for your recommendation to change the phrase that is  
165 used to represent cost in the Company’s proposed tariff language that introduces  
166 the AAM on Original Sheet No. 291 from “payments that the Company makes” to  
167 “expenses incurred by the Company”.

168 A. The term “payments that the Company makes” should be changed to the term  
169 “expenses incurred by the Company” to clarify that the cost of full requirements  
170 electric supply that is being recovered from ratepayers is based on the accrual  
171 method of accounting and not a cash method of accounting.

172 Q. Please explain the basis for your recommendation to change the term in the  
173 Company’s proposed tariff language on Original Sheet No. 291 that represents  
174 the process that compares costs incurred by the Company with amounts billed to  
175 customers from “balanced” to “equal”.

176 A. The term “balanced” should be changed to “equal” in order to clarify that the  
177 AAM will recover no more and no less than the actual cost of full requirements  
178 electric supply recorded on the Company’s financial books and records.

179 Q. Please explain the basis for your recommendation to delete a phrase used in the  
180 Company's proposed tariff on Original Sheet No. 291 that adjusts the balance  
181 representing amounts billed to such customers.

182 A. The Company's proposed tariff language implies that the amounts billed to  
183 customers for such supply will be adjusted by changes in such customer's actual  
184 usage and demands on the Company's system. The actual amounts that  
185 ComEd bills to its customers are based on both actual usage and actual  
186 demands on its system. As stated in ComEd's response to Staff data request  
187 AD 2.07(b):

188 "ComEd is not proposing to 'adjust the billed amounts for changes in customers'  
189 actual usage and demands on the Company's system.' As indicated in the data  
190 request, the actual amounts that ComEd bills to its customers are based on both  
191 actual usage and actual demands on the ComEd system..."

192 As ComEd has indicated in its data request response, the billed amounts will not  
193 be adjusted. Thus, I recommend the following modification to the Company  
194 proposed language:

195           Payments that the Company makes for the procurement of full requirements  
196           electric supply required by retail customers to which the Company is  
197           providing such supply should be balanced with the amounts billed to such  
198           customers for such supply ~~based on changes in such customers' actual~~  
199           ~~usage and demands on the Company's system~~

200 Q. Please explain the basis for your recommendation to add language to the  
201 Company proposed tariff on Original Sheet No. 291 that clarifies the purpose of  
202 the AAM.

203 A. An additional sentence should be added to the introductory tariff language of the  
204 AAM as follows:

205           In order to ensure equality between such amounts expensed for  
206           procurement supply and amounts billed to retail customers, an AAM is  
207           determined at the conclusion of each month and the resulting credit or  
208           charge is applied prospectively to energy usage during the second  
209           subsequent month.

210           This additional sentence clarifies that the amounts expensed and the amounts  
211           billed to customers are netted and the over/under recovery is considered in a  
212           subsequent AAM.

213    Q.    Please explain the basis for your recommendation that language should be  
214           added to the Company's proposed tariff that gives the Manager of Accounting of  
215           the Accounting Department of the Illinois Commerce Commission the authority to  
216           determine the revenue and cost accounts that are to be included as components  
217           of the CPP Rate.

218    A.    The Company has indicated in its data request responses to Staff that it has not  
219           reviewed its ledger or financial records to determine:

220           a)   The appropriate accounts and descriptions to record total costs incurred by  
221           the Company to provide retail customers full requirements electric supply;

222           b)   The appropriate accounts and descriptions to record FERC approved  
223           charges or credits applicable to market participants per PJM agreements and  
224           business rules for which ComEd is responsible;

225           c)   The appropriate accounts and descriptions to record applicable billings for  
226           the provision of full requirements electric supply; and

227 d) The specific tracking methods to identify billed revenues from different  
228 periods or sub-accounts.

229 (ComEd Responses to Staff data requests AD 2.08 and 2.13 are attached as  
230 Attachments A and B.)

231 The Company indicated in its responses that it intends on working with the Staff  
232 Accounting Department to determine how to address these matters after the  
233 completion of the instant proceeding and prior to the effective date of the new  
234 rate structure. Ideally, these matters should be addressed in the current  
235 proceeding so that Staff can analyze the Company's proposed methods and  
236 recommend appropriate modifications for the Commission's approval. Instead,  
237 the Company's approach effectively results in a pre-approval of whatever it will  
238 propose regarding the above four areas because the proposed tariff language  
239 does not give the Staff Accounting Department authority to disagree with any  
240 proposal advanced by the Company as to what costs and revenues flow through  
241 Rider CPP. Thus, I propose the following language be added:

242 The Manager of Accounting of the Illinois Commerce Commission will have the  
243 authority to approve the costs and revenue accounts that are included as  
244 components of the CPP Rider. The Company will provide to the Manager of  
245 Accounting of the Commission a list of the accounts and account descriptions to  
246 be used to record such billings and costs in writing within 30 days of the close of  
247 Docket No. 05-0159. The Manager of Accounting will respond to the Company's  
248 request for approval within 30 days of receipt of the Company's request in writing  
249 as to whether the list of accounts and account descriptions are approved. If the  
250 list is not approved by the Manager of Accounting, the Manager of Accounting will  
251 initiate a Commission proceeding for the Commission to establish the costs and  
252 revenue accounts that should be considered in the development of the CPP  
253 Rate. Once the list of accounts has been approved, any changes to the accounts

- 254 and account descriptions would need to be approved by the Manager of  
255 Accounting.
- 256 Q. Please explain the basis for your recommendation to add language to the  
257 Company's proposed tariff on Original Sheet No. 291 that defines the  
258 determination month, filing month, and effective month.
- 259 A. Definitions for the determination month, filing month, and effective month provide  
260 clarification to reference the appropriate period. Without a definition, there is  
261 ambiguity as to how to reference the different months.
- 262 Q. Please summarize your proposed language changes to the introductory tariff  
263 language of the AAM and CDU presented on Original Sheet No. 291.
- 264 A. The proposed language changes follow.

### 265 **ACCURACY ASSURANCE MECHANISM**

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267 ~~Payments that~~ Expenses the Company ~~makes~~ incurs for the procurement of full  
268 requirements electric supply required by retail customers to which the Company  
269 is providing such supply should ~~be balanced with equal~~ the amounts billed to  
270 such customers for such supply ~~based on changes in such customers' actual~~  
271 ~~usage and demands on the Company's system~~ In order to ensure equality  
272 between such amounts expensed for procurement supply and amounts billed to  
273 retail customers, an AAM is determined at the conclusion of each month and the  
274 resulting credit or charge is applied prospectively to energy usage during the  
275 second subsequent month. In addition, in the event ...

276 The Manager of Accounting of the Illinois Commerce Commission will have the  
277 authority to approve the costs and revenue accounts that are included as  
278 components of the CPP Rider. The Company will provide to the Manager of  
279 Accounting of the Commission a list of the accounts and account descriptions to  
280 be used to record such billings and costs in writing within 30 days of the close of  
281 Docket No. 05-0159. The Manager of Accounting will respond to the Company's  
282 request for approval within 30 days of receipt of the Company's request in writing  
283 as to whether the list of accounts and account descriptions are approved. If the  
284 list is not approved by the Manager of Accounting, the Manager of Accounting will  
285 initiate a Commission proceeding for the Commission to establish the costs and  
286 revenue accounts that should be considered in the development of the CPP  
287 Rate. Once the list of accounts has been approved, any changes to the accounts

288 and account descriptions would need to be approved by the Manager of  
289 Accounting.

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292 **Definitions:**

293 Determination Month – Shall mean the calendar month for which the power  
294 supply products were delivered, subject to financial settlement.

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296 Filing Month – Shall mean the month in which the AAF is calculated and filed  
297 with the Commission.

298

299 Effective Month – Shall mean the month during which the AAF charge or credit  
300 will be applicable to customer usage.

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303 **CUSTOMER DEMAND AND USAGE FACTOR.**

304 The purpose of the Customer Demand and Usage Factor (CDU) is to periodically  
305 balance the amounts billed to retail customers for full requirements electric  
306 supply procured for them by the Company, ~~based on changes in such customers'~~  
307 ~~actual usage and demands on the Company's system,~~ with the expenses  
308 incurred ~~amounts paid by the Company to the suppliers from which it is procuring~~  
309 for procurement of such supply as a function of the contract terms and prices  
310 determined in accordance with the CPP.

311

312 **Formula to Calculate the CDU Factor for the CPP Auction-Blended Segment and**  
313 **the CPP Auction-Annual Segment**

314 Q. Please explain the basis for your recommendation that the term  $MWAP_{m-2} \times$   
315  $WE_{m-2}$  in the Company's proposed tariff on Original Sheet No. 291 be changed to  
316 represent the cost for procurement supply expensed on ComEd's books during  
317 the determination month.

318 A. The term  $MWAP_{m-2} \times WE_{m-2}$  in the formula to derive the CDU Factor should be  
319 changed as follows:

320 "C = Cost expensed for procurement of power supply during the  
321 determination month through the auction process".

322 The term  $MWAP_{m-2} \times WE_{m-2}$  proposed by the Company is the monthly weighted  
323 average price of the final clearing prices with a duration that included the

324 calendar month occurring two months prior to the monthly billing period adjusted  
325 by the applicable seasonal payment ratios multiplied by the wholesale  
326 electricity, in MWhs, provided to the Company to supply the retail customers in  
327 the applicable customer supply groups in the calendar month occurring two  
328 months prior to the monthly billing period.

329 The term proposed by the Company to represent “cost” appears to be a proxy for  
330 the expense that the Company should have recorded on its financial records for  
331 the cost of procuring supply through the auction. In order to insure that the  
332 Company recovers “no more and no less” than the cost of the full requirements  
333 electric supply, the amount to represent “cost” in the CDU should be the amount  
334 expensed on the Company’s books.

335 Q. Please explain the basis for your recommendation that the Billings Factor should  
336 include amounts billed in association with previously applied CDU Factors.

337 A. If revenues generated from previously applied CDU Factors are not included  
338 within the formula, the prior over/under recovery is not trued-up and there is no  
339 way to insure that “no more and no less” of the cost of procurement supply is  
340 being recovered through the CDU. Thus, the second sentence of the definition of  
341 the Billings Factor should be deleted as follows:

342 Billings<sub>m-2</sub> = All billings, in \$, for the provision of full requirements electric supply  
343 applied in accordance with the CPP by the Company to retail  
344 customers in the applicable customer supply groups in the calendar  
345 month occurring two (2) months prior to monthly billing period mb.  
346 ~~Such billings do not include amounts billed in association with~~  
347 ~~previously applied CDUs.”~~

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349 Q. Please explain the basis for your recommendation that the denominator of the  
350 CDU Factor should represent “Forecasted Customer Usage in kWh for the  
351 Effective Month”.

352 A. The denominator proposed by the Company is the electricity in MWh provided to  
353 retail customers included in the applicable customer supply groups in the  
354 calendar month occurring two months prior to the monthly billing period multiplied  
355 by the ratio of the average electricity provided to retail customers in the  
356 applicable customer supply groups in each effective month in the five prior years  
357 to the average electricity provided to retail customers in the applicable customer  
358 supply groups in the billing month occurring two months prior to the monthly  
359 billing period occurring in the five prior years. The language is depicted by the  
360 following formula:

361 
$$E_{m-2} \times \left[ \frac{\text{AVG } [E_{m-12}, E_{m-24}, E_{m-36}, E_{m-48}, E_{m-60}]}{\text{AVG } [E_{m-14}, E_{m-26}, E_{m-38}, E_{m-50}, E_{m-62}]} \right]$$

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365 The Company is attempting to calculate a proxy for forecasted customer usage  
366 for the effective month. This calculation does not take into account load growth  
367 projected for the effective month. In other words, the Company is attempting to  
368 calculate a forecast of customer usage for the effective month using data from up  
369 to the last 62 months. The denominator should represent the Company’s best  
370 estimate of the kWhs that will be billed in the effective month. If the denominator  
371 is based on something other than forecasted customer usage during the effective  
372 month, the over/under recovery will only get increasingly larger as the

373 denominator does not represent the usage that the Company expects to bill in  
374 the effective month.

375 The denominator of the formula to derive the CDU Factor should be

376 
$$U = \text{Forecasted Customer Usage in kWh for the Effective Month}$$

377 Q. Please explain the basis for your recommended change that the AB Factor in the  
378 Company's proposed formula should be modified to represent the actual amount  
379 of over/under recovery and not a cents/kWh.

380 A. I propose that the cumulative over/under recovery of amounts billed to customers  
381 and the cost of supply procured through the auction be represented as the AB  
382 Factor. This recommendation is necessary because the Company's proposed  
383 representation of the AB Factor as a cents/kWh is not clear. The Company's  
384 proposed tariff language does not indicate how the AB Factor is derived, nor the  
385 identification of the numerator or denominator.

386 In ComEd's response to Staff data request AD 2.10(a) received June 7<sup>th</sup>, the  
387 Company indicates that the denominator used to determine AB is different than  
388 the first term of the equation because the AB calculation "provides for a  
389 translation from MWh to kWh." However, this rationale seems illogical as the AB  
390 Factor should represent the cumulative amount of dollars over or under  
391 recovered from ratepayers through the CPP. There should be no need to  
392 translate a dollar amount over or under recovered from ratepayers from MWh to  
393 kWh.

394 Q. Please explain the basis for your recommended change to include the AB Factor  
395 in the numerator that compares the cost of procurement supply with the  
396 customer billings.

397 A. The AB Factor, representing the actual cumulative over/under recovery, should  
398 be included in the numerator that compares the cost of procurement supply with  
399 the customer billings to simplify the formula and provide clarification. ComEd's  
400 response to Staff data request response AD 2.10(b) states that, "Arithmetically,  
401 there is no difference..." between the Company's proposal and my proposal.

402 Q. Please explain the basis for your recommendation that the AB Factor should  
403 include a provision for interest.

404 A. The CDU formula should include a provision for interest. By providing interest,  
405 the Company is compensated in the event that the cost of supply procured  
406 through the auction exceeds customer billings and ratepayers are protected in  
407 the event that the translated rates or the AAF rate are overstated. The interest  
408 rate that I recommend is the rate established by the Commission each year  
409 under 83 Ill. Adm. Code 280.70(e)(1).

410 Q. Please summarize your proposed language changes to define Factor AB.

411 A. Factor AB should be modified as follows:

412  $AB_{mb}$  = Automatic Balancing Factor, in \$, the cumulative balance (debit or credit)  
413 resulting from the application of the CDU during the determination month  
414 with an associated carrying charge established by the Commission under  
415 83 Ill. Adm. Code 280.70 (e)(1) and in effect when the CDU Factor will be  
416 billed in cents/kWh rounded to the thousandths of a cent, based upon the  
417 actual over or under recoveries of amounts associated with CDUs  
418 previously applied in monthly billing periods occurring prior to two (2)

419 months before the monthly billing period, mb. The Automatic Balancing  
 420 Factor is a credit or a charge depending upon whether there were over or  
 421 under recoveries, respectively.

422 Q. Please explain the basis for your recommendation that language should be  
 423 added to the Company proposed tariff that provides for a Commission ordered  
 424 reconciliation factor to refund or recover amounts as ordered by the Commission.

425 A. The CDU formula proposed by the Company should include a Factor O  
 426 component for any amounts ordered by the Commission to be refunded or  
 427 recovered through the AAF. Factor O should be defined as follows:

O = An amount representing the additional over or under recovery ordered  
 by the Commission to be refunded or collected, including interest  
 charged at the rate established by the Commission under 83 Ill. Adm.  
 Code 280.70(e)(1) from the date at which the over or under recovery  
 was improperly flowed through the AAF to the date of the Commission  
 decision that a Factor O was warranted. The Commission may  
 determine that it is appropriate to amortize the additional over or  
 under recovery over a defined time period with interest.

436 Q. Please summarize your proposed language changes for the formula to derive  
 437 the CDU Factor for the CPP Auction – Blended Segment and the CPP Auction –  
 438 Annual Segment.

439 A. The changes to the Company’s proposed tariff language on Original Sheet Nos.  
 440 291 and 292 follow:

441 For each of the CPP Auction – Blended Segment and CPP Auction – Annual  
 442 Segment, a separate CDU is determined for each monthly billing period in  
 443 accordance with the following equation:

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$$CDU_{mb} = \frac{(MWAP_{m-2} \times WE_{m-2}) - Billings_{m-2}}{E_{m-2} \times \left[ \frac{AVG [E_{m-12}, E_{m-24}, E_{m-36}, E_{m-48}, E_{m-60}]}{AVG [E_{m-14}, E_{m-26}, E_{m-38}, E_{m-50}, E_{m-62}]} \right]} \times \left[ \frac{1MWh}{1,000 kWh} \right] \times \left[ \frac{100\%}{\$1} \right] + AB_{mb}$$

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$$\frac{C - \text{Billings} + AB + O}{U}$$
  
 453

454 Where:

455  $CDU_{mb}$  = Customer Demand and Usage Factor, in cents/kWh rounded to the  
 456 thousandths of a cent, applied as a credit or charge in the effective  
 457 ~~monthly billing period,  $mb$ ,~~ to kWhs provided to retail customers in the  
 458 applicable customer supply groups in the effective monthly billing period,  
 459  ~~$mb$ ,~~ for which full requirements electric supply is procured by the  
 460 Company in accordance with the CPP.

461  $C$  = Cost expensed for procurement of power supply during the determination  
 462 month through the auction process

463  ~~$MWAP_{m-2}$  = Monthly Weighted Average Price, in \$/MWh, of the final clearing prices~~  
 464 ~~with a duration that included the calendar month occurring two (2) months~~  
 465 ~~prior to monthly billing period,  $mb$ , adjusted for the applicable seasonal~~  
 466 ~~payment ratios~~

467  ~~$WE_{m-2}$  = Wholesale Electricity, in MWhs, provided to the Company to supply the~~  
 468 ~~retail customers in the applicable customer supply groups in the calendar~~  
 469 ~~month occurring two (2) months prior to monthly billing period,  $mb$~~

470  
 471  $Billings_{m-2}$  = All billings, in \$, for the provision of full requirements electric supply  
 472 applied in accordance with the CPP by the Company to retail customers  
 473 in the applicable customer supply groups in the ~~calendar month occurring~~  
 474 ~~two (2) months prior to monthly billing period~~ determination month,  $mb$ .  
 475 Such billings do not include amounts billed in association with previously  
 476 applied CDUs."

477  ~~$E_{m-2}$  = Electricity, in MWh, provided to retail customers included in the applicable~~  
 478 ~~customer supply groups in the calendar month occurring two (2) months~~  
 479 ~~prior to monthly billing period,  $mb$~~

480  ~~$E_{m-n}$  = Electricity, in MWh, provided to retail customers in the applicable~~  
 481 ~~customer supply groups in the calendar month occurring n months prior~~  
 482 ~~to monthly billing period,  $mb$ , with such n equal to 12, 14, 24, 26, 36, 48,~~  
 483 ~~50, 60, or 62 as applicable~~

484  $AB_{mb}$  = Automatic Balancing Factor, in \$, the cumulative balance (debit or credit)  
 485 resulting from the application of the CDU during the determination month  
 486 with an associated carrying charge established by the Commission under

487 83 Ill. Adm. Code 280.70 (e)(1) and in effect when the CDU Factor will be  
488 billed in cents/kWh rounded to the thousandths of a cent, based upon the  
489 actual over or under recoveries of amounts associated with CDUs  
490 previously applied in monthly billing periods occurring prior to two (2)  
491 months before the monthly billing period, mb. The Automatic Balancing  
492 Factor is a credit or a charge depending upon whether there wre over or  
493 under recoveries, respectively.

494 O = An amount representing the additional over or under recovery ordered by  
495 the Commission to be refunded or collected, including interest charged at  
496 the rate established by the Commission under 83 Ill. Adm. Code  
497 280.70(e)(1) from the date at which the over or under recovery was  
498 improperly flowed through the AAF to the date of the Commission  
499 decision that a Factor O was warranted. The Commission may determine  
500 that it is appropriate to amortize the additional over or under recovery over  
501 a defined time period with interest.

502 **Calculation of the CDU Factor for the CPP-H Auction**

503 Q. Please explain the basis for your recommendation that the mechanism to  
504 calculate the CDU Factor for the CPP-H Auction be depicted by formula.

505 A. The tariff language setting forth the CDU Factor for the CPP-H Auction should be  
506 depicted by formula rather than a narrative paragraph. A formula better depicts  
507 the operation of a rate mechanism and provides clarification as to the derivation  
508 of the rate.

509 Q. Please explain the basis for your recommendation to delete the following  
510 language from the Company proposed tariff language that modifies the cost of  
511 procurement supply:

512 including without limitation, costs due to differences in the actual and  
513 forecast aggregate line losses and in other charges imposed by PJM  
514 pursuant to tariffs on file with the FERC, during the previous calendar year

515 A. I propose that the language concerning the differences in the actual and forecast  
516 aggregate line losses to be deleted because it does not represent a cost

517 recorded on the Company's books. The calculation of the Company's cost for  
518 providing retail customers full requirements electric supply will not be modified for  
519 the differences in the actual and forecast line losses. The rate being established  
520 should be designed to recover the cost of full requirements electric supply – "no  
521 more and no less".

522 The Company explained in its response to Staff data request AD 2.13(c) that  
523 these costs

524 "are not costs in an accounting sense (i.e., they will not be specifically recorded  
525 in the Company's financial records)...Thus, through this phrase, ComEd was  
526 merely attempting to identify one of the major reasons for the need to balance  
527 the costs and billings to such customers, which may not be obvious given the  
528 nature of the service and charges."

529 I propose the deletion of language referring to charges imposed by PJM pursuant  
530 to tariffs on file with the FERC incurred by the Company because the cost should  
531 be included in the expense recorded on the Company's books. Thus, there  
532 should be no reason to adjust the cost recorded on the Company's books for  
533 charges imposed by PJM pursuant to tariffs on file with FERC. The Company  
534 explained in its response to Staff data request AD 2.13(d) that "... Such costs will  
535 be recorded in the Company's financial records."

536 Q. Please explain the basis for your proposal that your recommendations regarding  
537 the calculation of the CDU Factor for the CPP Auction – Blended Segment and  
538 the CPP Auction – Annual Segment also apply to the CDU Factor for the CPP-H  
539 Auction.

540 A. I recommend that the following recommendations that I have discussed earlier in  
541 this testimony regarding the calculation of the CDU Factor for the other two  
542 auctions are also applicable to the CPP-H Auction for the same reasons  
543 previously stated in this testimony:

- 544 1. The total cost incurred by the company to derive such retail customers  
545 full requirements electric supply should be represented by the cost for  
546 such supply expensed on ComEd's books during the determination  
547 month;  
548
- 549 2. The sum of the monthly billings for the provision of full requirements  
550 electric supply to such retail customers should include amounts billed in  
551 association with previously applied CDU Factors;  
552
- 553 3. The denominator to derive the CDU Factor should be defined as the  
554 "Forecasted Customer Usage in kWh for the Effective Month";  
555
- 556 4. There should be an Automatic Balancing Factor ("AB Factor") in the  
557 Company's proposed formula that represents the cumulative actual  
558 amount of over/under recovery;  
559
- 560 5. The AB Factor in the Company's proposed formula should be included  
561 in the numerator that compares the cost of with the customer billings;  
562
- 563 6. The calculation of the AB Factor should include a provision for interest;  
564 and  
565
- 566 7. Language should be added to the Company proposed tariff that  
567 provides for a Commission ordered reconciliation factor to refund or  
568 recover amounts ordered by the Commission.

569 Q. Please explain the basis for your recommendation that the tariff language be  
570 modified to clarify how the January actual balances will be trued up.

571 A. The Company's proposed tariff language on Original Sheet No. 292 needs to be  
572 clarified with respect to how the actual January revenues and costs will be trued-  
573 up since the actual January balances will not be known until the first part of

574 February after the January books are closed and the annual filing would be  
575 submitted three (3) business days prior to February 1<sup>st</sup>.

576 Q. Please summarize your proposed language changes for the formula to derive  
577 the CDU Factor for the CPP-H Auction.

578 A. My proposed changes to the paragraph in Original Sheet No. 292 that pertain to  
579 the calculation of the CDU Factor for the CPP-H Auction appear below. It must  
580 be noted that the reference to the CDU Factor in the other two auctions  
581 assumes that that CDU Factor has been modified in a manner consistent with  
582 my recommendations in this testimony as noted above.

583 For retail customers for which the Company is procuring full requirements  
584 electric supply in accordance with the CPP-H Auction subsection of the  
585 General Process section of the Competitive Procurement Process part of  
586 this tariff, the CDU Factor will be calculated in the same manner as  
587 defined for the CPP-Blended and CPP-Annual Segment a separate CDU,  
588 in ¢/kWh rounded to the nearest thousandths of a cent, is determined  
589 annually and applied as a credit or charge, as applicable, to kWhs  
590 provided to such retail customers beginning with the February 2008  
591 monthly billing period. Such CDU is based on the difference, if any,  
592 between (1) the total cost incurred by the Company to provide such retail  
593 customers full requirements electric supply, including without limitation,  
594 costs due to differences in the actual and  
595 forecast aggregate line losses and in other charges imposed by PJM  
596 pursuant to tariffs on file with the FERC, during the previous calendar  
597 year, excluding any amounts recoverable through Rider TS-CPP; and (2)  
598 the sum of the monthly billings for the provision of full requirements  
599 electric supply to such retail  
600 customers during the previous calendar year. Any amounts not recovered  
601 or refunded during any consecutive twelve (12) monthly billing periods,  
602 extending from the beginning of the February monthly billing period  
603 through the end of the following January monthly billing period will be  
604 reflected in the subsequent consecutive twelve (12) monthly billing  
605 periods.

606

607 **Calculation of the Contingency Factor**

608 Q. Please explain your recommendations to change the Company's proposed  
609 Contingency Factor.

610 A. The CF is a component of the AAM that calculates the appropriate charge to be  
611 included in the event that the provisions of the Limitations and Contingencies of  
612 the Company's proposed Rider CPP are employed. The Company's proposal for  
613 calculating CF is set forth in its proposed Rider CPP, Original Sheet Nos. 293-  
614 294.

615 The following are my four recommended changes:

- 616 1. The term  $MWAP_{m-2} \times WE_{m-2}$  in the numerator of the Company's  
617 proposed formula should be changed to represent the cost for  
618 procurement supply expensed on ComEd's books during the  
619 determination month;  
620
- 621 2. The denominator in the Company's proposed formula for CF should be  
622 deleted and replaced with "Forecasted Customer Usage in kWh for the  
623 Effective Month";  
624
- 625 4. The Contingency Factor Adjustment ("CFA") in the Company's  
626 proposed formula should be modified to represent the actual amount of  
627 over/under recovery and not a cents/kWh;  
628
- 629 5. The CFA term in the Company's proposed formula should be included  
630 in the numerator that calculates the CF; and  
631
- 632 6. The CFA term should include a provision for interest.

633 Q. Please explain the basis for your recommendation that the term  $MWAP_{m-2} \times$   
634  $WE_{m-2}$  in the Company's proposed tariff on Original Sheet No. 293 be changed to  
635 represent the cost for procurement supply expensed on ComEd's books during  
636 the determination month.  
637

638 A. The term  $MWAP_{m-2} \times WE_{m-2}$  in the formula to derive the CF term should be  
639 defined as follows:

640 C = Cost expensed for procurement of power supply during the  
641 determination month through the auction process.

642 The rationale for this recommendation is the same as set forth in the previous  
643 sections of my testimony wherein I made this proposal for the CDU Factor.

644 Q. Please explain the basis for your recommendation that the denominator of the CF  
645 should represent "Forecasted Customer Usage in kWh for the Effective Month".

646 A. The rationale for this recommendation is the same as set forth in the previous  
647 sections of my testimony wherein I made this proposal for the CDU Factor.

648 The denominator of the formula to derive CF should be:

649 U = Forecasted Customer Usage in kWh for the Effective Month

650 Q. Please explain the basis for your recommendation that the CFA in the  
651 Company's proposed formula be modified to represent the actual amount of  
652 over/under recovery and not a cents/kWh.

653 A. The term CFA in the formula to derive CF should be changed as follows:

654 CFA = Contingency Factor Adjustment, in \$, the cumulative balance (debit  
655 or credit) resulting from the application of the CF during an effective  
656 month ending prior to the filing month.

657 The rationale for this recommendation is the same as set forth in the previous  
658 sections of my testimony wherein I made this proposal for the AB Factor.

659 Q. Please explain the basis for your recommendation that the CFA should be  
 660 included in the numerator of the formula used to calculate the CF.

661 A. The CFA, representing the actual cumulative over/under recovery, should be  
 662 included in the numerator that compares the cost of procurement supply with the  
 663 Total Procurement Costs to simplify the formula and provide clarification.

664 Q. Please explain the basis for your recommendation that the CFA should include a  
 665 provision for interest.

666 A. The CF formula should include a provision for interest. The interest rate that I  
 667 recommend is the rate established by the Commission each year under 83 Ill.  
 668 Adm. Code 280.70(e)(1). The rationale for this recommendation is the same as  
 669 set forth in the previous sections of my testimony wherein I made this proposal  
 670 for the AB Factor.

671 Q. Please summarize your proposed language changes for the formula to derive  
 672 the value for the CF term.

673 A. The changes to the Company's proposed tariff language on Original Sheet Nos.  
 674 293 and 294 follow:

675 **CONTINGENCY FACTOR.**

676  
 677 The purpose of the Contingency Factor (CF) is to determine appropriate charges to be  
 678 included in the AAF in the event that the provisions of the Limitations and Contingencies  
 679 part of this rider are employed. For each of the CPP Auction - Blended Segment and  
 680 CPP Auction - Annual Segment, a separate CF is determined for each monthly billing  
 681 period, as applicable, in accordance with the following equation:

682  
 683 
$$CF_{mb} = \frac{TPC_{m-2} - C(MWAP_{m-2} \times WE_{m-2}) + DC + CFA}{\left[ \frac{U-E_{m-2} \times \text{AVG} [E_{m-12}, E_{m-24}, E_{m-36}, E_{m-48}, E_{m-60}]}{1,000 \text{ kWh}} \right] \times \left[ \frac{1 \text{ MWh}}{1,000 \text{ kWh}} \right] \times \left[ \frac{100\%}{\$1} \right]} + CFA$$

684  
 685  
 686  
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688 ~~\_\_\_\_\_~~ ~~AVG [E<sub>m-14</sub>, E<sub>m-26</sub>, E<sub>m-38</sub>, E<sub>m-50</sub>, E<sub>m-62</sub>]~~  
689

690  
691 Where:

692 CF<sub>mb</sub> = Contingency Factor, in ¢/kWh rounded to the thousandths of a cent, applied  
693 as a credit or charge in the effective month ~~monthly billing period, mb~~, to  
694 kWhs provided to retail customers included in the applicable customer supply  
695 groups in the effective month ~~monthly billing period, mb~~, for which full  
696 requirements electric supply is procured by the Company in accordance with  
697 the provisions of the Limitations and Contingencies part of this rider.  
698

699 TPC<sub>m-2</sub> = Total Procurement Costs, in \$, incurred by the Company to procure full  
700 requirements electric supply provided to retail customers included in the  
701 applicable customer supply groups in accordance with the provisions of the  
702 Competitive Procurement Process part and the Limitations and  
703 Contingencies part of this rider in the determination ~~calendar-month occurring~~  
704 ~~two (2) months prior to monthly billing period, mb~~.  
705

706 DC = All compensation, in \$, received or paid by the Company in accordance with  
707 the terms of any SFC terminated in accordance with the provisions of the  
708 Limitations and Contingencies part of this rider; such compensation is  
709 negative or positive to reflect compensation received or paid by the  
710 Company, respectively; such compensation is amortized over what would  
711 have been the remaining term of such SFC had there been no event of  
712 default, to the extent practical, and such compensation is adjusted for  
713 interest, at the same rates used pursuant to the settlement terms of such  
714 SFC; such compensation does not include amounts awarded to the  
715 Company for administrative and legal costs incurred by the Company as a  
716 result of any such event of default.  
717

718 CFA<sub>mb</sub> = Contingency Factor Adjustment, ~~in cents/kWh~~ \$, the cumulative balance  
719 (debit or credit) resulting from the application of the CF during an effective  
720 month ending prior to the filing month with an associated carrying charge  
721 established by the Commission under 83 Ill. Adm. Code 280.70(e)(1) and in  
722 effect when the CF will be billed. ~~¢/kWh rounded to the thousandths of a~~  
723 ~~cent, based upon the actual over or under recoveries of amounts associated~~  
724 ~~with CFs previously applied in monthly billing periods occurring prior to two~~  
725 ~~(2) months before the monthly billing period, mb. The Contingency Factor~~  
726 ~~Adjustment is a credit or a charge depending upon whether there were over~~  
727 ~~or under recoveries, respectively.~~  
728

729 For retail customers for which the Company is procuring full requirements electric  
730 supply in accordance with the CPP-H Auction subsection of the General Process  
731 section of the Competitive Procurement Process part of this tariff, a separate CF, in  
732 ¢/kWh rounded to the nearest thousandths of a cent, is determined annually and  
733 applied as a credit or charge, as applicable, to kWhs provided to such retail customers

734 beginning with the February 2008 monthly billing period. Such CF is based on the  
735 compensation, in \$, received or paid by the Company in accordance with the terms of  
736 any applicable SFC terminated in accordance with the provisions of the Limitations and  
737 Contingencies part of this rider. Such compensation is adjusted for interest, at the same  
738 rates used pursuant to the settlement terms of such SFC. Such compensation does not  
739 include amounts awarded to the Company for administrative and legal costs incurred by  
740 the Company as a result of any such event of default.

741 **Comments**

742 Q. Do you have any comments?

743 A. Yes. The Case Manager received ComEd's response to Staff Data Request AD  
744 2.01 in the late morning of June 8<sup>th</sup>, the date that Staff and Intervener testimony is  
745 to be filed. I have not had the opportunity to review the response and reserve the  
746 right to address any possible issue raised as a result of ComEd's response to data  
747 request AD 2.01 in supplemental direct or rebuttal testimony.

748 **Recommendations**

749 Q. What recommendations are you proposing to the Commission?

750 A. I recommend that the Commission find that

- 751 • Tariff language introducing the AAM and the CDU Factor should be modified  
752 as follows:  
753
- 754 1. The phrase in the Company's proposed tariff that is used to represent  
755 costs, "payments that the Company makes," should be changed to  
756 "expenses incurred by the Company";  
757
  - 758 2. The term in the Company's proposed tariff that is used to represent the  
759 process that compares costs incurred with amounts billed, "balanced,"  
760 should be changed to "equal";  
761
  - 762 3. Language used in the Company's proposed tariff that adjusts the  
763 balance representing the amounts billed to customers should be  
764 deleted;

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4. Language should be added to the Company proposed tariff language that clarifies the purpose of the AAM;
  5. Language should be added that gives the Manager of Accounting of the Accounting Department of the Illinois Commerce Commission authority to determine the revenue and cost accounts that are to be included as components of the CPP Rate; and
  6. Language should be added to the Company proposed tariff that defines the determination month, filing month, and effective month.
- The Company's proposed formula to calculate the CDU Factor for the CPP Auction Blended Segment and the CPP Auction-Annual Segment should be modified as follows:
    1. The term  $MWAP_{m-2} \times WE_{m-2}$  in the Company's proposed formula to derive the CDU Factor should be changed to represent the cost for procurement supply expensed on ComEd's books during the determination month;
    2. The term,  $Billings_{m-2}$ , in the Company's proposed formula to derive the CDU Factor should be changed to include amounts billed in association with previously applied CDU Factors;
    3. The denominator in the Company's proposed formula to derive the CDU Factor should represent "Forecasted Customer Usage in kWh for the Effective Month";
    4. The AB Factor in the Company's proposed formula should be modified to represent the actual amount of over/under recovery and not a cents/kWh;
    5. The AB Factor in the Company's proposed formula should be included in the numerator that compares the cost of procurement supply with the customer billings;
    6. The calculation of the AB Factor should include a provision for interest; and
    7. Language should be added to the Company proposed tariff that provides for a Commission ordered reconciliation factor to refund or recover amounts ordered by the Commission.

- 811 • Modify the calculation of the CDU Factor for the CPP-H Auction as follows:  
812  
813 1. The mechanism should be depicted by formula;  
814  
815 2. The Company proposed tariff language modifying the cost of  
816 procurement supply, “including without limitation, costs due to  
817 differences in the actual and forecast aggregate line losses and in other  
818 charges imposed by PJM pursuant to tariffs on file with the FERC,  
819 during the previous calendar year,” should be deleted;  
820  
821 3. The Company proposed tariff language setting forth the formula to  
822 calculate the CDU Factor for the CPP-H Auction should be modified in  
823 accordance with the recommendations that I made regarding the CDU  
824 Factor for the CPP Auction – Blended Segment and the CPP Auction –  
825 Annual Segment; and  
826  
827 4. Language should be added to the Company proposed tariff that  
828 clarifies how the January actual balances will be trued up since the  
829 January actual balances will not yet be known when the annual filing is  
830 submitted.  
831
- 832 • Modify the calculation for the Contingency Factor (CF) as follows:  
833  
834 1. The term  $MWAP_{m-2} \times WE_{m-2}$  in the numerator of the Company’s  
835 proposed formula should be changed to represent the cost for  
836 procurement supply expensed on ComEd’s books during the  
837 determination month;  
838  
839 2. The denominator in the Company’s proposed formula for CF should be  
840 deleted and replaced with the “Forecasted Customer Usage in kWh for  
841 the Effective Month”;  
842  
843 4. The Contingency Factor Adjustment (CFA) in the Company’s proposed  
844 formula should be modified to represent the actual amount of  
845 over/under recovery and not a cents/kWh;  
846  
847 5. The CFA term in the Company’s proposed formula should be included  
848 in the numerator that calculates the CF; and  
849  
850 6. The CFA term should include a provision for interest.

851 **Conclusion**

852 Q. Does this question end your prepared direct testimony?

853 A. Yes.

**Commonwealth Edison Company's Response to  
Staff's (AD) Data Requests 2.01 Through 2.13  
Dated: May 20, 2005**

**REQUEST NO. AD 2.08:**

Referring to the term "Billings<sub>m-2</sub>" on Original Sheet No. 292 in the formula to derive the Customer Demand and Usage Factor (CDU) "Billings<sub>m-2</sub>" is defined to represent:

"All billings, in \$, for the provision of full requirements electric supply applied in accordance with the CPP by the Company to retail customers in the applicable customer supply groups in the calendar month occurring two (2) months prior to monthly billing period, mb. Such billings do not include amounts billed in association with previously applied CDUs."

Provide a response to the following:

- a) Does the term "Billings<sub>m-2</sub>" represent revenues recorded for the second prior month in the Company's financial records? If yes, indicate the account numbers and account descriptions represented by the term "Billings<sub>m-2</sub>"? If no, indicate what the term "Billings<sub>m-2</sub>" represents?
- b) How will amounts billed in association with previously applied CDUs be determined and not be included in Billings<sub>m-2</sub>? Will billed revenues attributable to CDUs be recorded in a subaccount separate from revenues attributable to the translated rates?

**RESPONSE:**

- a) No, the term Billings<sub>m-2</sub> does not represent revenues. As noted in its definition on Original Sheet No. 292 in Rider CPP, the term Billings<sub>m-2</sub> represents applicable billings for the provision of full requirements electric supply applied in accordance with the competitive procurement process (CPP) for the calendar month occurring two months prior to the monthly billing period for which the CDU is being computed. For example, for a CDU that is to be applied in the October monthly billing period, Billings<sub>m-2</sub> represents the amounts billed to applicable retail customers for full requirements electric supply obtained in accordance with the CPP in the month of August. Such billings will be recorded in the Company's financial records. However, there is no record of such billings at the present time because such amounts are not specifically identified, computed or billed at the present time under the Company's current rate structure. Prior to the effective date of the new rate structure, the Company's Controller's Department will review the ledger and determine the appropriate accounts and descriptions to be used to record such billings. Either new accounts will be added or certain code block elements will be added to current accounts to ensure that applicable amounts are properly identified.

- b) Amounts billed in association with previously applied CDUs will not be included in Billings<sub>m-2</sub> as noted on Original Sheet No. 292 of Rider CPP. Such amounts will be tracked separately in the Company's financial records. The specific tracking method has not yet been determined, but either through the general ledger or other sub ledger, the amounts will be separately identifiable.

Witness who can testify subject to appropriate, in-scope cross examination: Lawrence S. Alongi & Paul R. Crumrine

**Commonwealth Edison Company's Response to  
Staff's (AD) Data Requests 2.01 Through 2.13  
Dated: May 20, 2005**

**REQUEST NO. AD 2.13:**

Referring to the paragraph on Original Sheet No 292 that addresses the derivation of the CDU associated with the CPP-H Auction;

- a) Provide a formula depicting the calculation of the CDU.
- b) How will "the total cost incurred by the Company to provide such retail customers full requirements electric supply" be determined? Will it represent an amount expensed on the company's financial books and records? If yes, identify the account number and description. If no, indicate what it will represent.
- c) Explain what is meant by the total cost, "including without limitation, costs due to differences in the actual and forecast aggregate line losses".
- d) Explain what is meant by the total cost, "including without limitation, ... other charges imposed by PJM pursuant to tariffs on file with the FERC...". In what account would the charges imposed by PJM be recorded in the financial books and records of the Company?
- e) Explain what is meant by "excluding any amounts recoverable through Rider TS-CPP". How will amounts recoverable through Rider TS-CPP be determined?
- f) How will "the sum of the monthly billings for the provision of full requirements electric supply to such retail customers during the previous calendar year" be determined? Will it represent an amount recorded as revenue on the company's financial books and records? If yes, identify the account number and description. If no, indicate what it will represent.

**RESPONSE:**

- a) Although not expressed in mathematical terms, the paragraph of Rider CPP referenced in this question reflects a simple formula:

Such CDU is based on the difference, if any, between (1) the total cost incurred by the Company to provide such retail customers full requirements electric supply, including without limitation, costs due to differences in the actual and forecast aggregate line losses and in other charges imposed by PJM pursuant to tariffs on file with the FERC, during

the previous calendar year, excluding any amounts recoverable through Rider TS-CPP;  
and (2) the sum of the monthly billings for the provision of full requirements electric supply to such retail customers during the previous calendar year.

- b) The “total cost incurred by the Company to provide such retail customers full requirements electric supply” will be determined by the payments made to CPP-H Auction suppliers and PJM. Such costs will be recorded in the Company's financial records. Prior to the effective date of the new rate structure, the Controller’s Department will review the ledger and determine the appropriate accounts and descriptions to be used to record such costs. Either new accounts will be added or certain code block elements will be added to current accounts to ensure that applicable amounts are properly identified. ComEd intends to work with the Staff Accounting Department to address such matters after the completion of the instant proceeding.
- c) “Costs due to differences in the actual and forecast aggregate line losses” are not costs in an accounting sense (i.e., they will not will be specifically recorded in the Company's financial records). Rather, as the phrase attempts to explain, there is the possibility that the forecasted line losses used in the Rider CPP translation mechanism will not exactly match the actual line losses used in determining the amount of CPP-H Supply under the Supplier Forward Contract. This is due to the fact that, generally speaking, if a relatively small number of eligible customers were to have their load supplied through the CPP-H Auction (if conducted), the resulting line losses of such customers used to determine CPP-H Supply may deviate from the forecasted average line losses used in the Rider CPP translation mechanism. In actuality, the impact of such deviations will be reflected in the difference between “the total cost incurred by the Company to provide such retail customers full requirements electric supply” and “the sum of the monthly billings for the provision of full requirements electric supply.” Thus, through this phrase, ComEd was merely attempting to identify one of the major reasons for the need to balance the costs and billings to such customers, which may not be obvious given the nature of the service and charges.
- d) The “charges imposed by PJM pursuant to tariffs on file with the FERC” are those FERC-approved charges or credits applicable to market participants per PJM Agreements and business rules that appear on ComEd’s monthly PJM Statement and for which ComEd is responsible per the terms and conditions of the Supplier Forward Contracts. Such costs will be recorded in the Company's financial records. Prior to the effective date of the new rate structure, the Controller’s Department will review the ledger and determine the appropriate accounts and descriptions to be used to record such costs. Either new accounts will be added or certain code block elements will be added to current accounts to ensure that applicable amounts are properly identified. ComEd intends to work with the Staff Accounting Department to address such matters after the completion of the instant proceeding.
- e) The phrase “excluding any amounts recoverable through Rider TS-CPP” was included to make absolutely clear that there would be no double recovery of PJM charges between the CDU calculated for retail customers for which ComEd is procuring full requirements electric supply in accordance with the CPP-H Auction subsection of the General Process section of

the Competitive Procurement Process part of the proposed Rider CPP – Competitive Procurement Process.

The amount recoverable through Rider TS-CPP is ultimately the cost for providing transmission services, including ancillary transmission services, as described in the Purpose section of the tariff. See ComEd Ex. 7.3 at Original Sheet No. 299. Such costs are recoverable through the Transmission Services Charges, or TSC(s), determined through the algorithm set forth in the rider.

- f) The “sum of the monthly billings for the provision of full requirements electric supply to such retail customers during the previous calendar year” will be determined just as the phrase describes (i.e., by summing the applicable monthly billings for the provision of full requirements electric supply in accordance with the CPP-H Auction during the previous calendar year).

The quoted phrase from the proposed tariff does not represent revenues. Rather it represents applicable billings for the provision of full requirements electric supply applied in accordance with the CPP-H Auction for the previous calendar year for which the CDU is being computed.

Further answering, such billings will be recorded in the Company's financial records. However, there is no record of such billings at the present time because such amounts are not specifically identified, computed or billed under the Company's current rate structure. Prior to the effective date of the new rate structure, the Controller's Department will review the ledger and determine the appropriate accounts and descriptions to be used to record such billings. Either new accounts will be added or certain code block elements will be added to current accounts to ensure that applicable amounts are properly identified. ComEd intends to work with the Staff Accounting Department to address such matters after the completion of the instant proceeding.

Witness who can testify subject to appropriate, in-scope cross examination: Paul R. Crumrine and Lawrence S. Alongi