

DIRECT TESTIMONY

OF

THOMAS L. GRIFFIN

ACCOUNTING DEPARTMENT

FINANCIAL ANALYSIS DIVISION

ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY
DOCKET No. 05-0597

PROPOSED INCREASE IN ELECTRIC DISTRIBUTION RATES

DECEMBER 23, 2005

1 **Witness Identification**

2 **Q. Please state your name and business address.**

3 A. My name is Thomas L. Griffin. My business address is 160 North LaSalle
4 St. Chicago, Illinois 60601.

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

6 A. I am an Accountant in the Accounting Department of the Financial
7 Analysis Division of the Illinois Commerce Commission ("Commission").

8 **Q. Please describe your qualifications.**

9 A. For sixteen years prior to my employment with the Commission, I served
10 private industry in various capacities, ranging from Staff Accounting
11 positions to Manager of Accounting and encompassing all areas of
12 accounting and internal auditing. Since joining the Commission's
13 Accounting Department in 1978 I have participated in or supervised the
14 accounting activity in cases involving gas, electric, telephone and water
15 utilities as well as cases involving companies in the transportation
16 industry. On behalf of the Commission and the US Government I have
17 prepared training material and taught Utility Accounting and other Utility
18 Regulation issues in the Republic of Kazakhstan. I have also made
19 presentations on Utility Regulation Issues to delegates from the nations of
20 Egypt, Brazil and Romania.

21 I have a degree in Business Administration with a concentration in
22 Accounting from Governors State University and a degree in Advanced
23 Accounting from International Accountants.

24 **Q. Have you previously offered expert testimony?**

25 A. Yes, I have testified in numerous cases before the Illinois Commerce
26 Commission. I have also testified as an expert accounting witness before
27 the Circuit Courts in Rock Island, Illinois and Chicago, Illinois.

28 **Purpose of Testimony**

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

30 A. The purpose of my testimony is to recommend adjustments, if any, to
31 Commonwealth Edison Company's ("Company" or the "ComEd")
32 proposed Rate Base and Operating Income and to make other
33 recommendations regarding the Company's accounting practices.

34 **Schedule Identification**

35 **Q. Are you sponsoring any schedules to support your direct testimony?**

36 A. Yes, I am sponsoring the following schedules:

37 Schedule 3.1 – Effect of Company Witness Hill's December 14 Errata
38 Adjustments to Construction Work in Progress

39 Schedule 3.2 - Effect of Company Witness Hill's December 14 Errata
40 Adjustments to Additions to Plant-in-Service

41 Schedule 3.3 – Eliminate Duplicate Capital Projects in Rate Base

42 Schedule 3.4 – Correct ComEd Schedule B-2.1 per Workpapers

43

44

45

46

47

48

49

50

51 **Adjustments to Utility Plant and CWIP**

52 **Q. Please explain Schedule 3.1, Effect of Company Witness Hill's**
53 **December 14 Errata Adjustments to Construction Work in Progress.**

54 A. Schedule 3.1 incorporates the errata adjustments filed by the Company on
55 December 14th to reduce the balance of Construction Work in Process
56 ("CWIP") for:

57 1) Projects that should have been included in additions to plant in
58 service to be closed in 2005;

59 2) Projects that have a 2006 in-service date and, thus, do not meet
60 the requirements for CWIP in rate base; and

61 3) Projects included in CWIP that are to be cancelled in 2005.

62 **Q. Please explain Schedule 3.2, Effect of Company Witness Hill's**
63 **December 14 Errata Adjustments to Additions to Plant-in-Service.**

64 A. Schedule 3.2 adds the projects that were improperly included in CWIP that
65 should have been included as Plant-in-Service.

66 **Q. Please describe how you calculated the adjustment to Deferred**
67 **Income Taxes.**

68 A. For this adjustment and other adjustments I made to Deferred Income
69 Taxes, I took a ratio of Accumulated Deferred Income Taxes to 2005 plant
70 additions shown on Company Schedule B-2 and applied that ratio (.0063)
71 to the amount of my plant adjustments. If the Company would like to
72 suggest a more precise adjustment to Accumulated Deferred Income
73 Taxes for my adjustments in their Rebuttal Testimony, I will consider them

74 **Q. Please explain Schedule 3.03, Eliminate Duplicate Capital Projects in**
75 **Rate Base.**

76 A. Schedule 3.3 removes the cost of projects that have been included twice
77 in the Company's rate base. In particular, the projects that are included in
78 CWIP are also included in the total pro forma additions to plant in service.
79 Thus, my adjustment removes the double counting.

80 **Q. Why would a utility include CWIP in rate base?**

81 A. A utility is allowed to be compensated for the time value of money incurred
82 during the construction of a project. There are two methodologies that a
83 utility can use in order to recover such compensation. One method is to
84 add an adjustment for funds used during construction (“AFUDC”) while the
85 project is developing and before it is placed into Plant in Service. The
86 other method is to allow the current construction costs for projects not yet
87 completed into rate base as CWIP. In Illinois, the AFUDC method is used.
88 However, the Commission may include in the rate base an amount for
89 CWIP for investments which are scheduled to be placed in service within
90 12 months of the date of a rate determination. For those no AFUDC is
91 accumulated.

92 **Q. Please explain Schedule 3.4, Correct ComEd Schedule B-2.1 per**
93 **Workpapers.**

94 A. Schedule 3.4 presents my adjustment to correct the plant balance to
95 agree with the Company’s workpapers supporting its Schedule B-2.1. The
96 plant balances represented on ComEd WPB2.1a and WPB2.1b total
97 \$2.063 million less than the balance reflected in the Company’s proposed
98 rate base.

99

100

101

102

103

104

105

106

107

108

109

110

111

112

113

114

115

116

117

118

119

120

121

122

123

124

125

126

127

128

129

130

131

132

133

134

135

136

137

138

139

140

141

142

143

144

145

146

147

148

149

150

151

152

153

154

155

156

157

158

159

160

161

162

163

164

165

166

167

168

169

170

171

172

173

174

175

176

177

178

179

180

181

182

183

184

185

186

187

188

189

190

191

192

193

194

195

196

197

198

199

200

201

202

203

204

205

206

207

208

209

210

211

212

213

214

215

216

217

218

219

220

221

222

223

224

225

226

227

228

229

230

231 **Summary**

232 **Q. Please summarize your recommendations.**

233 A. I recommend that:

234 1) The Company's adjustments to CWIP and Plant-in-Service and the
235 corresponding adjustments to Accumulated Depreciation, Deferred
236 Income Taxes and Depreciation Expense as supported by
237 Company witness Hill's December 14 Errata be adopted by the
238 Commission;

239 2) The Plant-in-Service be adjusted to eliminated projects which are
240 duplicated in the CWIP balance and that the corresponding
241 adjustments to Accumulated Depreciation, Deferred Income Taxes
242 and Depreciation Expense also be made; and

243 3) The adjustments made to the Company's Plant-in-Service,
244 Accumulated Depreciation, Deferred Income Taxes and
245 Depreciation Expense which are supported by the Company's
246 workpapers WPB2.1a and WPB2.1b be made.

247

248

249

250

251

252 **Q. Does this conclude your Direct Testimony?**

253 **A. Yes.**

Commonwealth Edison Company
Effect of Company Witness Hill's December 14 Errata Adjustments to
Construction Work In Progress

For the Test Year Ending December 31, 2004
(In Thousands)

Line No.	Description	Amount
	(a)	(b)
1	CWIP per Company	\$ 62,004 (1)
2	Gross Utility Plant per Staff	<u>53,449</u> (2)
3	Proposed Adjustment	<u>\$ (8,555)</u>

Note:

- 4 (1) Company Schedule B-1, Line 9
(2) Company Errata Schedule B-7, Line 7.

Commonwealth Edison Company
Effect of Company Witness Hill's December 14 Errata Adjustments to
Additions to Plant in Service

For the Test Year Ending December 31, 2004
 (In Thousands)

Line No.	Description	Amount	
	(a)	(b)	
1	Gross Utility Plant per Company	\$ 567,891	Co. Sch B-2
2	Gross Utility Plant per Staff	<u>575,159</u>	(1)
3	Proposed Adjustment	<u><u>\$ 7,268</u></u>	
4	Corresponding Adjustments:		
5	Accumulated Depreciation	\$ (90)	(2)
6	Accum. Deferred Income Tax	\$ (46)	(3)
7	Depreciation Expense	\$ 180	(4)

Note:

- (1) Company Errata Schedule B-1, col. (B), line 4.
- (2) Line 3 x composit depreciation rate, .0247 divided by 2
- (3) Line 3 x 0063 (see ICC Staff Exh 3.0 pg 4)
- (4) Line 3 x composit depreciation rate, .0247

Commonwealth Edison Company
Eliminate Duplicate Capital Projects in Rate Base

For the Test Year Ending December 31, 2004
(In Thousands)

Line No.	Description	Amount	
	(a)	(b)	
1	Gross Utility Plant after Eratta	\$ 575,159	Sch. 3.2 ln 2
2	Gross Utility Plant per Staff	<u>521,710</u>	
3	Proposed Adjustment	<u>\$ (53,449)</u>	
4	Corresponding Adjustments:		
5	Accumulated Depreciation	\$ 660	(1)
6	Accum. Deferred Income Tax	\$ 337	(2)
7	Depreciation Expense	\$ 1,320	(3)

Note:

(1) Line 3 x composit depreciation rate, .0247 divided by 2

(2) Line 3 x 0063 (see ICC Staff Exh 3.0 pg 4)

(3) Line 3 x composit depreciation rate, .0247

Commonwealth Edison Company
 Correct ComEd Schedule B-2.1 per Workpapers

For the Test Year Ending December 31, 2004
 (In Thousands)

Line No.	Description (a)	Amount (b)	
1	Gross Utility Plant after Eratta	\$ 567,891	Co. Sch B2
2	Gross Utility Plant per Staff	<u>565,828</u>	Pg 2
3	Proposed Adjustment	<u>\$ (2,063)</u>	
4	Corresponding Adjustments:		
5	Accumulated Depreciation	\$ 25	(1)
6	Accum. Deferred Income Tax	\$ 13	(2)
7	Depreciation Expense	\$ (51)	(3)

Note:

(1) Line 3 x composit depreciation rate, .0247 divided by 2

(2) Line 3 x 0063 (see ICC Staff Exh 3.0 pg 4)

(3) Line 3 x composit depreciation rate, .0247

Commonwealth Edison Company
Correct ComEd Schedule B-2.1 per Workpapers
For the Test Year 2004
(In Thousands)

Line No.	Staff	Source
	Proposed Rate Base	
	(a)	(b)
1	\$529,712,112	WPB-2.1a, P1, (D), L11
2	12,961,373	WPB-2.1b, P2, (U), L25
3	12,891,333	WPB-2.1b, P3, (T), L29
4	5,714,834	WPB-2.1b, P4, (T), L40
5	4,922,542	WPB-2.1b, P6, (S), L29
6	(374,186)	WPB-2.1b, P6, (F), L33
7		
8		
9		
10		
11		
12		
13		
14		
15		
16 Total	<u>\$565,828,008</u>	