

Direct Testimony

of

Steven R. Knepler

Accounting Department

Financial Analysis Division

Illinois Commerce Commission

Commonwealth Edison Company

**Petition for Approval Pursuant to Section 7-102 of the Public
Utilities Act of the Entry into Certain Contracts Relating to Wind
Generation and Approval Under Section 9-201 of a Tariff
Concerning the Governor's Sustainable Energy Plan and the
Illinois Commerce Commission's Resolution in Docket No. 05-0437**

Docket No. 06-0270

July 7, 2006

Table of Contents

Witness Identification	1
Legal Basis for Testimony	2
Consistency With Rider CPP.....	2
Recommendation for Annual Docket Reconciliation Proceedings.....	4
Monthly Billing of RPS Factor.....	6
Schedules / Attachments.....	8
Prudence Review	8
Recoverable RPS Costs.....	9
Update Provision	12
Summary of Recommendations	13
Conclusion	14

1 **WITNESS IDENTIFICATION**

2 Q. Please state your name and business address.

3 A. My name is Steven R. Knepler. 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 a Supervisor in the Accounting Department of the
7 Financial Analysis Division, Illinois Commerce Commission (“ICC” or
8 “Commission”).

9 Q. Please describe your background and professional affiliations.

10 A. I hold a Bachelor of Science Degree in Accounting from Illinois State University.
11 I am a Certified Public Accountant, licensed to practice in the State of Illinois. I
12 joined the Commission’s staff (“Staff”) in January 1982. Prior to joining Staff, I
13 was employed as an auditor for other State agencies.

14 Q. Have you previously testified before any regulatory body?

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

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

17 A. The purpose of my testimony is to address the consistency of Rider CPP as
18 approved by the Commission in Docket No. 05-0159 with Commonwealth Edison
19 Company's (ComEd or Company) proposed Rider RPS in the instant docket, the
20 monthly billing of the RPS Factor, and language changes to Rider RPS that
21 reflect my recommendations.

22 **LEGAL BASIS FOR TESTIMONY**

23 Q. Under what circumstances or assumptions did you make in preparing your
24 testimony?

25 A. My testimony was drafted under the assumption, based on the letter from the
26 Governor¹ and the resolution of the Commission², that ComEd should be
27 promoting investment in renewable energy.³ I am not addressing whether or not
28 the Commission has the legal authority to enter an order which allows ComEd
29 the right to recover the direct costs of renewable energy under the operations of
30 Rider RPS (Renewable Portfolio Standard).

31 **CONSISTENCY WITH RIDER CPP**

32 Q. Why is the consistency between Rider CPP and Rider RPS important?

33 A. Rider CPP and the proposed Rider RPS function in the same manner:

¹ Letter from Rod Blagojevich, Governor, to Ed Hurley, then Chairman, Illinois Commerce Commission, dated February 11, 2005 (See, Staff Exhibit 1.1) and the Governor's accompanying "Illinois Sustainable Energy Plan" (See Staff Exhibit 1.2).

² Resolution, July 13, 2005, ICC Docket 05-0437; and Resolution, July 19, 2005, ICC Docket 05-0437.

³ I am not offering a legal opinion about the Commission's authority.

- 34 1. both are pass through riders intended to recover, dollar for dollar, the cost
35 of electric energy purchased⁴through an auction process or a RFO
36 process⁵;
- 37 2. both require monthly informational reports filed with the Commission;
- 38 3. both are billed on a monthly usage basis;
- 39 4. both are subject to a periodic true-up process; and
- 40 5. (as proposed by the Company) both are billed through the AAF
41 mechanism of Rider CPP.

42 Consistency between the two riders would facilitate not only the Company's
43 administration and reporting, but also Staff's review. Therefore, I am proposing
44 that the provisions of Riders CPP and RPS mirror each other to the extent
45 possible.

46 Q. What provisions of the proposed Rider RPS should be modified in order to be
47 consistent with the Rider CPP approved in Docket No. 05-0159?

48 The following are provided for in Rider CPP but are not included in the proposed
49 Rider RPS:

- 50 1. The monthly informational filings are to be filed by the 20th day of the prior
51 month to the effective month. (Rider CPP, 1st Revised Sheet No. 280). The
52 proposed Rider RPS requires that the monthly informational filing be made "at

⁴ Rider CPP (Competitive Procurement Process) registered bidders provide full requirements electric supply under the Illinois Auction. 1st Revised Sheet No. 253, Filed June 9, 2006.

⁵ Rider RPS (Renewable Portfolio Standard) for the purchase of approximately 850 GWhs per year of new and existing wind power purchased through the issuance of a RFO (Request for Offer). ComEd Ex. 2.1, 35th Revised Sheet No. 83.10.

53 least three (3) business days prior to the start of the...Effective Period...
54 (ComEd Exhibit 2.1, 2nd Revised Sheet No. 83.50).

55 2. Monthly filing submitted after the 20th of the month but prior to the
56 first day of the effective month are accepted only to correct an error or errors
57 from a timely submitted filing for the same effective month (Rider CPP, 1st
58 Revised Sheet No. 280). This provision is not addressed by the proposed
59 Rider RPS.

60 3. ComEd is to conduct an annual internal audit of its Rider CPP costs and
61 recoveries, prepare an audit report and submit a verified audit report by April
62 30 for the prior year's activities (Rider CPP, 1st Original Sheet No. 294.37).
63 This provision is not addressed by the proposed Rider RPS.

64 4. ComEd is subject to annual reconciliation proceedings of its power purchases
65 (Docket No. 05-0159, Order, March 28, 2006, Finding 6, p. 248). This
66 provision is not addressed by the proposed Rider RPS.

67 Q. Has ComEd agreed to revise the proposed Rider RPS in order to be consistent
68 with the Order in Docket No. 05-0159 and Rider CPP?

69 A. ComEd has agreed to revise provisions 1, 2 and 3 identified above to be
70 consistent with Rider CPP, but did not agree to the 4th provision, to participate in
71 annual reconciliations. (ComEd Responses to Staff Data Requests 1.22, 1.23,
72 and 1.34).

73 **RECOMMENDATION FOR ANNUAL DOCKET RECONCILIATION PROCEEDINGS**

74 Q. What reasoning did ComEd provide for not participating in an annual
75 reconciliation for the proposed Rider RPS?

76 A. In Response to Staff Data Request 1.32 ComEd states, in part, the following:

77 **In this filing, ComEd has proposed a process in which any**
78 **purchases that ComEd would make under the Rider would be**
79 **determined in advance by the Commission to be costs that were**
80 **prudently incurred... (Emphasis Added).**

81 Q. What did the Commission state in Docket No. 05-0159 with respect to the annual
82 reconciliation issue?

83 A. The Order adopted Staff's recommendation:

84 **The Commission agrees with Staff that the reporting favored by**
85 **ComEd does not assure the level of detail necessary to properly**
86 **identify and compare procurement costs to revenues, especially by**
87 **class. Of the two recommendations before the Commission, the**
88 **annual reconciliation proceeding proposed by Staff appears to**
89 **provide the better balance of accuracy, transparency, and efficiency.**
90 **(Docket No. 05-0159, Order Date January 24, 2006, p. 59).**

91 I agree with the Commission's statement and, therefore, for those same reasons
92 I am recommending that the Rider RPS costs and recoveries be subject to an
93 annual docketed reconciliation proceeding.

94 Q. As noted previously, the Order in Docket No. 05-0159 requires ComEd to
95 annually reconcile the costs and recoveries related to Rider CPP, and in this
96 proceeding you are proposing an annual reconciliation for Rider RPS, would
97 separate docketed reconciliation proceedings be required for each rider?

98 A. No. One suggestion is that ComEd present a separate reconciliation for each
99 rider (Rider CPP and Rider RPS) and then the Commission could conduct a

100 combined reconciliation within the same docketed proceeding. This format is
101 currently used by Interstate Power (Area A and Area B) and Illinois Power (Rider
102 A and Rider B) for their annual PGA reconciliations. Since Riders CPP and RSP
103 may apply to different customer classes, it would be appropriate to track each
104 separately.

105 **MONTHLY BILLING OF RPS FACTOR**

106 Q. What is ComEd's proposal for billing the RPS Factor?

107 A. Company witness Crumrine states that for billing purposes, the RPS Factor
108 (RPSF) will be combined with the monthly Accuracy Assurance Factor (AAF) that
109 was approved in Docket No. 05-0159. The combined total of the AAF and RPS
110 would then be presented as single line item on the customers' bill (ComEd Ex
111 2.0, lines 163-167; and ComEd Ex 2.1, ILL.C.C. No. 4, 2nd Revised Sheet No.
112 83.40).

113 Q. Do you have any recommendations regarding the billing of the RPS Factor?

114 A. Since the first goal of the procurement working group is, **that a utility's**
115 **procurement process for post-2006 energy supply "be highly transparent"**,
116 it only stands to reason that the resulting billing practices be equally as
117 transparent. Therefore, I am recommending that the charges (or credits) from
118 Rider RPS be stated as a separate line item on the ratepayer's monthly bill.
119 Consistent with this recommendation, I am further recommending that the

120 revenues and charges derived from Rider CPP and Rider RPS be recorded in
121 separate sub-accounts.

122 Q. Does the Illinois Administrative Code have any requirements regarding minimum
123 billing standards?

124 A. Yes. Illinois Administrative Code Section 410.210(a) addresses the information
125 requirements for monthly customer bills. Furthermore, Subsection 410.210(a)(3)
126 requires, in part, customer bills to show “the total amount of the bill and, when
127 applicable, the following portions that make it up, listed vertically for easy
128 readability. The requirements include the following:

129 (3)(E) any other applicable adjustment (other charge) not under
130 categories but relating to services, energy, or other programs
131 provided to customers by the entity.

132 In addition, Subsection 410.210 (e) requires,

133 Each electric utility shall disclose to each of its customers
134 information about the customer’s service in a clear and concise
135 manner. The disclosure shall contain the following minimum
136 requirements:

137 ...
138 ...
139 3) An identification and explanation of all charges that are not
140 related to costs incurred in service and the supply of energy to that
141 customer.
142

143 It appears to me that the above cited subsections require a separate disclosure
144 of electric energy purchased under Rider RPS.

145 **SCHEDULES / ATTACHMENTS**

146 Q. Are you sponsoring any schedules or attachments as part of ICC Staff Ex 2.0?

147 A. Yes. I am sponsoring Attachment A which contains my proposed revisions to
148 Rider RPS tariff sheets 83.10, 83.40 and 83.50. The new language that I am
149 proposing is shown in bold font and the language that I propose be deleted in
150 shown in strikeout font for ease of identification.

151 **PRUDENCE REVIEW**

152 Q. Does your testimony contain a prudence recommendation?

153 A. I support Staff witness Zuraski's recommendation that ComEd Rider RPS
154 expenditures be subject to a three step prudence review (Zuraski RPS Prudence
155 Methodology). The review would assure that the total annual cost of the REC
156 plus the cost of energy purchased was limited to 0.5% of the prior calendar
157 year's fixed-price bundled and Power Purchase Option revenues of ComEd's
158 customers with demands less than or equal to 1 MW. (ComEd Exhibit 1.0, pp.
159 20-21). The review would also assure that the price paid for new wind
160 generation contracts was limited to \$50 per MWH over the average around-the-
161 clock price for electricity at the Northern Illinois Hub (NiHub) during the prior
162 calendar year. (ICC Staff Exhibit 1.0, pp 13-16). Finally, ComEd's contracts with
163 wind generators would be reviewed by Staff in conjunction with the annual
164 docketed reconciliation proceedings.

165 **RECOVERABLE RPS COSTS**

166 Q. Does the proposed rider define recoverable RPS costs?

167 A. No. The 2nd Revised Sheet No. 83.40 states that the monthly RPS Factor (in
168 cents per kWh) to be charged to customers is determined by the following
169 formula:

$$\begin{array}{rcccl} 170 & \text{RPSF} = & \frac{\text{ARE} - \text{ARR}}{\text{U}} + \text{ARB} & \times & \frac{1 \text{ MWh}}{1,000 \text{ kWh}} & \times & \frac{100\text{¢}}{\$1} \end{array}$$

172 Where;

173 RPSF = RPS Factor in ¢/kWh, rounded to the nearest 0.001 ¢/kWh,
174 applies as a credit or charge during the RPS effective period.

175 ARE = Accrued RPS Expenses, in \$, equal to the sum of the
176 accrued expenses included during the RPS Determination Period to meet
177 the Resolution goal set forth in the Background section of this tariff for
178 retail customers to which this rider applies. Such expenses are included
179 pursuant to the transactions authorized by the ICC in its order approving
180 this rider.

181 ARR = Accrued RPS Revenues, in \$, equal to the accrued revenues
182 recorded during the RPS Determination Period. Such accrued revenues
183 are the net amounts equal to (1) the summation, over all the hours in the
184 monthly billing period, of a (a) the G-LMP for each such hour, in \$/MWh,
185 multiplied by (b) the energy procured through the agreements and/or
186 contracts that contribute to meeting the Resolution goals referenced
187 above, in MWhs, in each such hour, less (2) the balancing operating
188 reserve charges, applicable administrative fees, and any other applicable
189 charges or credits incurred in accordance with the provisions of the tariffs
190 of the applicable RTO.

191 ARB = Automatic RPS balancing factor, in \$, equal to the
192 cumulative debit or credit balance resulting from the application of the
193 RPS through the RPS determination period.

194 U = Usage forecasted, in MWhs, to be provided in the RPS Effective
195 Period to retail customers to which this rider applies.

196 However, the above referenced section does not describe what is included in
197 recoverable costs. Such a description would help avoid litigation regarding the
198 issue of which costs are appropriately recovered under Rider RPS in future
199 reconciliation proceedings. I recommend generally that ComEd be permitted to
200 recover through Rider RPS only the direct, incremental, out-of-pocket costs (paid
201 to wind generators and for related costs) necessary to secure renewable wind
202 generated electric energy. Therefore, I recommend that Rider RPS be modified
203 to include a description of recoverable costs as follows:

204 Recoverable Rider RPS Wind Generated Electric Energy Costs

205 Costs eligible for recoverable through Rider RPS as Accrued RPS

206 Expenses (ARE) shall include the following:

- 207 1. The cost of renewable electric energy shall include the direct cost
208 paid to wind generators for electric energy delivered to (an
209 approved ComEd) generator node or point of injection (and
210 pursuant to contracts on file with Commission)⁶ including the cost of
211 transmission services from any non-wind generator.
- 212 2. Where the cost of renewable wind generated electric energy
213 includes costs from company owned, controlled, or affiliated (in

⁶ See FAC Part 425, 425.40(c), # 1 for an example of another rider which contains consistent language.

214 whole or in part) services, that fact shall be noted and described as
215 part of any filing.⁷

216 3. With respect to the price of renewable wind generated electric
217 power or transmission services from company controlled sources
218 pursuant to contracts which are not subject to regulatory authority,
219 the utility company shall file such contracts and amendments
220 thereto annually with the Commission.⁸

221 4. Renewable wind generated electric energy or transmission charges
222 by affiliated companies which do not appear reasonable may result
223 in the suspension of Rider RPS or cause an investigation thereof to
224 be made by the Commission on its own motion. Any suspension of
225 Rider RPS may occur, if after a hearing, a finding is made that such
226 charges are unreasonable.⁹

227 5. The cost of renewable wind generated electric energy shall include
228 the direct cost of purchasing or otherwise acquiring Renewable
229 Energy Credit or REC, from such wind generators.¹⁰

230 6. The cost of renewable wind generated electric energy shall include
231 other direct out-of-pocket cost for the procurement of wind

⁷ See Id., at # 4 for an example of another rider which contains consistent language.

⁸ See Id., at #5, for an example of another rider which contains consistent language

⁹ See Id., at #6 for an example of another rider which contains consistent language.

¹⁰ See Id., at #7 for an example of another rider which contains consistent language.

232 generated electric energy and RECs related to supply management
233 or contract management.¹¹

234 Q. Does the proposed Rider RPS limit ComEd's recovery to expenses necessary to
235 secure wind generated electric power and RECs?

236 A. Based on language in the proposed rider, it is unclear whether ComEd is seeking
237 authority to recover only wind generation expenses or all renewable energy
238 expenses. For example, both the "ARE" and the "ARR" components of the
239 recovery formula¹² contain the phrase "to meet Resolution goals..." Therefore, I
240 have provided not only a description of recoverable Rider RPS costs, but also
241 limited the "ARE" and the "ARR" to renewable wind generation expenses. (See,
242 attached Appendix A).

243 **UPDATE PROVISION**

244 Q. The Commission currently has two proceedings addressing the renewable
245 energy issue, the instant docket and Docket No. 06-0390 - the renewable energy
246 rulemaking. Should Rider RPS be examined at a later date for compatibility and
247 consistency with the final Renewable Energy Rules?

248 A. ComEd's proposed Rider RPS addresses the 75% wind source requirement of
249 the 2% target load goal which is to be supplied from renewable sources under a
250 voluntary program. Contemporaneous with the instant docket is the

¹¹ See PGA Part 525.40(a), # 4 for an example of another rider which contains consistent language.

¹² ComEd Exhibit 2.1, 2nd Revised Sheet No. 83.40.

251 Commission's Rulemaking on Renewable Energy, (Docket No. 06-0390).
252 Therefore, I suggest that Rider RPS be updated as necessary.

253 **SUMMARY OF RECOMMENDATIONS**

254 Q. Please summarize your recommendations.

255 A. I recommend that the Commission make the following findings regarding
256 Commission oversight of ComEd's Rider CPP:

257 1. The monthly informational filings shall be filed by the 20th day of the prior
258 month to the effective month.

259 2. Monthly filing submitted after the 20th of the month but prior to the
260 first day of the effective month are accepted only to correct an error or
261 errors from a timely submitted filing for the same effective month.

262 3. ComEd shall conduct annual internal audits of its Rider RPS costs and
263 recoveries, prepare an audit report and submit a verified audit report by
264 April 30 for the prior year's activities

265 4. ComEd is subject to annual reconciliation proceedings of its renewable
266 power purchases.

267 5. ComEd shall bill the charges (or credits) from Rider RPS as a separate
268 line item on the ratepayer's monthly bill.

269 6. ComEd shall record the revenues and charges derived from Rider CPP
270 and Rider RPS in separate sub-accounts.

271 7. Rider RPS shall be updated as necessary.

272 8. Rider RPS shall be modified to include a description of costs recoverable
273 through Rider RPS as recoverable Accrued RPS Expenses (ARE)
274 consistent with Staff's recommendations.

275 9. ComEd's Rider RPS tariff sheets should be modified in accordance with
276 the changes indicated in Attachment A.

277 **CONCLUSION**

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

279 A. Yes, it does.

Docket No. 06-0270
ICC Staff Exhibit 2.0

APPENDIX A

*

**RIDER RPS
RENEWABLE PORTFOLIO STANDARD**

BACKGROUND.

The Illinois Commerce Commission (ICC) has adopted a resolution in Docket 05-0437 (Resolution) setting forth a voluntary Renewable Portfolio Standard (RPS Standard). The Resolution establishes a voluntary goal for Illinois electric suppliers to obtain supply from renewable energy resources sufficient to meet 2% of bundled service retail load by 2007, 3% by 2008, escalating by 1% increments up to 8% by 2013. Sources of renewable energy include wind, solar thermal, photovoltaic cells and panels, dedicated crops grown for energy production and organic waste biomass, methane recovered from landfills, hydropower that does not involve new construction or significant expansion of existing dams and other sources of environmentally preferable energy. The Resolution also calls for 75% of the renewable energy used to meet this voluntary RPS Standard to come from wind generation facilities.

The Resolution further sets forth an Energy Efficiency Portfolio Standard (EEP Standard) with a voluntary goal of reducing load growth. The Resolution establishes a voluntary goal for the Illinois electric suppliers in years 2007-2008 at a 10% reduction of load growth, 2009-2011 at a 15% reduction in load growth, 2012-2014 at a 20% reduction in load growth and 2015-2017 at a 25% reduction in load growth. The Resolution calls for creativity and innovation with respect to energy efficiency programs eligible for satisfying the voluntary goals set forth in this EEP Standard.

COMMITMENT.

The Company is committed to following the roadmap the ICC has set forth for voluntarily complying with the Governor's Sustainable Energy Plan and to work with the ICC and others toward meeting the voluntary goals set forth in the Resolution. Specifically, consistent with the ICC's order approving this tariff and providing for full cost recovery, the Company commits to an initial procurement by entering into long-term agreements that comprise a portfolio of approximately 850 gigawatt-hours (GWhs) per year of wind generation and associated Renewable Energy Credits (RECs), to be available for delivery on or before December 31, 2007, subject to the Company's assessment of the potential rate effects of those agreements consistent with the report accepted by the ICC in Docket 05-0437 (Staff Report). Further, subject to the satisfactory resolution of cost recovery for the Company, consideration of customer bill impacts, and other important issues in one or more ICC rulemaking proceedings, and to appropriate timely internal corporate approvals, the Company would commit to enter into agreements for additional wind generation and associated RECs beyond the initial procurement as set forth in the Background section of this rider, and for the remaining 25% of non-wind renewable generation and associated RECs, consistent with the voluntary goals outlined in the Resolution. Finally, subject to the same conditions, the Company would also commit to provide for energy efficiency programs consistent with the goals outlined in the Resolution.

(Continued on Sheet No. 83.10)

*

**RIDER RPS
RENEWABLE PORTFOLIO STANDARD**

(Continued from Sheet No. 83)

APPLICABILITY.

Rider RPS-Renewable Portfolio Standard (Rider RPS) is applicable to the following retail customers:

- (1) all residential customers;
- (2) nonresidential customers with (a) watt-hour only metering, and (b) the highest 30-minute demand established by such customer less than or equal to 1,000 kW during the most recent twelve (12) consecutive monthly billing periods prior to the current monthly billing period; and
- (3) all lighting customers.

Notwithstanding the previous sentence, Rider RPS is not applicable to retail customers that elect service from a Retail Electric Supplier or receive hourly energy supply service from the Company.

Notwithstanding the previous provisions of this Applicability section, no retail tariff charge or credit computed in accordance with the provisions of this rider will be applied for service provided prior to January 2, 2007.

PURPOSE.

As a first step in furthering the voluntary goals set forth in the Resolution, the Company has sought permission to enter into long-term contracts that support the development of a portfolio of new and existing wind resources totaling approximately 850 GWhs per year. Any new contracts are entered through the issuance of a Request For Offers (RFO) conducted by an independent manager (RFO Manager) and execution of long-term agreements with wind generators for the procurement of RECs. Such contracts will also result in the incidental purchase of the energy generated by the associated wind generation facility. The Company will sell all such energy incidentally purchased under such existing and new agreements into the real-time energy market of the appropriate Regional Transmission Organization (RTO). The Company will act as a price-taker on such sales. ~~As provided in the ICC's order approving this rider, such purchases and sales are not subject to after-the-fact prudence or other regulatory reviews.~~ The Company will pass through to customers for which this rider is applicable the difference (charge or credit) between the agreed upon price in the agreement (energy plus RECs) and the value of the applicable real-time locational marginal price (LMP) for the electric energy delivered by the wind generator to its generator node or injection point into the applicable transmission grid, as determined in the RPS Factor section of this rider. Such difference over the life of the agreement represents the costs of the RECs to the Company. This Rider RPS establishes the methodology by which the Company will establish and recover the costs incurred through all wind purchase agreements that are entered into and used to meet the Resolution goals, the costs of which are approved for recovery through this rider as provided by the ICC's order approving this rider.

(Continued on Sheet No. 83.20)

*

**RIDER RPS
RENEWABLE PORTFOLIO STANDARD**

(Continued from Sheet No. 83.10)

DEFINITIONS.

The following definitions are provided in addition to those contained in the Definitions section of the general Terms and Conditions of the Company's Schedule of Rates.

G-LMP

G-LMP means the real-time locational marginal price for the electric power and energy delivered by the wind generator to its generator node, which is the hourly-integrated market clearing price for energy at the specific location that energy is delivered. Such generator node or point of injection into the grid may be in the Midwest Independent Transmission System Operator, Inc. (MISO) or PJM Interconnection, L.L.C. (PJM) market. Where a generator is connected to neither MISO nor PJM, the G-LMP is the price for energy at an agreed upon MISO or PJM node.

Renewable Energy Credit or REC

A Renewable Energy Credit or REC means a credit tradable in secondary markets that represents the environmental attributes of one MWh of energy produced from a Renewable Energy Resource.

Renewable Energy Resource

Renewable Energy Resource means a source of electric energy that is continually available or that can be renewed or replaced and that qualifies as a renewable energy resource under the Resolution or through subsequent ICC rulemakings or other ICC proceedings. Examples include wind, solar thermal, photovoltaic cells and panels, crops grown for energy production, organic waste biomass, hydropower that does not involve new or expansion of existing dams, and other sources of environmentally preferable energy.

Request For Offer or RFO

Request For Offer or RFO means the process to solicit bids for the procurement of energy and RECs produced from qualifying Renewable Energy Resources.

Resolution

The ICC's response to the Governor's Sustainable Energy Plan for the State of Illinois, issued July 19, 2005, in Docket 05-0437.

RPS Determination Period

RPS Determination Period means the calendar month for which a Renewable Portfolio Standard Factor (RPS Factor) is determined for retail customers subject to this tariff.

RPS Effective Period

RPS Effective Period means the monthly billing period occurring two (2) months after the RPS Determination Period, during which a RPS Factor is applied to kilowatt-hours (kWhs) of energy provided to retail customers subject to this tariff. The March 2007 monthly billing period is the first such RPS Effective Period.

(Continued on Sheet No. 83.30)

*

**RIDER RPS
RENEWABLE PORTFOLIO STANDARD**

(Continued from Sheet No. 83.20)

DEFINITIONS (CONTINUED).

RPS Factor

RPS Factor means the factor that is calculated as set forth in the Charges section herein and represents the cost to the Company that is associated with acquiring RECs from wind to energy facilities.

Staff

Staff means the Staff of the ICC.

REQUEST FOR OFFERS.

All new contracts related to wind generation entered into to meet the Resolution goals are secured through an RFO process approved by the Commission in Docket 06-~~XXXX~~0270.

Pursuant to this tariff, the Company will enter into long-term agreements, contingent on the Company receiving on-going cost recovery, with suppliers selected from the RFO process. Such agreements are for the procurement of energy and RECs from wind generated renewable resources and contain the terms and conditions of such purchase.

(Continued on Sheet No. 83.40)

*

**RIDER RPS
RENEWABLE PORTFOLIO STANDARD**

(Continued from Sheet No. 83.30)

CHARGES.

RPS Factor

An RPS Factor is determined on a monthly basis and applied in the applicable RPS Effective Period to the bills for electric service of retail customers to which this rider applies. An RPS Factor is determined in accordance with the following equation:

$$\text{RPSF} = \frac{((\text{ARE} - \text{ARR}) + \text{ARB})}{U} \times \frac{1 \text{ MWh}}{1,000 \text{ kWh}} \times \frac{100 \text{ } \phi}{\$ 1}$$

Where:

RPSF = RPS Factor, in ϕ /kWh, rounded to the nearest 0.001 ϕ /kWh, applied as a credit or charge during the RPS Effective Period.

ARE = Accrued RPS Expenses, in \$, equal to the sum of the accrued expenses incurred during the RPS Determination Period to meet the Resolution goals set forth in the Background section related to wind generation and associated RECs purchase agreements of this tariff for retail customers to which this rider applies. Such cost recoverable through Rider RPS are Accrued RPS Expenses (ARE). ~~expenses are incurred pursuant to the transactions authorized by the ICC in its order approving this rider.~~

(a) Recoverable ARE through Rider RPS shall include the following:

1. Direct cost paid to wind generators for electric energy delivered to (an approved ComEd) generator node or point of injection (and pursuant to contracts on file with Commission), including the cost of transmission services from any non-wind generator;
2. Costs from company owned, controlled, or affiliated (in whole or in part) services, which shall be noted and described as part of any filing;
3. Direct cost of purchasing or otherwise acquiring Renewable Energy Credit or REC, from such wind generators; and
4. Direct out-of-pocket cost for the procurement of wind generated electric energy and RECs related to supply management or contract management.

(b) With respect to the price of renewable wind generated electric power or

(Continued on Sheet No. 83.50)

*

**RIDER RPS
RENEWABLE PORTFOLIO STANDARD**

(Continued from Sheet No. 83.30)

transmission services from company controlled sources pursuant to contracts which are not subject to regulatory authority, the utility company shall file such contracts and amendments thereto annually with the Commission.

(c) Renewable wind generated electric energy or transmission charges by affiliated companies which do not appear reasonable may result in the suspension of Rider RPS or cause an investigation thereof to be made by the Commission on its own motion. Any suspension of Rider RPS may occur, if after a hearing, a finding is made that such charges are unreasonable.

- ARR = Accrued RPS Revenues, in \$, equal to the accrued revenues recorded during the RPS Determination Period. Such accrued revenues are the net amounts equal to (1) the summation, over all the hours in the monthly billing period, of (a) the G-LMP for each such hour, in \$/MWh, multiplied by (b) the energy procured through the agreements and/or contracts that contribute to meeting the Resolution goals related to wind generation and associated RECs purchase agreements referenced above, in MWhs, in each such hour, less (2) the balancing operating reserve charges, applicable administrative fees, and any other applicable charges or credits incurred in accordance with the provisions of the tariffs of the applicable RTO.
- ARB = Automatic RPS Balancing factor, in \$, equal to the cumulative debit or credit balance resulting from the application of the RPS Factor through the RPS Determination Period.
- U = Usage forecasted, in MWhs, to be provided in the RPS Effective Period to retail customers to which this rider applies.

The RPS Factor is applied to the bills for electric service of retail customers to which this rider applies as a separate line item on the customer's monthly bill ~~an addition to or subtraction from the applicable Accuracy Assurance Factor that is determined in accordance with the Accuracy Assurance Mechanism part of Rider CPP.~~

(Continued on Sheet No. 83.50)

*

**RIDER RPS
RENEWABLE PORTFOLIO STANDARD**

(Continued from Sheet No. 83.30)

Annual Reconciliation Process

Annually, the Commission shall initiate public hearings to determine whether Rider RPS reflects actual costs for the procurement of renewable wind generated electric power and energy and to reconcile any amounts recovered with the actual costs of the procurement of renewable wind generated electric power and energy beginning the first monthly period the Rider RPS in effect and ending on December 31 of such year. Thereafter, the reconciliation years shall be the calendar year.

In conjunction with a docketed reconciliation proceeding, the Company shall file with the Commission an annual reconciliation statement, which shall be verified by an officer of the Company. The statement shall show the difference between the following:

1. The costs recoverable through Rider RPS during the reconciliation year; and
2. The revenues arising through the application of Rider RPS to applicable kWh during the reconciliation year.

Rider RPS Update

Following the anticipated compliance filing at the conclusion of Docket No. 06-0270, Rider RPS shall be updated as necessary.

MISCELLANEOUS GENERAL PROVISIONS.

~~The RPS Factor is submitted to the ICC in an informational filing at least three (3) business days prior to the start of the RPS Effective Period during which it is to be applied. As provided in the ICC's order approving this rider, such purchases and sales are not subject to after the fact prudence or other regulatory reviews.~~

The RPS Factor is submitted to the ICC in an informational filing at with a postmark dated no later than the twentieth day of the month prior to the start of each effective period, the Company submits the RPS Factor applicable during such effective period, along with supporting work papers, to the ICC for informational purposes. The Company is not required to obtain any consent or other approval, whether prospective, contemporaneous, or retrospective, from the ICC or any other entity in order to issue bills containing any such RPSF or in order to collect any such RPSF, provided, however, that any such RPSF is subject to adjustment in accordance with lawful orders issued by the ICC in annual docketed reconciliation proceedings or otherwise as provided for in the ICC's Order entered in Docket No. 06-0270.

Any submission of an RPSF postmarked after the twentieth day of a month but prior to the start of the applicable effective period is acceptable only if such submission corrects an error or errors from a timely submitted RPSF for such effective period. Any other such submission postmarked after such twentieth day is acceptable only if such submission is made in accordance with the special permission request provisions of Section 9-201(a) of the Act.

*

**RIDER RPS
RENEWABLE PORTFOLIO STANDARD**

(Continued from Sheet No. 83.30)

~~An annual report on the operation of the RPS Factor during the previous calendar year is prepared by the Company and submitted to the ICC on or before the last business day of April, beginning in 2008. Such report shall be verified by an officer of the Company.~~

Each year, beginning in 2008, the Company (a) conducts an annual internal audit of its costs and recoveries of such costs pursuant to this rider, (b) prepares an annual report verified by an officer of the Company that summarizes the results of such audit, and (c) submits such report to the ICC in an informational filing by April 30, with copies of such report provided to the Manager of the Staff's Accounting Department and the Director of the Staff's Financial Analysis Division.

The Company's Schedule of Rates, of which this rider is a part, includes general Terms and Conditions and other tariffs. Service hereunder is subject to the general Terms and Conditions and such other tariffs, as applicable.