

DIRECT TESTIMONY

of

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Accountant  
Accounting Department  
Financial Analysis Division  
Illinois Commerce Commission

Commonwealth Edison Company

Petition for Approval of Tariffs Implementing  
ComEd's Proposed Residential Rate Stabilization Program

Docket No. 06-0411

July 11, 2006

1 Witness Identification

2 Q. Please state your name and business address.

3 A. My name is Theresa Ebrey. My business address is 527 East Capitol Avenue,  
4 Springfield, Illinois 62701.

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

6 A. I am currently employed as an Accountant in 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 a Bachelor of Science degree in Accounting from Quincy University  
11 (formerly known as Quincy College). I am a Certified Public Accountant, licensed  
12 to practice in the State of Illinois. My prior accounting experience includes 15  
13 years as the corporate controller of a large long-term care facility in Illinois, as  
14 well as a period of time employed as an outside auditor of governmental  
15 agencies. I joined the Staff of the Illinois Commerce Commission ("Staff") in  
16 1999.

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

18 A. Yes. I have testified on many occasions before the Commission.

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

20 A. My testimony only addresses the accounting for Commonwealth Edison  
21 Company's ("ComEd" or the "Company") residential rate stabilization ("RRS")  
22 program as proposed by Company witness Duane M. DesParte, ComEd Ex. 3.0.  
23 I am not taking a position about whether the RRS program proposed by ComEd  
24 should be granted, nor am I offering or providing an opinion or understanding  
25 regarding whether that proposal is otherwise appropriate under Illinois law.

26 Q. What is your understanding of the accounting for Rider RRS?

27 A. ComEd proposes to defer a portion of its purchased power expense in an  
28 amount equal to the excess over the capped and deferred amount by recording a  
29 regulatory asset. In addition, ComEd will record a return on the regulatory asset  
30 as a debit to the regulatory asset and a credit to interest expense. (ComEd Ex.  
31 3.0, p. 4, lines 74 – 87) The regulatory asset will be amortized as expense as the  
32 associated revenues are billed each subsequent period. (*Id.*, p. 5, lines 96 –  
33 107)

34 Q. What is your opinion of the Company's proposed accounting?

35 A. As provided by sample journal entries in response to Staff data request TEE  
36 1.01, Attachment A, I am not taking issue with the proposed accounting for the  
37 Company's proposed RRS program. However, responses to Staff data requests

38 TEE 2.01 and TEE 2.02 remain outstanding. I am withholding my final opinion  
39 pending the responses to those data requests.

40 Q. What additional information have you requested in Staff data requests TEE 2.01  
41 and 2.02?

42 A. Those data requests ask the Company to explain the accounting for the  
43 revenues associated with the Rider RRS and how the Company plans to  
44 segregate the Rider CPP revenues and Rider RRS revenues in its General  
45 Ledger for identification purposes related to the periodic reconciliations required  
46 under each Rider. Upon review of the Company's responses to those issues, I  
47 will finalize my opinion regarding the accounting for the proposed RRS program.

48 Q. Are you taking a position on the overall RRS program as presented by the  
49 Company?

50 A. No. Again, my testimony only addresses whether the accounting proposed by  
51 the Company would be appropriate if the Commission approves the RRS  
52 program. I am not taking a position about whether the RRS program should be  
53 approved.

54 Q. Please comment on Mr. DesParte's statement that the Commission's Order must  
55 set forth certain details of the RRS in accordance with the provisions of Financial  
56 Accounting Standards Board Statement No. 71 ("FAS 71") (ComEd Ex. 3.0, p. 6,  
57 lines 110 – 116)

58 A. While FAS 71 does not dictate what must be included in a Commission Order,  
59 Paragraph 9 of FAS 71 states that a regulator can provide “reasonable  
60 assurance of the existence of an asset” and sets forth two criteria that must be  
61 met for deferring an expense.

62 Q. What is the first criteria?

63 A. The first criteria states:

64 It is probable that future revenue in an amount at least equal to the  
65 capitalized cost will result from inclusion of that cost in allowable costs for  
66 rate-making purposes.

67 The term probable is used here in its general meaning that it can be reasonably  
68 expected, but is neither certain nor proved. If and to the extent that the  
69 Commission approves the plan to cap and defer the rate increase that will take  
70 place on January 2, 2007, it can be reasonably expected that the capitalized  
71 costs could be allowed in future rates.

72 Q. What is the second criteria?

73 A. The second criteria states:

74 Based on available evidence, the future revenue will be provided to permit  
75 recovery of the previously incurred cost rather than to provide for expected  
76 levels of similar future costs.

77 Since the costs to be deferred are power supply costs incurred during 2007  
78 through 2009, it is clear that the future revenues will permit recovery of previously  
79 incurred costs.

80 Q. What is your conclusion regarding FAS 71?

81 A. If the Commission approves Rider RRS, the costs proposed for deferral meet the  
82 criteria set forth in FAS 71, the Commission can provide reasonable assurance of  
83 the existence of an asset, and the Company can record a regulatory asset under  
84 FAS 71. The specific details of the RRS as set forth in Company witness  
85 DesParte's testimony (ComEd Ex. 3.0, p. 6, lines 110 – 116), while not required  
86 by FAS 71, should be well defined in the Commission's Order.

87 Q. What are your recommendations regarding the specific details of the RRS to be  
88 included in the Order?

89 A. If the Commission does approve the Company's proposed Rider RRS or a  
90 variation of that plan as proposed by other parties in this proceeding, with the  
91 intention of allowing recovery of the costs so deferred in a later proceeding, then  
92 the Commission's Order should (a) limit the specific expenses that are to be  
93 deferred as a regulatory asset to only purchased power expense; (b) set the  
94 amortization period for the deferred costs through 2012 (or whatever period the  
95 Commission deems appropriate); and (c) set the rate for the carrying charges to  
96 be applied to any deferred balance to ComEd's pre-tax weighted average cost of  
97 capital as periodically set by the Commission in rate proceedings.

98 Conclusion

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

100 A. Yes.

**Commonwealth Edison Company's Response to  
Staff's Data Requests TEE 1.01 Through 1.04  
Dated: June 22, 2006**

**REQUEST NO. TEE 1.01:**

Provide sample journal entries including Uniform System of Accounts (USOA) account numbers for all of the following entries related to the RRS program:

- 1) Recording the regulatory asset
- 2) Recording the carrying charges
- 3) Recording the amortization of the regulatory asset

**RESPONSE:**

ComEd proposes to use the following accounts to record the various journal entries associated with the RRS program:

- 1) Recording the regulatory asset:  
Dr. Account 182.3 – Other Regulatory Assets  
Cr. Account 555 – Purchased Power
- 2) Recording the carrying charges:  
Dr. Account 182.3 – Other Regulatory Assets  
Cr. Account 427 – Interest on Long-Term Debt

Note: ComEd will defer the interest component of the carrying charges during the deferral period. The equity component of the carrying charges will be recognized as revenue during the recovery period as the Regulatory Asset is billed to customers.

- 3) Recording the amortization of the regulatory asset:  
Dr. Account 555 – Purchased Power  
Dr. Account 427 – Interest on Long-Term Debt  
Cr. Account 182.3 – Other Regulatory Assets
- 4) Record the revenue for billings to customers to recover the Regulatory Asset and carrying charges:  
Dr. Account 142 – Accounts Receivable  
Cr. Account 440 – Residential Sales (Purchased Power recovery)  
Cr. Account 440 – Residential Sales (Debt cost recovery)  
Cr. Account 440 – Residential Sales (Equity cost recovery)