

REVISED
DIRECT TESTIMONY

of

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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 that outlined in the Direct Testimony of
97 Staff witness Michael McNally (ICC Staff Exhibit 2.0).

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)