

DIRECT TESTIMONY

of

THERESA EBREY

Accountant
Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Commonwealth Edison Company

Proposal to Establish Rider PORCB
(Purchase of Receivables with Consolidated Billing)

Docket No. 10-0138

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Staff Exhibit No. 3.0

Witness _____

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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 College. I am a
11 Certified Public Accountant, licensed to practice in the State of Illinois. My prior
12 accounting experience includes fifteen years as the corporate controller of a
13 large long-term care facility in Illinois, as well as a period of time employed as an
14 outside auditor of governmental agencies. I joined the Staff of the Illinois
15 Commerce Commission ("Staff") in April 1999.

16 **Q. Have you previously testified before any regulatory bodies?**

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

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

19 A. I have reviewed and analyzed Commonwealth Edison Company's ("ComEd", or
20 "Company") testimony and proposed tariffs.

21 The purpose of my testimony is to:

22 1) propose language to more specifically define the cost components:
23 Development and Implementation Costs ("DICs"), Administrative and
24 Operations Costs ("AOCs"), Billing System Modification and
25 Implementation costs ("BSMICs"), and Billing system Administrative and
26 Operations costs ("BSAOCs"), as well as the term "net actual
27 uncollectible costs";

28 2) reject the proposal that the Purchase of Receivables ("POR") and
29 Consolidated Billing ("CB") Adjustments be set to zero for the first three
30 months of each application period;

31 3) propose tracking mechanisms for costs and revenues for ready
32 identification;

33 4) propose revisions to tariff language concerning the reconciliation
34 process;

35 5) propose revisions to tariff language regarding the timing of information
36 filings;

37 6) propose a provision for interim reporting during the defined application
38 periods; and

39 7) provide background information on the reconciliation process in support
40 of Staff witness Clausen.

41 **Proposed Changes to Definitions**

42 **Q. Please discuss your proposal to specifically define the cost components:**

43 **Development and Implementation Costs ("DICs"), Administrative and**

44 **Operations Costs ("AOCs"), Billing System Modification and**

45 **Implementation costs ("BSMICs"), and Billing system Administrative and**

46 **Operations costs ("BSAOCs"), as well as the term "net actual uncollectible**

47 **costs.**

48 A. These cost components define the costs to be recovered under Rider PORCB.
49 As such, the definitions should contain more specific language to remove the
50 ambiguity that currently exists in the definitions as presented.

51 **Q. How does ComEd define the costs that will be recovered through Rider**
52 **PORCB?**

53 A. The Company defines two types of costs related to the Purchase of Receivables:

54 Developmental and Implementation Costs ("DICs") are costs incurred by
55 the Company to develop and implement the systems and procedures
56 required to purchase receivables under Rider PORCB; and

57 Administrative and Operations Costs ("AOCs") include (1) the ongoing
58 costs expected to be incurred by the Company in purchasing receivables
59 under Rider PORCB and (2) the net actual uncollectible costs associated
60 with the purchased receivables.

61 The Company also defines two types of costs related to Billing System

62 Modifications:

63 Billing System Modification and Implementation Costs ("BSMICs") are
64 costs incurred by the Company to modify its billing systems to enable it to
65 reflect on its bills the charges associated with the receivables purchased
66 from RESs under Rider PORCB; and

67 Billing System Administrative and Operations Costs ("BSAOCs") are
68 ongoing costs expected to be incurred by the Company that are related to
69 modifications of its billing systems to enable it to reflect on applicable retail
70 customer bills the charges associated with the receivables purchased from
71 RESs under Rider PORCB.

72 It is my understanding that the DICs and BSMICs are capitalized costs related to
73 the technological systems at ComEd to implement the PORCB program, while
74 the AOCs and BSAOCs are operational costs that are similar to other expense
75 line items.

76 **Q. How do you propose that the definition of these costs be included in the**
77 **tariffs with more specificity?**

78 A. The definitions of the costs to be recovered under Rider PORCB should contain
79 more specific language so as to remove any ambiguity surrounding the costs to
80 be recovered under the PORCB program. In the Ameren UCB/POR cases (ICC
81 Docket Nos. 08-0619/0620/0621 (Cons.)), specific definitions for the Start-up
82 Costs¹ (Capital costs) and Ongoing Administrative Costs² (Expenses) were
83 included in the tariffs. The language I propose for inclusion under the Definitions
84 Section on Original Sheet No. 393 to define the costs to be considered for
85 recovery, based on those definitions is as follows:

86 **Developmental and Implementation Costs (DICs) and Billing Systems**
87 **Modification and Implementation Costs (BSMICs)**

88 DICs and BSMICs are Incremental Costs incurred by or for the Company
89 in association with the PORCB Program. Such Costs include: (a) initial
90 programming changes to implement the PORCB Program; (b) general
91 billing system and related enhancements; (c) development of a PORCB
92 billing model; and (d) development of information technology to implement
93 the PORCB Program and customer service representative training. Such
94 incremental costs are not already included in base Delivery Service rates.
95 The DICs and BSMICs shall be limited to Incremental Costs incurred after
96 the date amending Section 220 ILCS 5/16-118 of the Public Utilities Act
97 through December 31, 2011. The DICs and BSMICs are intended to be
98 recovered over a ten year amortization period.

99 **Administrative and Operational Costs (AOCs) and Billing System**
100 **Administrative and Operational Costs (BSAOCs)**

101 AOCs and BSAOCs are Incremental Costs incurred by or for the
102 Company in association with the PORCB Program. Such Costs shall
103 include ongoing Incremental Costs to operate and administer the PORCB
104 Program, specifically: (a) ongoing electronic data interchange ("EDI")
105 costs; (b) costs for obtaining Commission approvals and participation in
106 regulatory proceedings associated with the PORCB Program; (c) tracking

¹ Central Illinois Light Company, Ill. C.C. No. 18, 1st Revised Sheet No. 34.004.

² Central Illinois Light Company, Ill. C.C. No. 18, 1st Revised Sheet No. 34.003.

107 the recovery and reconciliation processes for PORCB Program costs,
108 preparing audit reports with respect to the PORCB Program; and (d)
109 staffing required to address questions from RES and others regarding the
110 PORCB Program. Such Incremental Costs are not already included in
111 base Delivery Service rates.

112 **Q. Your definition for DICs and BSMICs characterizes them as “initial” costs.**
113 **How should the Company treat any system modification costs once the**
114 **program is in operation?**

115 A. In the definition, I have set parameters for the time period of costs to be
116 recovered as DICs and BSMICs to those incurred after the date amending
117 Section 220 ILCS 5/16-118 of the Public Utilities Act through December 31,
118 2011. Costs incurred to modify the system after December 31, 2011 would, in
119 my opinion, not be for the “development,” “modification” or “implementation” of
120 the program but would be further enhancements that may be required for
121 reasons unrelated to the initiation of the PORCB program. As such, they would
122 be treated as any other system modification costs and not specifically a part of
123 the PORCB development, modification and implementation costs. This position
124 is consistent with the AIU tariffs which limit the capitalized costs to a period
125 ending approximately one year after the effective date of its UCB/POR program.

126 **Q. What do you propose as the definition for “net actual uncollectible costs”?**

127 A. I propose that net actual uncollectible costs be defined as follows:

128 **Net Actual Uncollectible Costs**

129 The amount of purchased receivables actually written off by the Company
130 during the calendar year minus the total amount by which the purchased
131 receivables were reduced for uncollectibles during the same calendar
132 year. The resulting amount may be either positive or negative.

133 **Q. Why is it necessary to provide this specific language in the tariff?**

134 A. During the proceeding to consider Ameren's UCB/POR tariffs³, the determination
135 of the net uncollectibles was an issue resolved through testimony in the case.
136 Providing a specific definition in the tariffs will insure that the parties understand
137 how the net uncollectibles will be measured for future calculations.

138 **Rejection of Zero POR and CB Adjustment Amounts in First Three Months**

139 **Q. Please discuss your position to reject the Company's proposal to set the**
140 **Purchase of Receivables ("POR") Adjustment⁴ and the Consolidated Billing**
141 **("CB") Adjustment⁵ to zero (0) for the first three monthly billing periods of**
142 **any POR Application Period.**

143 A. In response to a Staff data request⁶, the Company explained that the three-
144 month period will allow time for ComEd to complete the reconciliation
145 calculations necessary prior to setting, or revising, a POR Adjustment. However,
146 the Company has other Riders in effect that are adjusted annually (or more often)
147 without the provision for setting the rate to zero for a period of time during any
148 given application period. Since the POR Adjustment and CB Adjustment can
149 already potentially be changed after being filed for any given application period
150 as the result of a potential ordered reconciliation adjustment as determined by
151 the Commission⁷, this provision would result in the rate changing at minimum 3

³ See Order, Docket No. 08-0619/0620/0621 (Cons.) (August 19, 2009)

⁴ ILL. C.C. No. 10, 1st Revised Sheet No. 257.

⁵ ILL. C.C. No. 10, Original Sheet No. 257.2.

⁶ Company response to Staff data request TEE 1.15.

⁷ Factor POROR on Original Sheet No. 257.1 and CBOR on Original Sheet No. 257.3.

152 times for any application period beyond the first period (setting it to zero for 3
153 months, setting the rate the Company computes, and setting the rate to reflect
154 any ordered adjustment resulting from the Commission reconciliation
155 proceeding). Later in this testimony, I am recommending that mid-period
156 adjustments be provided for in the tariff language. Setting the adjustment rates
157 to zero does not provide any benefit to either ratepayers or the Company, thus, it
158 is not necessary.

159 Therefore, I propose that the last sentence in the description of POR Adjustment
160 on 1st Revised Sheet No. 257, as well as the last sentence in the description of
161 CB Adjustment on Original Sheet No. 257.2 should be stricken.

162 **Proposal for the Tracking of Costs and Revenues**

163 **Q. Please discuss your proposed tracking mechanisms for costs and**
164 **revenues for ready identification.**

165 A. I propose that separate revenue subaccounts be established when the charges
166 are first applied to customer bills to specifically identify these revenues. I also
167 propose that separate expense subaccounts be established for costs incurred
168 after the date amending Section 220 ILCS 5/16-118 of the Public Utilities Act to
169 track these costs.

170 **Q. Why is it necessary for the Company to maintain the identity revenues**
171 **resulting from the Purchase of Receivables (“POR”) Adjustment and**
172 **Consolidated Billing (“CB”) Adjustment?**

173 A. The revenues need to be readily identifiable to determine any over/under
174 recovery resulting from Rider PORCB. While the Company indicated in response
175 to discovery that the revenues associated with the POR and CB Adjustments
176 would be tracked through its customer billing system⁸, no method for that tracking
177 was identified. My proposal will provide tracking from the inception of the
178 adjustments so that the revenues are readily identifiable for review during the
179 reconciliation process.

180 **Q. Why is it necessary for the Company to maintain the identity of costs**
181 **recoverable through the POR Adjustment and CB Adjustment?**

182 A. The POR Adjustment and CB Adjustment costs need to be readily identifiable for
183 recovery through the Rider PORCB. In response to Staff data request RP 1.02,
184 the Company stated that it has not determined the amounts of DICs and BSMICs
185 incurred to date. Company testimony indicates that ComEd began the process
186 to develop and implement the computer system changes as early as 2008.⁹
187 Further the PORCB Project Timeline¹⁰ indicates that certain processes began in
188 April 2009. Staff is concerned that while the testimony indicates that the
189 computer system modification process began over 12 months ago, ComEd
190 cannot determine the amounts of costs incurred to date.

191 **Q. Do you have other concerns regarding the tracking of costs?**

⁸ Company response to Staff data request TEE 1.19.

⁹ ComEd Ex. 2.0, pp. 5-8, lines 89 – 161.

¹⁰ ComEd Ex. 2.1.

192 A. Yes. In response to Staff data request RP 2.01 the Company states that it
193 “would expect to work cooperatively with ICC Staff **at the end of this**
194 **proceeding** to develop the content and determine the level of detail required to
195 meet the needs of the Commission” (emphasis added). Since the Company
196 argues that it cannot currently determine how much has been spent to date for
197 this project, it is clear that waiting until the end of this proceeding to determine
198 the level of detail needed by the Commission would only further delay any
199 analysis Staff could do. Moreover, the Company has the burden of ultimately
200 proving that any costs it has incurred were prudent. Consequently, it would
201 seem that logically, from its own perspective and that of the Commission, the
202 Company should begin immediately to maintain the detail of all costs incurred for
203 the PORCB project.

204 **Q. What detail should the Company maintain for review?**

205 A. At a minimum, the Company should maintain the following detail for the PORCB-
206 related external costs:

- 207 a) Vendor,
- 208 b) Date,
- 209 c) Dollar amount,
- 210 d) Description of service provided,
- 211 e) Invoice or other third-party documentation to support the costs, and
- 212 f) Contracts or other agreements to the extent that the services are
- 213 covered by such a document.

214 For internal Company costs, the detail should also include information to verify
215 that the internal costs are incremental and not otherwise included in recovery
216 under any other tariffs currently in effect.

217 **Proposal to Revise Tariff Language Concerning the Reconciliation Process**

218 **Q. Please discuss your proposed revisions to tariff language concerning the**
219 **reconciliation process.**

220 **A. The following revisions are needed for clarification purposes:**

221 **AUDIT, REPORTING, AND RECONCILIATION REQUIREMENTS.**

222 After each POR Application Period the Company must conduct an
223 internal audit of its costs for such previous POR Application Period
224 and recoveries of such costs pursuant to this rider and Rider RCA.
225 Such audit must examine (a) costs recovered pursuant to this rider
226 and Rider RCA to verify that such costs have been recovered only
227 pursuant to this rider and Rider RCA, as applicable, and to confirm
228 that any such costs are not also being recovered inappropriately
229 through charges under other tariffs, (b) DRECCs determined
230 pursuant to this rider to verify that such DRECCs were properly
231 computed, stated, and remitted, (c) POR Adjustments determined
232 pursuant to Rider RCA to verify that such POR Adjustments were
233 properly calculated and applied, and (d) CB Adjustments
234 determined pursuant to Rider RCA to verify that such CB
235 Adjustments were properly calculated and applied. The Company
236 must prepare a report that summarizes the results of such audit.
237 Such report must be submitted to the ICC in an informational filing,
238 with copies of such report provided to the Manager of the Staff's
239 Accounting Department, the Director of the Staff's Financial
240 Analysis Division, and the Director of the Staff's Office of Retail
241 Market Development within sixty (60) calendar days after the end of
242 such POR Application Period. Such report must be verified by an
243 officer of the Company.

244
245 Within ninety (90) calendar days after the Company submits to the
246 ICC the report described in this Audit, Reporting, and Reconciliation
247 Requirements section, the ICC may initiate a docketed PORCB
248 reconciliation proceeding. At the conclusion of such proceeding,
249 the ICC determines the amount, if any, to be included in an ordered
250 reconciliation adjustment to the POR Adjustment or the CB
251 Adjustment determined in accordance with the provisions in Rider
252 RCA in order to (a) correct for errors in the POR Adjustment or the
253 CB Adjustment applied calculated during the previous POR
254 Application Period, (b) correct for an improperly applied POR
255 Adjustment or CB Adjustment during the previous POR Application

256 Period, ~~and~~ (c) allow only prudently incurred costs to be recovered,
257 and (d) reconcile the revenue resulting from the application of the
258 DRECCs, POR Adjustment and CB Adjustment during the previous
259 POR Application Period to the DICs, AOCs, BSMICs, and BSAOCs
260 incurred during such previous POR Application Period. Any such
261 ordered reconciliation adjustment is determined to the extent that
262 any of the aforementioned items (a) through (ed) is not already
263 reflected in the applicable balancing factor determined by the
264 Company. After any such ordered reconciliation adjustment is
265 determined by the ICC, the Company must revise its POR
266 Adjustment or CB Adjustment, as applicable, to reflect such
267 ordered reconciliation adjustment in accordance with an order
268 entered by the ICC that provides the terms under which the ordered
269 reconciliation adjustment is to be reflected in the POR Adjustment
270 or CB Adjustment.

271 **Q. Please explain why you have added a phrase for a prudence review in the**
272 **above tariff language.**

273 A. The tariff language addressing the reconciliation did not provide for an ordered
274 reconciliation adjustment related to a prudence review of the costs to be
275 considered for recovery under the POR Adjustment and the CB Adjustment.

276 Section 16-118(c) states:

277 The tariff filed pursuant to this subsection (c) shall permit the
278 electric utility to recover from retail customers any uncollected
279 receivables that may arise as a result of the purchase of
280 receivables under this subsection (c), may also include other just
281 and reasonable terms and conditions, and shall provide for the
282 **prudently incurred costs** associated with the provision of this
283 service pursuant to this subsection (c). (Emphasis added)

284 Thus language to provide for such a review is necessary.

285 **Proposal for Tariff Language on the Timing of Informational Filings**

286 **Q. Please discuss your proposed revisions to tariff language regarding the**
287 **timing of information filings.**

288 A. The Company proposes that informational filings to change either the POR
289 Adjustment or the CB Adjustment be made by the twentieth (20th) of the month
290 preceding the effective date of the change. I recommend that the informational
291 filings be made no later than 30 days prior to the effective date of the change.
292 Since the changes to the POR Adjustment and the CB Adjustment will occur
293 infrequently given the 36 and 24 month Application Periods, more time will be
294 necessary to process the amount of information that will go into calculating the
295 new rates. This provision is consistent with the corresponding Ameren tariff
296 language.¹¹

297 **Q. Do you have a proposal regarding adjustments other than at the beginning**
298 **of an Application Period?**

299 A. Yes. I recommend that the tariff language be revised to allow for mid-application
300 period adjustments. The tariffs, as designed, provide for components of the POR
301 Adjustment and the CB Adjustment to include an ordered reconciliation
302 adjustment resulting from the reconciliation. There is a strong likelihood that
303 these adjustments will occur mid-application period. It is also likely that as a
304 result of interim reporting (discussed below), something could come to either the

¹¹ Ill.C.C. No. 18, 1st Revised Sheet No. 34.002.

305 Company's or Staff's attention that would warrant an adjustment to the POR or
306 CB adjustment rates previously calculated.

307 **Q. What language revisions are you proposing regarding the informational**
308 **filings?**

309 A. The following revision should be made to the paragraph on Original Sheet No.
310 257.1 to provide for sufficient time to review of the informational filing.

311 No later than ~~the twentieth day of the month~~ thirty (30) days prior to
312 the start of the monthly billing period during which the Company
313 begins to issue bills that include a POR Adjustment, the Company
314 must file such POR Adjustment, accompanied by supporting work
315 papers, as necessary, with the ICC for informational purposes. Any
316 submission of a POR Adjustment for filing ~~after the twentieth day of~~
317 ~~a month~~ later than thirty (30) days prior to the start of the billing
318 period but prior to the start of such monthly billing period is
319 acceptable only if such submission corrects an error or errors from
320 a timely filed POR Adjustment for such monthly billing period. Any
321 other such filing made ~~after such twentieth day~~ later than thirty (30)
322 days prior to the start of the billing period is acceptable only if such
323 filing is made in accordance with the special permission request
324 provisions of Section 9-201(a) of the Act.
325

326 The following revision should be made to the paragraph on Original Sheet No.
327 257.3 to provide for sufficient time to review of the informational filing.

328 No later than ~~the twentieth day of the month~~ thirty (30) days prior to
329 the start of the monthly billing period during which the Company
330 begins to issue bills that include a CB Adjustment, the Company
331 must file such CB Adjustment, accompanied by supporting work
332 papers, as necessary, with the ICC for informational purposes. Any
333 submission of a CB Adjustment for filing ~~after the twentieth day of a~~
334 ~~month~~ later than thirty (30) days prior to the start of the billing
335 period but prior to the start of such monthly billing period is
336 acceptable only if such submission corrects an error or errors from

337 a timely filed CB Adjustment for such monthly billing period. Any
338 other such filing made ~~after such twentieth day~~ later than thirty (30)
339 days prior to the start of the billing period is acceptable only if such
340 filing is made in accordance with the special permission request
341 provisions of Section 9-201(a) of the Act.
342

343 The following language should be included in the tariffs on Original Sheet No.
344 257.3 to provide for mid-period adjustments as well as for the timing of the
345 informational filings.

346 Notwithstanding the provisions of the previous paragraph, a POR
347 adjustment or CB adjustment may be revised by the Company if
348 the Company determines the revised adjustments result in a better
349 match between the revenues and Incremental Costs. The
350 Company must file with the ICC, for informational purposes, such
351 revised POR adjustment or CB adjustment no later than thirty (30)
352 days preceding the monthly billing period during which such
353 revised adjustments become effective. The revised POR
354 adjustment and CB adjustment are determined in accordance with
355 the equations in the corresponding sections of Rider RCA.

356 **Q. Has the Company provided a draft of the Informational Sheets it will be**
357 **filing for the POR Adjustment and the CB Adjustment?**

358 A. No. A draft of the Informational Sheet the Company proposes to file should be
359 provided with the Company's Rebuttal Testimony for Staff comment.

360 **Proposal for Interim Reporting**

361 **Q. Please discuss your proposal for interim reporting during the defined**
362 **application periods.**

363 A. Since the tariffs provide for reconciliations once every two to three years, I
364 recommend that the Company be required to annually provide certain information
365 for the preceding year. This information will allow both Staff and the Company to
366 monitor the PORCB activity during the Application Periods for any unforeseen
367 occurrence that could warrant a change to the POR or CB Adjustments.

368 The following language should be added to the "Audit, Reporting, and
369 Reconciliation Requirements" section of Rider PORCB, Original Sheet 399:

370 The Company will provide a report to the Commission on an annual
371 basis including details of 1) RES participation; 2) Total Costs
372 Incurred for DIC, AOC, BSMIC and BSAOC for the year; 3) Dollar
373 Amount of discounted receivables purchased for the year; 4) Dollar
374 amount for POR accounts written off during the year; 5) Revenues
375 billed under POR adjustment; and 6) Revenues billed under CB
376 Adjustment. Such report will be provided to the Manager of
377 Accounting and the Director of the Office of Retail Market
378 Development within sixty (60) calendar days after the end of each
379 calendar year.

380 **Q. What type of detail would you expect to see for the Retail Electric Supplier**
381 **("RES") participation component of the report?**

382 A. RES participation detail should include the following information provided by
383 individual RES:

- 384 a) Number of accounts at beginning of year by rate class
385 b) Number of accounts added during the year by rate class
386 c) Number of accounts dropped during the year by rate class
387 d) Number of accounts at the end of the year by rate class

388 **Background Information on Reconciliation Process**

389 **Q. What is your understanding of the reconciliation process as presented in**
390 **the Rider PORCB tariff language?**

391 A. ComEd is proposing a two stage reconciliation process that is discussed in the
392 proposed tariff language on Original Sheet Nos. 398 and 399. The first stage is
393 the determination made after each POR Application Period to the extent to which
394 the incorporation of the \$.50 component of the Discounted Receivable
395 calculation, the application of the POR Adjustment, and the application of the CB
396 Adjustment provide for the recovery of the DICs, AOCs, BSMICs, and BSAOCs.
397 The second stage is the comparison of the costs to be recovered under the POR
398 Adjustment and the CB Adjustment with the actual revenues billed under each.

399 **Q. Discuss your understanding of the first stage of the reconciliation process.**

400 A. The amounts recovered through the discounted receivables calculation would be
401 compared to the costs incurred and recovered through the POR Adjustment and
402 CB Adjustment of Rider RCA. The fixed \$.50 per account would first be applied
403 to the DICs and AOCs including the true-up of uncollectibles, then, to the extent
404 that the total for DICs and AOCs has been recovered, any excess would be
405 applied towards reimbursing retail customers for all Purchase of Receivables
406 costs recovered through the POR Adjustment.

407 Only upon recovery of all POR costs from the RESs through the \$.50 charge will
408 any excess be applied to the BSMICs and BSAOCs. Based on my evaluation of

409 amounts provided in discovery, the Company's claim, that "[u]ltimately all such
410 costs are to be recovered from the RESs taking service under this rider,¹² does
411 not seem likely given ComEd's proposed cost recovery through a fixed per bill
412 charge.

413 **Q. Please explain**

414 A. The Company's supplemental response to Staff data request TEE 1.01
415 (Attachment A), provides an illustrative example of the POR Balance
416 Calculation¹³, i.e. the amount collected through the Discounted Receivables
417 compared to the Amortized DICs, AOCs, and net uncollectibles for the first POR
418 application period. The example provided shows that the amount collected
419 through the \$.50 fixed charge would barely provide funds to cover the \$50,000
420 annual AOCs, with only \$30,000 (\$180,000 - \$150,000) remaining to apply
421 towards the amortized DICs and net uncollectibles. Staff witness Clausen
422 discusses an alternative to the fixed charge that would maximize the potential for
423 PORCB implementation cost recovery from the participating RESs.¹⁴

424 **Q. Discuss your understanding of the second stage of the reconciliation**
425 **process.**

426 A. The second stage of the reconciliation process compares the prudently incurred
427 costs for both the purchase of receivables and consolidated billing with the

¹² Original Sheet No. 393.

¹³ Also provided as Attachment B is the Company's initial response to Staff data request TEE 1.01 which provides the calculations for the CB Adjustment.

¹⁴ ICC Staff Exhibit 1.0, p. 9, lines 189 – 198.

428 amounts recovered through the application of the POR Adjustment and the CB
429 Adjustment.

430 **Conclusion**

431 **Q. What recommendations do you make?**

432 A. I recommend that:

- 433 1) The revisions to tariff language discussed above be approved;
- 434 2) The Company be ordered to keep its records in the manner described
435 above to track its costs and revenues associated with the PORCB
436 Program; and
- 437 3) The Company provide a draft of the Information Sheet it will be filing
438 under the proposed tariffs with its rebuttal testimony.

439 **Q. Does this question end your prepared direct testimony?**

440 A. Yes.

**Commonwealth Edison Company's Response to
Illinois Commerce Commission ("STAFF") Data Requests
TEE 1.01 – 1.21
Dated: March 25, 2010**

REQUEST NO. TEE 1.01:

Please provide, in Excel format, the calculations of POR Adjustment and CB Adjustment based on the Company's current best estimates.

SUPPLEMENTAL RESPONSE

- ComEd has agreed to supplement the initial response with an example calculation of the costs applicable to a POR Balance, provided in the attached Excel document (TEE 1.01 Supp_Attach 1).

Annual Revenue Requirement Calculation of Capital Investment

Year	Annual Investment	Accumulated Investment	Book Depreciation	Tax Depreciation	Accumulated Depreciation	Accumulated Deferred Income Taxes	Year End Rate Base	Return on Average Rate Base	Revenue Conversion	Capital Revenue Requirement
2011	\$10,830,522	\$10,830,522	\$1,083,052	\$2,166,104	\$1,083,052	\$430,459	\$9,317,011	\$320,757	\$535,664	\$1,618,717
2012	\$0	\$10,830,522	\$1,083,052	\$3,465,767	\$2,166,104	\$1,377,469	\$7,286,948	\$571,625	\$954,614	\$2,037,666
2013	\$0	\$10,830,522	\$1,083,052	\$2,079,460	\$3,249,157	\$1,773,491	\$5,807,874	\$450,816	\$752,863	\$1,835,915
2014	\$0	\$10,830,522	\$1,083,052	\$1,247,676	\$4,332,209	\$1,838,921	\$4,659,392	\$360,357	\$601,796	\$1,684,848
2015	\$0	\$10,830,522	\$1,083,052	\$1,247,676	\$5,415,261	\$1,904,351	\$3,510,910	\$281,279	\$469,736	\$1,552,789
2016	\$0	\$10,830,522	\$1,083,052	\$623,838	\$6,498,313	\$1,721,836	\$2,610,372	\$210,738	\$351,932	\$1,434,984
2017	\$0	\$10,830,522	\$1,083,052	\$0	\$7,581,365	\$1,291,377	\$1,957,779	\$157,268	\$262,637	\$1,345,690
2018	\$0	\$10,830,522	\$1,083,052	\$0	\$8,664,418	\$860,918	\$1,305,186	\$112,334	\$187,598	\$1,270,650
2019	\$0	\$10,830,522	\$1,083,052	\$0	\$9,747,470	\$430,459	\$652,593	\$67,401	\$112,559	\$1,195,611
2020	\$0	\$10,830,522	\$1,083,052	\$0	\$10,830,522	\$0	\$0	\$22,467	\$37,520	\$1,120,572

Annual Revenue Requirement Calculation of Regulatory Asset

Year	Reg Asset 2009 O&M Expense (1)	Reg Asset Amortization	Net Reg Asset	Book Amortization	Tax Deduction	Accumulated Deferred Income Taxes	Year End Rate Base	Return on Average Rate Base	Revenue Conversion	Reg Asset Revenue Requirement
2011	\$1,795,692	\$176,569	\$1,589,123	\$176,569	\$1,765,692	\$631,597	\$957,526	\$32,965	\$55,051	\$231,620
2012		\$176,569	\$1,412,554	\$176,569	\$0	\$561,419	\$851,134	\$62,267	\$103,986	\$280,555
2013		\$176,569	\$1,235,984	\$176,569	\$0	\$491,242	\$744,742	\$54,941	\$91,752	\$268,321
2014		\$176,569	\$1,059,415	\$176,569	\$0	\$421,065	\$638,351	\$47,616	\$79,518	\$256,088
2015		\$176,569	\$882,846	\$176,569	\$0	\$350,887	\$531,959	\$40,290	\$67,285	\$243,854
2016		\$176,569	\$706,277	\$176,569	\$0	\$280,710	\$425,567	\$32,965	\$55,051	\$231,620
2017		\$176,569	\$529,708	\$176,569	\$0	\$210,532	\$319,175	\$25,639	\$42,818	\$219,387
2018		\$176,569	\$353,138	\$176,569	\$0	\$140,355	\$212,784	\$18,314	\$30,584	\$207,153
2019		\$176,569	\$176,569	\$176,569	\$0	\$70,177	\$106,392	\$10,988	\$18,350	\$194,920
2020		\$176,569	\$0	\$176,569	\$0	\$0	\$0	\$3,663	\$6,117	\$182,686

Year	Total Revenue Requirement
2011	\$1,850,337
2012	\$2,318,221
2013	\$2,104,236
2014	\$1,940,936
2015	\$1,796,643
2016	\$1,666,604
2017	\$1,565,076
2018	\$1,477,804
2019	\$1,390,531
2020	\$1,303,258

AT WACC 6.89%
 Tax Rate 39.75%
 Conv Factor 1.67

(1) See ComEd Response to Staff Data Request TEE 1.02 and 1.04

	Year	Book Depreciation (1)	Book Depreciation (2)	Tax Depreciation (3)
1	1	20.00%	10.00%	20.00%
2	2	20.00%	10.00%	32.00%
3	3	20.00%	10.00%	19.20%
4	4	20.00%	10.00%	11.52%
5	5	20.00%	10.00%	11.52%
6	6		10.00%	5.76%
7	7		10.00%	
8	8		10.00%	
9	9		10.00%	
10	10		10.00%	
11	11			
12	12			
13	13			
14	14			
15	15			
16	16			

- (1) ComEd Software Depreciation Rate
- (2) Potential Staff Position
- (3) 5 year MACRS schedule

Tax Depreciation Schedule

5 Year MACRS	20.00%	32.00%	19.20%	11.52%	11.52%	5.76%					
	1	2	3	4	5	6	7	8	9	10	
Annual Investment	\$10,830,522	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	\$2,166,104	\$3,465,767	\$2,079,460	\$1,247,676	\$1,247,676	\$623,838	\$0	\$0	\$0	\$0	\$0
2		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5					\$0	\$0	\$0	\$0	\$0	\$0	\$0
6						\$0	\$0	\$0	\$0	\$0	\$0
7							\$0	\$0	\$0	\$0	\$0
8								\$0	\$0	\$0	\$0
9									\$0	\$0	\$0
10										\$0	\$0
Annual Depreciation	\$2,166,104	\$3,465,767	\$2,079,460	\$1,247,676	\$1,247,676	\$623,838	\$0	\$0	\$0	\$0	\$0

Commonwealth Edison Company
Computation of Jurisdictional Rate Base Conversion Factor

<u>Line No.</u>	<u>Description</u>	<u>Factor</u>
1	Overall Rate of Return	8.37%
2	Interest Synchronization --	
3	3.70% debt return x 39.75% combined effective	
4	income tax rate	<u>-1.48%</u>
5	After Tax Rate of Return	6.89%
6	Revenue Conversion Factor	<u>1.67</u>
7	Rate Base Conversion Factor	<u><u>11.50%</u></u>

Pre-Tax Weighted Average Cost of Capital Allowed in Docket 07-0566

	Cost	Weight	
Debt	6.78%	54.96%	3.73%
Equity	10.30%	45.04%	4.64%
WACC =			8.37%

Tax Rate 39.75%

**Commonwealth Edison Company's Response to
 Illinois Commerce Commission ("STAFF") Data Requests
 TEE 1.01 – 1.21
 Dated: March 25, 2010**

REQUEST NO. TEE 1.01:

Please provide, in Excel format, the calculations of POR Adjustment and CB Adjustment based on the Company's current best estimates.

RESPONSE:

With respect to the POR Adjustment for the initial three-year POR Application Period, there is no POR Adjustment applied to the bills of customers with demands under 400 kW, as discussed in ComEd's direct testimony. (See ComEd Ex. 1.0, 19-453-20:487; ComEd Ex.1.2 at Sheet No. 257 ("The POR Adjustment during the initial POR Application Period, as described in Rider PORCB - Purchase of Receivables with Consolidated Billing (Rider PORCB) is zero")). ComEd objects to this data request to the extent it calls for ComEd to speculate as to the level of RES usage of PORCB service during the initial POR Application Period in order to estimate the POR Balance and, in turn, the POR Adjustment that may be applicable during the second POR Application Period.

With respect to the CB Adjustment for the initial three-year POR Application Period, the CB Balance is determined by reviewing the estimated costs for the BSMICs and BSAOCs noted in ComEd Ex. 1.0 18:443 of \$12.6 million. (See ComEd's Responses to Staff Data Requests TEE 1.04 and TEE 1.05). The amortized value over ten years is reflected in the attached Excel document (TEE 1.01_Attach 1), with a result of \$17.4 million.

Estimated initial CB Adjustment:

Total CB Balance	Initial Period CB Balance	CBBF	CBOR	Est. Bills/Month	Months
\$17,400,000	\$6,270,0000	\$0	\$0	3,800,000	33

$$\text{CB Adjustment} = \frac{\$6.27\text{M} + \$0 + \$0}{3,800,000 * 33} = \$0.050$$

Annual Revenue Requirement Calculation of Capital Investment

Year	Annual Investment	Accumulated Investment	Book Depreciation	Tax Depreciation	Accumulated Depreciation	Accumulated Deferred Income Taxes	Year End Rate Base	Return on Average Rate Base	Revenue Conversion	Capital Revenue Requirement
2011	\$10,830,522	\$10,830,522	\$1,083,052	\$2,166,104	\$1,083,052	\$430,459	\$9,317,011	\$320,757	\$535,664	\$1,618,717
2012	\$0	\$10,830,522	\$1,083,052	\$3,465,767	\$2,166,104	\$1,377,469	\$7,286,948	\$571,625	\$954,614	\$2,037,666
2013	\$0	\$10,830,522	\$1,083,052	\$2,079,460	\$3,249,157	\$1,773,491	\$5,807,874	\$450,816	\$752,863	\$1,835,915
2014	\$0	\$10,830,522	\$1,083,052	\$1,247,676	\$4,332,209	\$1,838,921	\$4,659,392	\$360,357	\$601,796	\$1,684,848
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3				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4					\$0	\$0	\$0	\$0	\$0	\$0	\$0
5						\$0	\$0	\$0	\$0	\$0	\$0
6							\$0	\$0	\$0	\$0	\$0
7								\$0	\$0	\$0	\$0
8									\$0	\$0	\$0
9										\$0	\$0
10											\$0
Annual Depreciation		\$2,166,104	\$3,465,767	\$2,079,460	\$1,247,676	\$1,247,676	\$623,838	\$0	\$0	\$0	\$0

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