

**STATE OF ILLINOIS**  
**ILLINOIS COMMERCE COMMISSION**

ILLINOIS COMMERCE COMMISSION	)	
On Its Own Motion	)	
	)	
vs.	)	
	)	
COMMONWEALTH EDISON COMPANY	)	No. 10-0275
	)	
Reconciliation of revenues collected	)	
under power procurement riders with	)	
actual costs associated with power	)	
procurement expenditures.	)	

Direct Testimony of

**KEVIN J. WADEN**

Vice President and Controller  
Commonwealth Edison Company

December 30, 2010

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1 **I. Introduction and Background**

2 **A. Identification of Witness**

3 Q. What is your name and business address?

4 A. My name is Kevin J. Waden. My business address is Commonwealth Edison  
5 Company, Three Lincoln Centre, Oakbrook Terrace, Illinois 60181.

6 Q. By whom are you employed and what is your position?

7 A. I am employed by Commonwealth Edison Company (“ComEd” or the  
8 “Company”) as its Vice President and Controller.

9 **B. Purpose of Testimony**

10 Q. What is the purpose of your testimony?

11 A. The purpose of my testimony is to explain ComEd’s reconciliation of revenues  
12 during the applicable period (the period involved in this proceeding under the  
13 applicable tariffs, *i.e.*, June 1, 2008, through May 31, 2009) for: (1) its Purchased  
14 Electricity Adjustment Factors (“PEAs”) under ComEd’s Rider PE – Purchased  
15 Electricity (“Rider PE”) and (2) its Hourly Purchased Electricity Adjustment  
16 Factors (“HPEAs”) under Rate BESH – Basic Electric Service – Hourly Energy  
17 Pricing (Rate BESH”).

18 Q. Please describe the PEAs during the applicable period?

19 A. The PEAs pertained to full requirements electric supply purchased by ComEd for  
20 customers in the “blended” segment, as described in Rider PE, and for which the  
21 applicable period is June 1, 2008, through May 31, 2009.

22 Q. Please describe the HPEAs during the applicable period?

23 A. The HPEAs, like the PEAs, pertained to electric power and energy directly  
24 procured by ComEd for customers taking service under ComEd's bundled service  
25 tariff with hourly pricing. The applicable period for the HPEAs also is June 1,  
26 2008, through May 31, 2009.

27 **C. Summary of Conclusions**

28 Q. Stated briefly, what are your conclusions?

29 A. In brief, I conclude that: (1) ComEd correctly determined and recovered the  
30 applicable costs through the PEAs during the applicable period and did not  
31 inappropriately recover those costs through charges in any other tariffs;  
32 (2) ComEd correctly accounted for the costs and revenues associated with the  
33 PEAs during the applicable period; (3) ComEd correctly determined and  
34 recovered the applicable costs through the HPEAs during the applicable period  
35 and did not inappropriately recover those costs through charges in any other  
36 tariffs; and (4) ComEd correctly accounted for the costs and revenues associated  
37 with the HPEAs during the applicable period.

38 Please note that, per the Supplemental Report Relating to 2009 ComEd  
39 Purchased Electricity Cost Recovery Review (described further below), ComEd  
40 has at times identified appropriate corrections during the course of preparing the  
41 monthly filings for Rider PE and Rate BESH. As these items have been identified  
42 they have been corrected and filed in the next monthly filing made in accordance  
43 with the applicable tariffs. ComEd also identified a relatively small correction  
44 that was made to the PEAs and HPEAs, with that correction being applied in  
45 December 2009 bills, that relates in part to PEAs and HPEAs during the period

46 from June 1, 2008, to October 31, 2008.

47 **D. Itemized Attachments to Direct Testimony**

48 Q. Are you sponsoring any attachments to your testimony?

49 A. Yes. Attached hereto are the following exhibits:

- 50 • ComEd Exhibit (“Ex.”) 1.1 is a genuine copy of the 2009 ComEd  
51 Purchased Electricity Cost Recovery Review, dated November 20, 2009,  
52 prepared by Exelon’s Internal Audit Services, along with the  
53 accompanying cover letter and Company Officer Verification, that ComEd  
54 filed with the Illinois Commerce Commission (the “Commission” or  
55 “ICC”) on November 23, 2009.
- 56 • ComEd Ex. 1.2 is a genuine copy of the 2009 Supplemental Report  
57 Relating to 2009 ComEd Purchased Electricity Cost Recovery Review,  
58 dated November 20, 2009, contemporaneously filed with the Commission  
59 on November 23, 2009.

60 Q. Please describe the internal audit report included in ComEd Ex. 1.1.

61 A. The internal audit was conducted by Exelon Corporation’s internal audit  
62 department, which is a separate and independent function within Exelon  
63 Corporation (ComEd’s ultimate parent company). The report provides  
64 background information, identifies the objectives and scope of the internal audit,  
65 describes the results of the internal audit, and sets forth in an appendix further  
66 information on the procedures performed as part of the audit.

67 Q. Please describe the supplemental report included in ComEd Ex. 1.2.

68 A. The supplemental report provides additional background information (including  
69 information about related legal developments), notes that the finding of  
70 immaterial differences in calculations performed by the internal audit function  
71 and those reported in the General Ledger do not mean or suggest that the General  
72 Ledger or the PEAs or HPEAs were incorrect, and provides additional  
73 information about the operation of the tariffs.

74 **E. Background and Experience**

75 Q. Please summarize your educational background and qualifications.

76 A. I graduated with honors from Augustana College, Rock Island, Illinois, in 1992  
77 with a Bachelor's degree in Accounting and Business Administration. I am also a  
78 1998 graduate of Northwestern University's J.L. Kellogg Graduate School of  
79 Management where I earned a Master's of Business Administration degree in  
80 finance, real estate, and organizational behavior. Additionally, I am a licensed  
81 Certified Public Accountant ("CPA") in the State of Illinois and a member of the  
82 American Institute of Certified Public Accountants ("AICPA").

83 Q. Describe your past and present employment.

84 A. I spent the first nine years of my career at Arthur Andersen, LLP, in expanding  
85 levels of responsibilities in the audit practice of the Chicago office, ultimately  
86 achieving the level of experienced manager. A significant portion of my time at  
87 Arthur Andersen was focused on the energy industry, which included working  
88 with ComEd from 1995 through 2000. In May 2002, I joined ComEd as the  
89 Manager of Financial Reporting. In September 2003, I was promoted to Director  
90 of Financial Reporting and Accounting Research for Exelon Energy Delivery,

91 LLC. In January 2007, I became the Director of Accounting Operations for  
92 ComEd and in January 2008 my role expanded to cover both Accounting  
93 Operations and Financial Reporting. In July 2009, I was promoted to Vice  
94 President and Controller for ComEd.

95 **II. Summary of Relevant Operations**  
96 **Under Rider PE and Rate BESH**

97 Q. Please generally describe the operations relating to PEAs under Rider PE and  
98 HPEAs under Rate BESH.

99 A. In brief, the PEAs and HPEAs were designed as part of Rider PE and Rate BESH  
100 so that the expenses that ComEd incurred for the procurement of full requirements  
101 electric supply and directly procured electric power and energy, as applicable,  
102 required by retail customers for which ComEd was providing such supply, would  
103 equal the revenues from such retail customers for such supply based on changes  
104 in those customers' actual usage and demands on ComEd's system. The expenses  
105 included in the PEAs and HPEAs also include certain transmission expenses as  
106 well as certain supply administration costs associated with the provision of  
107 service under Rider PE and Rate BESH. Those administrative costs are addressed  
108 in the direct testimony of ComEd's Vice President - Energy Acquisition,  
109 William P. McNeil (ComEd Ex. 2.0). As provided in the tariff language of the  
110 Rider PE and Rate BESH, an internal audit was required to be conducted related  
111 to the PEAs and HPEAs for the applicable period, and a report that summarized  
112 the results of that internal audit had to be prepared and then submitted to the  
113 Commission as an informational filing. The internal audit was conducted, and the  
114 report was prepared. ComEd Ex. 1.1 is a copy of the required submission of that

115 report as an informational filing.

116 Q. How did ComEd determine the underlying data and calculate PEAs and HPEAs  
117 under Rider PE and Rate BESH during the applicable period?

118 A. In brief, on a monthly basis, ComEd calculated the difference between revenues  
119 and expenses recognized associated with each product. ComEd's general ledger  
120 contains the revenue and expense data necessary to calculate the PEA and HPEA.  
121 ComEd's wholesale procurement management system, payables system and retail  
122 billing system are the sources of the information which support the general ledger.  
123 These sources were used to validate the wholesale electric supply costs and  
124 accrued retail electric supply revenue used in the AAF calculations. At my  
125 direction, the calculations and filings were prepared by accounting staff and either  
126 Christine Brinkman, ComEd Manager of Accounting, or I approved them prior to  
127 filing with the ICC each month. Any amounts that were over/under recovered in  
128 a given period were reflected in a subsequent period on our customers' bills, as  
129 applicable. Any amounts that were credited to or recovered from customers were  
130 incorporated into the next applicable monthly calculation of the PEAs and  
131 HPEAs. At the end of any accounting period, ComEd recorded a cumulative  
132 regulatory asset (under-recovery) or regulatory liability (over-recovery) for each  
133 product offering.

134 Q. Did ComEd correctly determine and recover the applicable costs through the  
135 PEAs and HPEAs during the applicable period?

136 A. Yes. The internal audit report states in part: "In our opinion, based on testing  
137 performed for the 12-month period of June 1, 2008 through May 31, 2009, the

138 cost recovery process performed by Revenue Accounting, including the  
139 supporting [General Ledger] reconciliations used to calculate the PEA/HPEA  
140 activity, is in compliance with Rider PE and Rate BESH.”

141 Q. Did ComEd inappropriately also recover any of the same costs through charges in  
142 any other tariffs?

143 A. No. The accounting and the process related to the PEAs and HPEAs, as well as  
144 the tariff provisions, prevented any such double-recovery.

145 Q. Does this conclude your direct testimony?

146 A. Yes.