

ICC Docket No. 10-0275**Commonwealth Edison Company's Response to
Illinois Commerce Commission ("Staff") Data Requests****BAP 2.01****Date Received: March 31, 2011****Date Served: April 28, 2011****REQUEST NO. BAP 2.01:**

Referring to the response to ICC Staff Data Request BAP 1.01, please provide the following additional information:

- a. A detailed explanation as to why the total costs recovered under Rider PE and Rider BESH during the second reconciliation period ended May 31, 2009 are significantly larger than the amount of Supply Administration Costs recovered during the initial reconciliation period ended May 31, 2008 [\$2,456,524 vs. \$208,534 (according to Docket No. 09-0080, ComEd Exhibit 3.0, subpart (c))];
- b. A recapitulation of the cost categories that comprise the types of Energy Acquisition Costs recovered under Rider PE and Rider BESH during the second reconciliation period (e.g., salaries and benefits, system costs, etc.); and,
- c. A detailed explanation as to why the total costs recovered under Rider PE and Rider BESH during the second reconciliation period ended May 31, 2009 are reasonable.

RESPONSE:

- a. These two figures are not directly comparable, in that they reflect different sets of costs over different lengths of time. The \$208,534 represents total Supply Administration Charges (SAC) for the seven (7) month period of November 2007 through May 2008 for the *hourly* load only. The \$2,456,524 represents Energy Acquisition (EA) Department costs for the twelve (12) month period of June 2008 through May 2009 for *both fixed and hourly* loads, but does not include other SAC cost categories included in the \$208,534 figure.

The following table shows a comparison of the same sets of costs over the two time periods. While the lengths of the time periods are still not equal, the cost categories are the same.

Description	Nov '07 – May '08	June '08 – May '09
EA Department Costs	\$ 78,433	\$ 418,747
IT Systems Costs (R.O.)	\$ 70,012	\$ 185,696
Previously Incurred but Unrecovered Procurement Costs	\$ 35,447	\$ 219,038
PJM Credit Costs	\$ 24,643	\$ 164,859
ARR Professional Contractor	\$ -	\$ 5,534
Total	\$ 208,535	\$ 993,874

In order to put the costs for the November '07 – May '08 on an equivalent basis as the costs for the June '08 – May '09 period, the following three items should be accounted for:

1. The costs should be scaled to reflect twelve (12) months of operations vs. seven (7) months;
2. The procurement allocation factor changed between the two periods. In the November '07 – May '08 period, 35.7% of the EA department and ARR costs were allocated to procurement related expenses. In the June '08 – May '09 period, this allocation was increased to 45.4% (an amount much closer to the steady state allocation of activities based on full staffing levels). In the earlier period, the 35.7% was calculated by dividing the procurement related costs of actual staff employees by the total EA department budget. Because that budget included open, unfilled positions, the denominator in both periods was similar with respect to total labor costs (aside from wage increases). However, because the numerator only reflected actual employees, the numerator in the first period was smaller than the second period. This yielded a smaller allocation percentage. The need for the increased staff will be discussed later, but to make a side-by-side comparison of these costs, the allocation difference should be accounted for.
3. Finally, an accounting adjustment recorded in the second period actually belongs to the first period. The adjustment is \$42,884 in amount and affects the EA Department Costs category.

Adjusting for these three factors would yield a more accurate baseline from which to compare the expenses for the June '08 – May '09 time period. The adjusted baseline is as follows:

Description	Nov '07 – May '08 Original Costs	Nov '07 – May '08 (Adjusted for three factors)
EA Department Costs	\$ 78,433	\$ 264,478 ⁽¹⁾
IT Systems Costs (R.O.)	\$ 70,012	\$ 120,020 ⁽²⁾
Previously incurred but unrecovered Procurement Costs	\$ 35,447	\$ 60,767 ⁽³⁾
PJM Credit Costs	\$ 24,643	\$ 42,246 ⁽⁴⁾
ARR Professional Contractor	\$ -	\$ -
Total	\$ 208,535	\$ 487,511

(1) $(78,433 + 42,884) * (12/7) * (45.4 / 35.7)$

(2) $70,012 * (12/7)$

(3) $35,447 * (12/7)$

(4) $24,643 * (12/7)$

Using the adjusted costs above as a baseline yields a more appropriate year over year view as shown below:

Description	Nov '07 – May '08 (Annualized and Adjusted)	June '08 - May '09
EA Department Costs	\$ 264,478	\$ 375,864 ⁽¹⁾
IT Systems Costs (R.O.)	\$ 120,020	\$ 185,696
Previously incurred but unrecovered Procurement Costs	\$ 60,767	\$ 219,038
PJM Credit Costs	\$ 42,246	\$ 164,859
ARR Professional Contractor	\$ -	\$ 5,534
Total	\$ 487,511	\$ 950,991

(1) $418,747 - 42,884 = 375,864$

The cost increases for each line item are described below:

EA Department Costs

EA costs increased primarily due to additional staffing necessary to comply with segregation of duty restrictions and appropriate backup capability as noted in an internal audit review. The audit review noted that there were key personnel interdependencies that created unreasonable risk in the event that certain employees left for any reason. Also, personnel involved in generating invoices should not also be involved in validating payments as part of the approval process. While this was not the normal process, the lack of sufficient personnel meant that the backups on many tasks were personnel involved in both parts of the transaction. Therefore, the audit report concluded that staffing levels were insufficient to maintain controls on a reliable basis. As a result, management agreed to increase staffing in certain functions to address these concerns. The additional staff were hired and added to the Department costs primarily during the 2008 calendar year.

IT Systems Costs (R.O.)

IT system costs associated with upgrades to the Retail Office (RO) program increased modestly between periods due to changes in the PJM and Illinois markets. RO is a standard industry wholesale settlements program which allows for the proper allocation of load to the various load serving entities in the ComEd zone. There were two major modifications to RO that went into service during the planning period starting June of 2008, and thus ComEd began to depreciate these projects starting in July and August. Since these capitalized IT projects went into service in the June 2008 planning period, no depreciation expense was recorded in the planning period starting in November of 2007.

Previously incurred but unrecovered Procurement Costs

Previously incurred but unrecovered costs relating to the procurement of electric supply prior to the effective date of Public Act 95-0481 are allowed to be recovered under the Public Utilities Act (see Section 16-111.5(l)). This figure is primarily comprised of costs previously approved by the Commission in the 05-0597 rate case proceeding, as well as costs associated with the reverse clock auction including legal, expert witnesses and professional consultation, the auction procurement proceeding, the auction improvement proceeding, and costs incurred in anticipation of the second auction which was eventually abandoned. These costs increased due to the fact that ComEd began amortizing the bulk of these costs starting in June of 2008. This corresponds to the effective date for Rider Purchased Electricity (Rider PE).

PJM Credit Costs

PJM credit costs represent the credit facility costs assigned to the hourly load for posting of PJM required collateral. PJM requires collateral of all of its members as insurance for payment of services rendered to serve the load. Since ComEd procures the supply to serve the load of its hourly customers directly from the PJM spot markets, it must post collateral for this load. The PJM credit requirements for hourly load increased significantly from the previous period primarily due to the effects of the declaration that service to customers with peak demands of 100 kilowatts and above was competitive (see Section 16-113(f) & (g) of the PUA). That nearly tripled the load being served under hourly service from PJM markets.

ARR Professional Contractor

ARR (Auction Revenue Rights) Contractor costs of \$5,534 relates to professional services to assist ComEd in the nomination of ARR paths through the PJM selection process. This effort is an annual process to monetize the benefit of ARRs allocated to ComEd by PJM to be flowed directly back to ComEd's energy customers. These costs did not appear in the first reconciliation period since this process started in the 2008 PJM planning year.

- b. A recapitulation of the cost categories associated with Rate BESH is provided in response to subsection (a) above. The table below provides the costs associated with the fixed portion of Rider PE for the period of June 2008 through May, 2009.

Description	June '08 – May '09
EA Department Costs	\$ 2,037,777
IT Systems Costs (R.O.)	\$ 810,985
Previously Incurred but Unrecovered Procurement Costs	\$ 7,238,149
PJM Credit Costs	\$ 667,052
Renewable Energy Costs	\$ 223,211
2009 Procurement Process	\$ 411,835
Unrecovered Procurement Monitor and Administrator	\$ 302,196
ARR Professional Contractor	\$ 66,339
Professional Services Supporting SFCs	\$ 19,193
Total	\$ 11,776,737

Rider PE contained several cost categories that were not present in BESH. One such cost category is the administration costs related to the purchase of Renewable Energy Credits (RECs). These costs are associated with the certification and tracking services used to manage the REC contracts. The two services that were used during this period were PJM EIS GATS and the MISO MRETS. These costs included a fixed annual membership fee and a separate fee charged per REC retired.

2009 procurement process costs were expenses incurred during the approval process for the procurement plan for the fixed price procurement event applicable to the June 2009 through May 2010 planning period. These costs are comprised primarily of the payment of bills for legal services from counsel external to ComEd.

Another cost category that was not present in the BESH figures is the Unrecovered Procurement Monitor and Administrator Costs. The Procurement Monitor costs were costs directly associated with payment of the bills for contracted professional services employed by the ICC Staff for the purposes of monitoring the fixed price procurement process. ComEd paid these bills subsequent to authorization by the ICC Staff to do so. The Procurement Administrator costs were recovered through the collection of supplier fees.

The final cost category is Professional Services Supporting the Supplier Forward Contracts (SFCs) from the auction. This category of costs was primarily associated with the population and administration of the data room within the procurement website. This was necessary to aid the SFC suppliers in fulfilling the supply obligations of the full requirement contracts resulting from the reverse clock auction.

- c. Most of the cost categories described and itemized above relate to either the internal administrative and operational costs of the EA Department, or to costs incurred by that department in obtaining third party services necessary to the operations of the department. All of these costs are reasonable and relate to the operations of ComEd's EA Department and are allowed to be recovered under the Act. The functions performed by EA were all necessary to procure the power and energy to serve Rider PE and Rate BESH customers. The staff that the EA Department employed was needed to perform these procurement functions. The salaries of the staff are set on a competitive basis and utilize the same salary structure that is used throughout ComEd and are reasonable in amount. The third party services that the EA Department obtained were necessary to perform EA's procurement functions and are reasonable in amount. The methodology that ComEd employed to allocate these costs for recovery between Rider PE and Rate BESH is a fair and reasonable method (see Testimony of William P. McNeil, ComEd Ex. 2.0).

As set out in the Order Commencing Reconciliation Proceedings in the docket (p. 3), ComEd's internal administrative and operational costs are the only costs subject to a reasonableness determination. All other costs recovered under Rate BESH and Rider PE (*i.e.*, the costs for the Procurement Monitor, auction-related costs and the costs for energy, capacity, ancillary services and RECs) are subject to the reconciliation process and are allowed to be recovered so long as they are incurred pursuant to the commission-approved procurement plan or are auction-related (see Section 16-111.5(l) of the PUA. The Rebuttal Testimony of William P. McNeil (ComEd Ex. 4.0) describes how ComEd ensured that these costs were incurred pursuant to that plan.

ICC Docket No. 10-0275**Commonwealth Edison Company's Response to
Illinois Commerce Commission ("Staff") Data Requests****BAP 2.01****Date Received: March 31, 2011****Date Served: August 4, 2011****REQUEST NO. BAP 2.01:**

Referring to the response to ICC Staff Data Request BAP 1.01, please provide the following additional information:

- a. A detailed explanation as to why the total costs recovered under Rider PE and Rider BESH during the second reconciliation period ended May 31, 2009 are significantly larger than the amount of Supply Administration Costs recovered during the initial reconciliation period ended May 31, 2008 [\$2,456,524 vs. \$208,534 (according to Docket No. 09-0080, ComEd Exhibit 3.0, subpart (c))];
- b. A recapitulation of the cost categories that comprise the types of Energy Acquisition Costs recovered under Rider PE and Rider BESH during the second reconciliation period (e.g., salaries and benefits, system costs, etc.); and,
- c. A detailed explanation as to why the total costs recovered under Rider PE and Rider BESH during the second reconciliation period ended May 31, 2009 are reasonable.

SUPPLEMENTAL RESPONSE:

In ComEd's Response to subpart (b) of Staff Data Request BAP 2.01, ComEd provided a list of the various cost categories and their respective amounts that were recovered under Rider PE and Rate BESH. Similarly, in ComEd's Response to subpart (a) and subpart (b) of Staff Data Request BAP 3.05, ComEd provided a list of the various cost sub-categories and their respective amounts that were included in the "previously incurred but unrecovered" category, which was one of the categories in the list provided in ComEd's Response to subpart (b) of Staff Data Request BAP 2.01. Staff subsequently requested that ComEd put these responses into testimony. ComEd submitted the Supplemental Rebuttal Testimony of William P. McNeil, ComEd Ex. 5.0, in response to this request ("Testimony").

For purposes of clarity and greater accuracy, the Testimony made some adjustments to the categories and the amounts shown in the responses to the data requests. The attachment labeled as BAP 2.01 SUPP_Attach 1 is a spreadsheet which graphically depicts and tracks the changes that were made. A short summary of those changes follows.

- The Testimony organized the categories shown in ComEd’s Response to subpart (b) of Staff Data Request BAP 2.01 into two (2) groups: Administrative and Operational Costs (ComEd Ex. 5.1) and Auction-Related Costs (ComEd Ex. 5.2). ComEd Ex. 5.1 includes all of the categories shown in the response to subpart (b) of Staff Data Request BAP 2.01 with the exception of the category referred to as “Previously Incurred but Unrecovered Procurement Costs.” This latter category, along with its various sub-categories and their respective amounts as shown in ComEd’s Response to subpart (a) and subpart (b) of Staff Data Request BAP 3.05, was moved to ComEd Ex. 5.2. The “Previously Incurred but Unrecovered Procurement Cost” category included sub-categories that were related to the original auction procurement process and some that were related to the procurement plan process that replaced the auction process. Only the sub-categories that related to the auction process were included in ComEd Ex. 5.2. The other sub-categories were included in ComEd Ex. 5.1. These sub-categories were “First Procurement Plan Proceeding,” “Second Procurement Plan Proceeding” and “Other Procurement Related.” The sub-categories that were included in ComEd Ex. 5.2 were re-titled as “Auction-Related Costs.”
- A further review of the costs included in the category “Other Procurement Related” revealed that of the total costs of \$4,812, \$3,801 related to costs incurred by the Procurement Administrator and \$1,011 related to outside legal costs incurred in relation to the Second Procurement Plan Proceeding. These costs were re-allocated out of the “Other Procurement Related” category and into the “Procurement Monitor and Administrator Costs” and “Second Procurement Plan Proceeding” categories, respectively. The “Other Procurement Related” category was eliminated.
- A further review of the costs included in the “Second Procurement Plan Proceeding” revealed that \$102,635 of those costs related to the costs for “Profession Services for Auction Revenue Rights” and so were re-allocated to that category.
- A further review of the costs contained in the “2009 Procurement Process” category revealed that \$173,333 of those costs were related to payments made for the Procurement Monitor, and were therefore re-allocated to the “Procurement Monitor and Administrator” category.
- The remainder of the costs contained in the “2009 Procurement Process” category all related to costs incurred in relation to the “Second Procurement Plan Proceeding” and were therefore re-allocated to that category. The “2009 Procurement Process” category was then eliminated.

Commonwealth Edison Company
Supply Administration Costs
June 2008 - May 2009

Description	ICC Staff DR BAP 2.01	ICC Staff DR BAP 3.05	Reclassifications for Testimony					Testimony ComEd Ex. 5.0	Breakdown by Exhibit	
			Anderson Brothers	Foley & Lardner	NERA	Legal / Northbridge	Other		Admin & Oper ComEd Ex. 5.1	Auction ComEd Ex. 5.2
Energy Acquisition Internal Department Costs	2,037,777	2,037,777						2,037,777	2,037,777	
Information Technology Systems Costs	810,985	810,985						810,985	810,985	
Previously Incurred but Unrecovered Procurement Costs -										
Auction Process Approval Costs (Docket 05-0159) approval for recovery in Docket No. 05-0597		1,737,063						1,737,063		1,737,063
Implementation and defense of Order in Docket No. 05-0159		3,091,582						3,091,582		3,091,582
FERC Auction-Related Proceedings		138,523						138,523		138,523
Auction Improvement Proceedings, Docket Nos. 06-0800 & 06-0624		1,180,147						1,180,147		1,180,147
Preparation for Second Auction		110,779						110,779		110,779
First Procurement Plan Proceeding, Docket Nos. 07-0528 & 07-0531		842,887						842,887	842,887	
Second Procurement Plan Proceeding, Docket No. 08-0519		132,356		1,011	(102,635)	238,502		269,234	269,234	
Other Procurement Related		4,812	(3,801)	(1,011)				-		
Total Previously Incurred but Unrecovered Procurement Costs	7,238,149	7,238,149						N/A	N/A	N/A
PJM Credit Costs	667,052	667,052						667,052	667,052	
Renewable Energy Costs	223,211	223,211						223,211	223,211	
2009 Procurement Process	411,835	411,835				(411,835)		(0)	(0)	
Procurement Monitor and Administrator Costs	302,196	302,196	3,801			173,333		479,330	479,330	
Professional Services for Auction Revenue Rights	66,339	66,339			102,635			168,974	168,974	
Professional Services Supporting Supplier Forward Contracts	19,193	19,193						19,193	19,193	
Total	11,776,737	11,776,737	-	-	-	-	-	11,776,737	5,518,643	6,258,094

Description	ICC Staff DR BAP 2.01	ICC Staff DR BAP 3.05	Reclassifications for Testimony					Testimony ComEd Ex. 5.0	Breakdown by Exhibit	
			Anderson Brothers	Foley & Lardner	NERA	Legal / Northbridge	Other		Admin & Oper ComEd Ex. 5.1	Auction ComEd Ex. 5.2
Energy Acquisition Internal Department Costs	418,747	418,747						418,747	418,747	
Information Technology Systems Costs	185,696	185,696						185,696	185,696	
Auction Related Costs										
Previously Incurred but Unrecovered Procurement Costs -										
Auction Process Approval Costs (Docket 05-0159) approval for recovery in Docket No. 05-0597		60,767						60,767		60,767
Implementation and defense of Order in Docket No. 05-0159		108,151						108,151		108,151
FERC Auction-Related Proceedings		4,846						4,846		4,846
Auction Improvement Proceedings, Docket Nos. 06-0800 & 06-0624		41,284						41,284		41,284
Preparation for Second Auction		3,875						3,875		3,875
First Procurement Plan Proceeding, Docket Nos. 07-0528 & 07-0531		-						-		
Second Procurement Plan Proceeding, Docket No. 08-0519		115						115	115	
Other Procurement Related		-						-		
Total Previously Incurred but Unrecovered Procurement Costs	219,038	219,038						N/A	N/A	N/A
PJM Credit Costs	164,859	164,859						164,859	164,859	
Professional Services for Auction Revenue Rights	5,534	5,534						5,534	5,534	
Total	993,874	993,874	-	-	-	-	-	993,874	774,951	218,923