

DIRECT TESTIMONY

of

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Accountant

Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Commonwealth Edison Company

Docket No. 11-0721

January 13, 2012

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SCHEDULE

Schedule 3.01 – Adjustment to Cash Working Capital

ATTACHMENTS

Attachment A – Company response to Staff DR DGK-1.01

Attachment B – Company response to Staff DR DGK-1.07

Attachment C – Company response to Staff DR DGK-3.03

Attachment D – Company response to Staff DR DGK-3.04

1 **Witness Identification**

2 Q. Please state your name and business address.

3 A. My name is Daniel G. Kahle. 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 employed as an Accountant in the Accounting Department of the Financial
7 Analysis Division of the Illinois Commerce Commission ("Commission").

8 Q. Please describe your background and professional affiliations.

9 A. I have a Bachelor of Science degree in Accountancy from the University of
10 Illinois. I am a Certified Public Accountant, licensed to practice in the State of
11 Illinois. My prior accounting experience includes seventeen years as an internal
12 auditor for the State of Illinois, including four years as Chief Auditor at the
13 Department of Commerce and Economic Opportunity ("DCEO"), five years as an
14 Accounting Office Manager at DCEO, as well as two years as an Assurance
15 Services Manager in a public accounting firm. I joined the Staff of the Illinois
16 Commerce Commission ("Staff") in April, 2006.

17 Q. Have you previously testified before this Commission?

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

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

20 A. The purpose of my testimony is to review and propose adjustments as necessary
21 to Commonwealth Edison Company (the "Company" or "ComEd") rate base
22 concerning Cash Working Capital and to determine if any changes are needed to

23 format or content of the Company's proposed tariff sheets or associated
24 spreadsheets.

25 **Schedule Identification**

26 Q. Are you sponsoring any schedules as part of your testimony?

27 A. Yes. I am sponsoring Schedule 3.01 – Adjustment to Cash Working Capital
28 which shows data as of, or for the test year ending, December 31, 2010.

29 Q. Are you sponsoring any attachments as part of your testimony?

30 A. Yes. I am sponsoring the following attachments:

31 Attachment A Company response to Staff DR DGK-1.01

32 Attachment B Company response to Staff DR DGK-1.07

33 Attachment C Company response to Staff DR DGK-3.03

34 Attachment D Company response to Staff DR DGK-3.04

35 **Changes to Proposed Tariff Sheets**

36 Q. Did you review the Company's proposed tariff sheets and associated
37 spreadsheets?

38 A. Yes. I reviewed the proposed tariff sheets and associated spreadsheets relative
39 to cash working capital.

40 Q. Are you proposing any changes to the tariff sheets or associated spreadsheets?

41 A. No. I found no reason to propose a change to the tariff sheets. The associated
42 spreadsheets appeared to mirror the tariff sheets and function properly. The
43 tariff sheets and associated spreadsheets include the ability to add additional
44 items as "other" items should the need arise.

45 **Adjustment to Cash Working Capital**

46 Q. Please describe Schedule 3.01, Adjustment to Cash Working Capital.

47 A. Schedule 3.01 presents Staff's adjustments to Cash Working Capital ("CWC") for
48 the Company based on my calculation of CWC using the Gross Lag Approach.
49 This Schedule also reflects certain adjustments to the test year revenues,
50 expenses, revenue lag days and expense lead days. The final balance of Cash
51 Working Capital will be established using the revenue requirement and
52 methodology that is ultimately approved by the Commission in this proceeding.

53 Q. Please explain what "Cash Working Capital" represents.

54 A. Cash Working Capital is the amount of funds required from investors to finance
55 the day-to-day operations of the Company. In other words, CWC reflects the
56 amount of cash a company needs to keep on hand to pay its cash operating
57 expenses after taking into account its cash revenues. A Company's CWC
58 requirement may be positive or negative, depending on whether revenues are
59 received, on average, slower or faster than expenses are paid.

60 In this case, CWC to be included in rate base is based on a lead-lag study. A
61 lead-lag study analyzes the date of payments for goods and services compared
62 to the date the goods and services were received and also analyzes the date
63 customers received utility services and the date that the company received
64 payment from the customers. Lag times are associated with the collection of
65 revenues owed to the Company. Lead times are associated with the payments
66 for goods and services received by the Company; for example, vendors may

67 allow the Company to pay for goods and services after the goods and services
68 were received. Thus, if the revenue lag from the collection of cash from
69 customers exceeds the expense lead from the Company's cash outlays for the
70 provision of service, there will be a positive CWC.

71 Q. What are the primary differences between your calculation of CWC and the
72 Company's calculation of CWC?

73 A. The primary differences between my calculation of CWC and the Company's
74 calculation of CWC are: (1) zero or fewer revenue lag days for all pass-through
75 taxes; (2) greater expense lead days for inter-company billings; and (3) greater
76 expense lead days for all pass-through taxes. The differences between my lag
77 and lead days and the Company's are depicted in the tables below:

Pass-Through Tax Revenue Lag Days	Per Staff	Per Company
Energy Assistance/Renewable Energy Charges	0.00	51.25
Gross Receipts / Municipal Utility Taxes	0.00	51.25
Illinois Excise Taxes	36.04	51.25
City of Chicago Infrastructure Maintenance Fees	36.04	51.25

78

Pass-Through Tax Expense Lead Days	Per Staff	Per Company
Energy Assistance/Renewable Energy Charges	(35.79)	(30.05)
Gross Receipts / Municipal Utility Taxes	(47.38)	(44.22)
Illinois Excise Taxes	(5.90)	(4.12)
City of Chicago Infrastructure Maintenance Fees	(45.87)	(43.46)

79

Inter-Company Billings Expense Lead Days	Per Staff	Per Company
Inter-Company Billings	45.55	30.55

80

81 Q. Please explain pass-through taxes.

82 A. Pass-through taxes are taxes that are added on to ratepayers' bills, collected by
 83 the Company, and then forwarded by the Company to the appropriate taxing
 84 authority. The Company identified the following as pass-through taxes: Energy
 85 Assistance Charges, Gross Receipts/Municipality Utility Taxes, Illinois Excise
 86 Taxes and City of Chicago Infrastructure Maintenance Fees. (ComEd Ex. 8.0, p.
 87 10)

88 Q. Are pass-through taxes included in the revenue requirement?

89 A. No. The Company did not include pass-through taxes in its revenue requirement
 90 which is appropriate. It is appropriate for the Company to exclude pass-through
 91 taxes from its revenue requirement because pass-through taxes are not
 92 operating expenses to be recovered through the revenue requirement.

93 Q. Are pass-through taxes included in the CWC calculation?

94 A. Yes. The Company did include pass-through taxes in its CWC calculation. In
95 regard to the CWC calculation, pass-through taxes are part of the Company's
96 day-to-day cash flows.

97 **Pass-Through Taxes Revenue Lag**

98 Q. Please explain how your treatment of revenue lag for pass-through taxes differs
99 from the Company's treatment of revenue lag for pass-through taxes.

100 A. My calculation uses revenue lag days of zero for Energy Assistance/Renewable
101 Energy Charges ("EAC/REC") and Gross Receipts/Municipal Utility Taxes
102 ("GRT/MUT") rather than the revenue lag for operating revenue as proposed by
103 the Company.

104 My calculation uses 36.04 revenue lag days for Illinois Excise Taxes and City of
105 Chicago Infrastructure Maintenance Fees rather than the revenue lag for
106 operating revenue as proposed by the Company.

107 Q. Please provide the rationale for your change to reflect zero revenue lag days for
108 EAC/REC and GRT/MUT.

109 A. The revenue lag days associated with EAC/REC and GRT/MUT should be zero
110 in the CWC calculation because there is no lag between a delivery of utility
111 service and the receipt of cash for these pass-through taxes. These pass-
112 through taxes are collected from ratepayers and later remitted to taxing
113 authorities (ComEd, Ex. 8.0, pp. 11 – 12, lines 211 - 224).

114 Q. Please explain then the rationale for your change to reflect 36.04 revenue lag
115 days for the Illinois Excise Taxes and City of Chicago Infrastructure Maintenance
116 Fees.

117 A. Unlike EAC/REC and GRT/MUT, the Company does not remit Illinois Excise
118 Taxes and City of Chicago Infrastructure Maintenance Fees after collection.
119 These pass-through taxes are paid based on estimated liabilities and are based
120 on electricity delivered in the preceding month rather than collections from
121 ratepayers in the preceding month (ComEd Ex. 8.0, p. 12, lines 225 - 236).
122 While these pass-through taxes also do not represent payment for utility
123 services, they are paid before collection from ratepayers. To reflect revenue lag
124 for Illinois Excise Taxes and City of Chicago Infrastructure Maintenance Fees, I
125 eliminated service lag since pass-through taxes do not represent payment for
126 utility services. I deducted service lag from the Company's total operating
127 revenue lag (ComEd Ex. 8.0, p. 10, line 178) resulting in revenue lag days for
128 these pass-through taxes of 36.04 days (51.25 days less 15.21 days).

129 Q. Did the Commission address revenue lag days for pass-through taxes in the
130 Company's most recent rate case order?

131 A. Yes. In the Company's most recent rate case, Docket No. 10-0467, revenue lag
132 days were set by the Commission to zero days for the pass-through taxes
133 EAC/REC and GRT/MUT (Order, May 24, 2011, Docket No. 10-0467, Appendix
134 A, p. 17, lines 2 - 3). I used zero revenue lag days for EAC/REC and GRT/MUT
135 in the same manner in this proceeding.

136 In that same docket, revenue lag days were set by the Commission to 39.26
137 days for the pass-through taxes Illinois Excise Taxes and City of Chicago
138 Infrastructure Maintenance Fees (Order, May 24, 2011, Docket No. 10-0467,
139 Appendix A, p. 17, lines 4 - 5). The revenue lag of 39.26 days is equal to the
140 operating revenue lag of 54.47 less the service lag of 15.21 days. I calculated
141 the revenue lag for Illinois Excise Taxes and City of Chicago Infrastructure
142 Maintenance Fees in the same manner in this proceeding.

143 **Pass-Through Taxes Expense Lead**

144 Q. Should pass-through taxes have expense leads?

145 A. Yes. Investors receive the benefit of the Company having pass-through taxes as
146 cash on hand to finance the day-to-day operations until the cash is remitted to
147 the appropriate taxing authority. Therefore, it is appropriate to recognize the
148 effect of the lead associated with the Company's remittance of the pass-through
149 taxes to the various taxing authorities.

150 Q. Please provide the rationale for your changes to expense lead days for the four
151 pass-through taxes identified by the Company.

152 A. While reviewing the Company's calculations supporting the various expense lead
153 days, I noticed that the Company calculated payment lead days as the difference
154 between the end of the period for which a payment was due and the Company's
155 actual payment date. Since the Company usually paid pass-through taxes prior
156 to the date payment was due, the Company's practice reduced payment leads
157 which resulted in a lower expense lead and thereby a higher CWC component. I

158 took the approach that the ratepayers should not be penalized with a higher
 159 CWC component based solely on the Company’s practice of remitting the taxes
 160 before they are due. Using the Excel spreadsheet provided by the Company in
 161 ComEd Ex. 8.2, I substituted the “Payment Due Date” provided in the
 162 spreadsheet for the “Actual Payment Date” used by the Company to calculate
 163 payment lead days for each pass-through tax payment listed. In making that
 164 substitution, payment lead days for the four pass-through taxes will be the
 165 number of days between the end of the period and the payment due date. The
 166 formula contained in the spreadsheet produced the following:

Pass-Through Tax Expenses	Payment Lead Days Per Company	Additional Payment Lead Days Per Staff	Payment Lead Days Per Staff
Energy Assistance/Renewable Energy Charges	(30.05)	(5.74)	(35.79)
Gross Receipts / Municipal Utility Taxes	(44.22)	(3.16)	(47.38)
Illinois Excise Taxes	(4.12)	(1.78)	(5.90)
City of Chicago Infrastructure Maintenance Fees	(43.46)	(2.42)	(45.87)

167

168 Q. Is your use of the payment due date consistent with the Company’s method of
 169 computing expense lead days for other types of expenses?

170 A. Yes. In the Excel spreadsheet provided by the Company in ComEd Ex. 8.2, the
 171 only other expense lead analysis that included a due date was for “Other Taxes”.
 172 For “Other Taxes”, the Company computed payment leads as the difference

173 between the last day of the tax period and the tax due date. I used this same
174 method to compute payment lead days for pass-through taxes.

175 Q. Did the Commission address lead days for these four pass-through taxes in the
176 Company's most recent rate case?

177 A. Yes. In the Company's most recent rate case, Docket No. 10-0467, the
178 Commission accepted Staff's adjustment to calculate the expense lead days for
179 EAC/REC and GRT/MUT as the service mid-point plus the number of days from
180 the end of the month to the payment due date (payment lead). For EAC/REC,
181 the Commission used 15.21 days as the service mid-point and added 20
182 payment lead days giving an expense lead of 35.21 days (15.21 days + 20 days).
183 EAC/REC payments are due by the 20th day of the month following the month of
184 collection. For GRT/MUT, the Commission used 15.21 days as the service mid-
185 point and added 29 payment lead days, giving an expense lead of 44.21 days
186 (15.21 days + 29 days). GRT/MUT payments are due by the last day of the
187 month following the month during which such tax is collected. The Order in
188 Docket No. 10-0467 states:

189 The Commission agrees with Staff's interpretation as to the
190 EAC/REC and GRT/MUT tax issues. For the EAC/REC tax, the
191 utility shall remit all moneys received as payment to the Illinois
192 Department of Revenue by the 20th day of the month following the
193 month of collection. Under the GRT/MUT tax, this ordinance
194 requires ComEd to file a monthly tax return to accompany the
195 remittance of such taxes, due by the last day of the month following
196 the month during which such tax is collected. Both the statute and
197 ordinance requires ComEd to remit these pass-through taxes after
198 they have been collected from customers. ComEd stated in its
199 briefs that the Company correctly pays these taxes in the month
200 following activity that occurs in a prior "tax liability" month. The

201 Commission concludes that the CWC calculation for GRT/MUT
202 pass-through taxes should reflect zero revenue lag days and 44.21
203 expense lead days and zero revenue lag days and 35.21 expense
204 lead days for EAC/REC pass-through taxes as supported by Staff.
205 (Order, Docket No. 10-0467, May 24, 2011, p. 48.)

206 For Illinois Excise Taxes and City of Chicago Infrastructure Maintenance Fees,
207 the Commission accepted the Company's calculation of expense lead days. The
208 Company used the payment due date to calculate expense lead days for Illinois
209 Excise Taxes and City of Chicago Infrastructure Maintenance Fees rather than
210 the actual payment date (Company response to Staff Data Request ("DR") BAP-
211 1.01 in Docket No. 10-0467).

212 My changes to expense lead days for the four pass-through taxes are consistent
213 with the method adopted by the Commission in Docket No. 10-0467.

214 Q. Are you aware of any differences in the Company's processes for collecting and
215 remitting pass-through taxes from the 2009 test year used in the Company's
216 most recent rate case to the Company's 2010 test year used in this proceeding?

217 A. No. According to the Company's response to Staff DR DGK-1.01, there were no
218 changes (Company response to Staff DR DGK-1.01, Attachment A).

219 Q. Are you aware of any differences to ordinances or other agreements that levied
220 pass-through taxes from the 2009 test year used in the Company's most recent
221 rate case to the Company's 2010 test year used in this proceeding?

222 A. No. According to the Company's response to Staff DR DGK-1.01, there were no
223 changes (Company response to Staff DR DGK-1.0, Attachment A).

224 **Inter-Company Billings Expense Lead**

225 Q. Please provide a general explanation of inter-company billings.

226 A. Generally, inter-company billings are invoices presented to a company for
227 services provided by an affiliated service company pursuant to a service
228 agreement. In this proceeding, ComEd is billed for various services from
229 affiliates pursuant to a General Services Agreement (“GSA”) (ComEd Ex. 8.0, p.
230 15, lines 281 – 282).

231 Q. Please explain how your treatment of expense lead days for inter-company
232 billings differs from the Company’s treatment of expense lead days for inter-
233 company billings.

234 A. The Company’s expense lead days for inter-company billings is based on
235 payment by the 15th of the month following service (ComEd Ex. 8.0, p. 15, lines
236 281 – 285). My calculation increases the Company’s payment lead for inter-
237 company billings by 15 days and equates to inter-company billings being paid 30
238 days after the month of service.

239 Q. Please provide your rationale for increasing payment lead days for inter-company
240 billings.

241 A. Because the timing of payments to affiliated interests is within the Company’s
242 discretion, it would not be proper to charge ratepayers a higher CWC
243 requirement in order to pay the Company’s affiliates earlier than non-affiliated
244 vendors are paid. To do so would be a form of cross-subsidization. Essentially,
245 ratepayers would be penalized through higher costs (in the form of higher CWC)

246 for services provided by ComEd affiliates. Such arrangements are prohibited in
247 affiliated interest agreements in general, and that concept should be reflected in
248 the calculation of CWC for inter-company expenses.

249 Q. How did you determine that the Company was paying its affiliates earlier than
250 non-affiliated vendors?

251 A. I reviewed the Excel spreadsheet provided by the Company for ComEd Ex. 8.2.
252 The Company's expense lead days for payments to vendors that provide other
253 operation and maintenance services ("Other O&M") are calculated in the tab
254 labeled "Other O&M". The Other O&M expense lead is composed of weighted
255 averages of service leads, payment leads and float for the various payments. By
256 deleting the service leads and float from columns "H" and "J", and leaving only
257 the payment leads in column "I", the spreadsheet produced an Other O&M
258 weighted payment lead of 55.04 days. The 15 day payment lead used by the
259 Company for inter-company billings is less than one-third of the 55.04 day
260 payment lead the Company used for Other O&M. My proposed 30 day payment
261 lead for inter-company billings is nearly one-half of the payment lead the
262 Company used for Other O&M.

263 Q. How did the Company justify using such a small payment lead for inter-company
264 billings?

265 A. The Company claimed that their GSA required inter-company billings to be paid
266 by the 15th of the month following service (Company response to Staff DR DGK-
267 1.07, Attachment B, p. 1).

268 Q. Did you see such a requirement in the Company's GSA?

269 A. No. The Company was not able to provide an agreement which required that
270 affiliates be paid by the 15th of the month following service. The Company
271 supplied a document that is not part of their GSA as approved by the
272 Commission (Company response to Staff DR DGK-1.07, Attachment B, p. 2).
273 The document contains a section which requires settlement of intercompany
274 payables by the 15th of the following month; however, this document is marked
275 "DRAFT" with an effective date of "XX-XX-07". The Company's response to Staff
276 DR DGK-3.03 states that the Company's GSA does not stipulate a settlement
277 date (Company response to Staff DR DGK-3.03, Attachment C). The attachment
278 to the Company's response to Staff DR DGK-3.03, DGK 3.03-Attach 1, is not
279 included in Staff's Attachment C to this testimony.

280 Q. Did the Commission address this issue previously?

281 A. Yes. In the Company's most recent rate case, Docket No. 10-0467, the
282 Commission in its Final Order increased the payment lead for inter-company
283 billings by 15 days. My proposal in this case is consistent with the treatment of
284 inter-company billing expense lead days in the Final Order to the Company's rate
285 proceeding in Docket No. 10-0467. The Commission found in favor of the same
286 adjustment proposed by Staff In that proceeding. The Order in Docket No. 10-
287 0467 states:

288 Finally, with respect to payments of intercompany obligations,
289 ComEd has not shown the need to reject Staff's adjustments in this
290 area. According to the Company's initial brief, ComEd's affiliate
291 invoices it on a monthly basis, on time, and the invoices require

292 payments on or around the 15th of the month following the
293 provision of service. Staff's adjustment is based on this statement.
294 There was no mention of an affiliate agreement to the contrary.
295 Therefore, the Commission accepts Staff's proposed number of
296 expense lead days of 45.35, based on the fact that such payments
297 are within the Company's discretion. (Order, Docket No. 10-0467,
298 May 24, 2011, p. 48.)

299 Q. Are you aware of any new facts related to this issue since the Company's last
300 rate case?

301 A. No. As far as I am aware, nothing has changed. The documents supplied by the
302 Company predate the Final Order in the Company's most recent rate case;
303 Docket No. 10-0467 (Company responses to Staff DRs: DGK-3.03, Attachment
304 C; DGK-3.04, Attachment D; and presumably DGK-1.07, Attachment B).

305 **Conclusion**

306 Q. Does this conclude your prepared direct testimony?

307 A. Yes.

Commonwealth Edison Company
 Adjustment to Cash Working Capital
 For the Year Ending December 31, 2010
 (In Thousands)

Line	Item (a)	Amount (b)	Lag (Lead) (c)	CWC Factor (d) (c/365)	CWC Requirement (e) (b*d)	Column b Source (f)
1	Revenues	\$ 927,949	51.25	0.14041	\$ 130,294	Schedule 3.01, Page 2, column b, line 9
	Collections of Pass-through Taxes:					
2	Energy Assistance/Renewable Energy	46,376	0.00	0.00000	-	Company Schedule C-18, Page 1, Column B, Lines 3 + 4
3	Gross Receipts/Municipal Utility Tax	238,383	0.00	0.00000	-	Company Schedule C-18, Page 1, Column B, Line 19
4	Illinois Excise Tax	247,941	36.04	0.09874	24,482	Company Schedule C-18, Page 1, Column B, Line 20
5	City of Chicago Infrastructure Maintenance Fee	91,819	36.04	0.09874	9,066	Company Schedule C-18, Page 1, Column B, Line 2
6	Total Receipts	<u>\$ 1,552,468</u>			<u>163,842</u>	Lines 1 through 5
7	Base Payroll and Withholdings	264,611	(15.05)	(0.04123)	(10,911)	Schedule 3.01, Page 3, Column b, Line 8
8	Employee Benefits	-	-	-	-	
9	Employee Benefits - Amort. Of Sever.	112,785	0.00	0.00000	-	Company Schedule B-8 TB, Page 3, Column B, lines 9 + 10
10	Employee Benefits - Other	52,652	(4.95)	(0.01356)	(714)	Company Schedule B-8 TB, Page 1, Column B, Line 10
11	Inter-Company billings - Less Pass-throughs	91,985	(45.55)	(0.12479)	(11,479)	Schedule 3.01, Page 2, Column b, Line 14
12	Inter-Company billings - Pass-throughs	32,391	(45.55)	(0.12479)	(4,042)	Schedule 3.01, Page 2, Column b, Line 15
13	Property Leases	29,778	(6.33)	(0.01734)	(516)	Company Schedule B-8 TB, Page 1, Column B, Line 13
14	Other Operations and Maintenance Expenses	254,066	(66.82)	(0.18307)	(46,512)	Schedule 3.01, Page 2, Column b, Line 24
15	Property/Real Estate Tax	15,153	(339.12)	(0.92910)	(14,079)	Company Schedule C-18, Page 1, Column C, Line 5
16	FICA Tax	22,891	(15.05)	(0.04123)	(944)	Company Schedule C-18, Page 2, Column D, Line 9
17	Federal Unemployment Tax	200	(75.63)	(0.20721)	(41)	Company Schedule C-18, Page 2, Column D, Line 8
18	State Unemployment Tax	418	(75.63)	(0.20721)	(87)	Company Schedule C-18, Page 2, Column D, Line 10
19	Electricity Distribution Tax	66,890	(30.13)	(0.08255)	(5,522)	Company Schedule C-18, Page 2, Column D, Line 5
20	State Franchise Tax	1,582	(190.67)	(0.52238)	(826)	Company Schedule C-18, Page 1, Column C, Line 11
21	City of Chicago Dark Fiber Tax	-	-	-	-	
22	State Public Utility Fund Tax	3,869	(37.67)	(0.10321)	(399)	Company Schedule C-18, Page 1, Column C, Line 7
23	Illinois Sales and Use Tax	561	(2.66)	(0.00729)	(4)	Company Schedule C-18, Page 1, Column C, Line 9
24	Chicago Sales and Use Tax	21	(37.46)	(0.10263)	(2)	Company Schedule C-18, Page 1, Column C, Line 10
25	Interest Expense	228,975	(91.13)	(0.24967)	(57,168)	Schedule 1.06, Column b, Line 3
26	State Income Tax	(33,504)	(37.88)	(0.10378)	3,477	Schedule 1.01, Column i, Line 19
27	Federal Income Tax	(214,464)	(37.88)	(0.10378)	22,257	Schedule 1.01, Column i, Line 20
	Payments of Pass-through Taxes					
28	Energy Assistance/Renewable Energy	46,376	(35.79)	(0.09805)	(4,547)	Company Schedule C-18, Page 1, Column B, Lines 3 + 4
29	Gross Receipts/Municipal Utility Tax	238,383	(47.38)	(0.12981)	(30,944)	Company Schedule C-18, Page 1, Column B, Line 19
30	Illinois Excise Tax	247,941	(5.90)	(0.01616)	(4,008)	Company Schedule C-18, Page 1, Column B, Line 20
31	City of Chicago Infrastructure Maintenance Fee	91,819	(45.87)	(0.12567)	(11,539)	Company Schedule C-18, Page 1, Column B, Line 2
32	Total Outlays	<u>\$ 1,290,768</u>			<u>\$ (178,550)</u>	Sum of Lines 7 through 31
33	Accounts Payable Related to CWIP				<u>(235)</u>	Company Schedule B-8 TB, Page 2, Column B, Line 35
34	Cash Working Capital per Staff				\$ (14,943)	Line 6 plus line 32 plus line 33
35	Cash Working Capital per Company				48,931	Company Schedule B-8 TB, Page 2, Column E, Line 36
39	Difference -- Adjustment per Staff				<u>\$ (63,874)</u>	Line 34 minus Line 35

Note:

Lag (Lead) is from Company Schedule B-8 TB, Column C except where noted (Shaded)
 Lines 2 - 5: Staff Ex. 3.0, p. 6
 Lines 11 and 12: Staff Ex. 3.0, p. 11
 Lines 28 - 31: Staff Ex. 3.0, p. 8

Commonwealth Edison Company
 Adjustment to Cash Working Capital
 For the Year Ending December 31, 2010
 (In Thousands)

<u>Line</u>	(a)	<u>Amount</u> (b)	<u>Source</u> (c)
1	Total Operating Revenues	\$ 2,075,610	Schedule 1.01 , Column i, Line 5
2	-- not used --	-	
3	Uncollectible Accounts	-	Schedule 1.01, Column i, Line 6
4	Depreciation & Amortization	(396,559)	Schedule 1.01, Column i, Line 12
5	City of Chicago Dark Fiber Tax	(79)	Company Schedule C-18, Page 2, Column D, Line 17
6	Return on Equity	(301,081)	Line 12 below
7	Less Deferred Taxes and ITC	(442,607)	Schedule 1.01, Column i, Line 21
8	Regulatory Debits	(7,335)	Line 21 below
9	Total Revenues for CWC calculation	<u>\$ 927,949</u>	Sum of Lines 1 through 8
10	Total Rate Base	\$ 6,495,752	Schedule 1.03, Column d, Line 23
11	Weighted Cost of Capital	4.64%	Schedule 7.01
12	Return on Equity	<u>\$ 301,081</u>	Line 10 times Line 11
13	Operating Expense Before Income Taxes	\$ 1,350,919	Schedule 1.01, Column i, Line 18
14	Intercompany billings - Less Pass-throughs	(91,985)	Company Schedule B-8 TB, Page 1, Column B, Line 11
15	Intercompany billings - Pass-throughs	(32,391)	Company Schedule B-8 TB, Page 1, Column B, Line 12
16	Employee Benefits Expense	(165,437)	Company Schedule B-8 TB, Page 3, Column B, lines 9 + 10
17	Payroll Expense	(264,611)	Schedule 3.01, Page 3, Column b, Line 8
18	Uncollectible Accounts	-	Schedule 1.01, Column i, Line 6
19	Depreciation & Amortization	(396,559)	Schedule 1.01, Column i, Line 12
20	Property Leases	(29,778)	Company Schedule B-8 TB, Page 1, Column B, Line 13
21	Regulatory Debits	(7,335)	Schedule 1.01, Column i, Line 14 + Line 15
22	-- not used --	-	
23	Taxes Other Than Income	(108,757)	Schedule 1.01 Column i, Line 13
24	Other Operations & Maintenance for CWC Calculation	<u>\$ 254,066</u>	Sum of Lines 13 through 23

Commonwealth Edison Company
Adjustment to Cash Working Capital
 For the Year Ending December 31, 2010
 (In Thousands)

<u>Line</u>	<u>Description</u> (a)	<u>Amount</u> (b)	<u>Source</u> (c)
1	Direct O & M Payroll per Company	\$ 293,336	Company Schedule C-11.1, Page 1, column B, line 8
2	less: Power Production payroll	(1,432)	Company Schedule C-11.1, Page 1, column B, line 2
3	less: Transmission payroll	(27,293)	Company Schedule C-11.1, Page 1, column B, line 3
4	less: Incentive Compensation disallowed	(2,135)	Schedule 1.02, Page 1, Column d
5	less: Perquisites and Awards disallowed	(2,056)	Schedule 1.02, Page 1, Column e
6	-- not used --	-	
7	-- not used --	-	
8	Direct Payroll per Staff	<u>\$ 264,611</u>	Sum of Lines 1 through 7

ICC Docket No. 11-0721

**Commonwealth Edison Company's Response to
Illinois Commerce Commission ("STAFF") Data Requests**

DGK 1.01 – 1.12

Date Received: November 17, 2011

Date Served: November 28, 2011

REQUEST NO. DGK 1.01:

The Company's Cash Working Capital ("CWC") calculations use the same revenue lag days for pass-through taxes (ComEd Ex. 8.1, lines 2 – 6) as used for operating revenues (ComEd Ex. 8.1, line 1). In the Final Order in Docket No. 10-0467, however, the Commission concluded that Energy Assistance/Renewable Energy Charges and Gross Receipts/Municipal Utility Taxes should have revenue lag days of zero. The Commission also concluded that Illinois Excise Taxes and Infrastructure Maintenance Fees should have a revenue lag of 39.26 days which is 15.21 days less than the operating revenue lag of 54.47 days.

- a) Regarding the Company's processes for collecting and remitting pass-through taxes, please describe all differences from those in effect during the 2009 test year used in Docket No. 10-0467 and those in effect during the 2010 test year used in the current proceeding.
- b) For each ordinance or other agreement that levies each respective tax, please describe all changes from those in effect during the 2009 test year used in Docket No. 10-0467 to those in effect during the 2010 test year used in the current proceeding. Provide copies of the documents that have changed, highlighting the changes.

RESPONSE:

- a) There are no differences in the processes from the 2009 test year to the 2010 test year.
- b) There are no changes from those in effect during the 2009 test year to the 2010 test year.

Please see ComEd Ex. 8.0, pages 21 – 23, lines 399 - 439 for the reasons why the revenue lag days were used for these items.

REQUEST NO. DGK 1.07:

Referring to ComEd Ex. 8.0, lines 279 through 285, please provide copies of the relevant pages of the General Services Agreement that document the monthly billing and required settlement by the 15th of the following month.

RESPONSE:

Please see the attachment labeled as DGK 1.07_Attach 1 for a copy of Exelon Finance Procedure CT-DO-308 “Settling Certain Intercompany Receivables and Payables”. Section 3.2 of this Exelon procedure specifically references “OpCo Accounting” which documents the monthly billing and required settlement by the 15th of the following month.

SETTLING CERTAIN INTERCOMPANY RECEIVABLES AND PAYABLES PROCEDURE

1 PURPOSE

- 1.1 The purpose of this document is to detail Exelon's procedure for settling certain intercompany receivables and payables. The procedure ensures that the applicable intercompany obligations are cash settled in a timely manner.
- 1.2 This procedure is applicable to the settlement of all intercompany obligations provided that such intercompany obligation is:
 - 1.2.1 In balance with the corresponding intercompany receivable recorded by the affiliate.
 - 1.2.2 Not incurred pursuant to a purchase power agreement.
 - 1.2.3 Not debt-related.
 - 1.2.4 Not a decommissioning contribution.

2 TERMS AND DEFINITIONS

- 2.1 EPS: Exelon's general ledger system.
- 2.2 LIBOR: London Inter-Bank Offered Rate. The primary fixed income index reference rate used in the Euromarkets.

3 RESPONSIBILITIES

- 3.1 Corporate Accounting:
 - 3.1.1 Identifies intercompany accounts for settlement.
 - 3.1.2 Prepares and approves settlement activity for each month.
 - 3.1.3 Accounts for intercompany settlements.
 - 3.1.4 Provides to each Operating Company (OpCo) and Corporate Cash Management a summary of all intercompany receivables / payables by OpCo / affiliate after the final book close each month.
 - 3.1.5 Upon completion of the monthly book close process, makes available monthly trial balances including intercompany ledger balances.

3.1.6 Creates accounting shells with applicable EPS code blocks in the designated system (XRT).

3.2 OpCo Accounting:

3.2.1 Identifies intercompany accounts for settlement.

3.2.2 Confirms intercompany receivable / payables balances reported by Corporate Accounting. This occurs prior to the payment of intercompany payables.

3.2.3 Approves monthly settlements prior to entry into the designated settlement system. This is done on an as needed basis.

3.2.4 Records the appropriate accounting entries resulting from the settlement of intercompany receivables / payables by the 15th of the following calendar month.

3.2.5 Calculates, bills, and records applicable interest charges as needed.

3.2.6 Create accounting shells with applicable EPS code blocks in designated system (XRT).

3.3 Corporate Cash Management:

3.3.1 Reviews intercompany transactions in order to manage liquidity requirements for intercompany settlements.

3.3.2 Sets up initial wiring instructions within the designated settlement system for each specific settlement, on an as needed basis.

3.3.3 Provides appropriate Company banking information.

3.3.4 Verifies settlement amount entered by Cash Accounting and Controls group. This needs to be done by the 14th of the following calendar month.

3.3.5 Executes electronic fund transfer of settlement amounts by the 15th of the following calendar month.

3.3.6 Ensures transactions settle.

3.4 Cash Accounting and Controls Group: Inputs approved settlement amounts into the designated settlement system by the 14th of the following calendar month.

4 **MAIN BODY**

4.1 Interest charges applicable to intercompany transactions generally should be determined in accordance with the governing general services agreement or the CA-BC-8100, Exelon Business Services Company Associate Transaction Procedures Manual, or purchase power agreement.

- 4.2 In the event the governing agreement does not include a provision for determining the applicable interest rate or interest charge, or in the absence of a formal governing agreement, the applicable interest rate for the intercompany transaction should be based on the one month LIBOR rate (rounded upward to the nearest whole multiple 1/16 of 1% per annum) at the end of the billing period plus 50 basis points as provided by the Treasurer's organization.
- 4.3 In the event intercompany obligations are not settled timely as set forth in this procedure, interest should be charged and the interest rate should generally be applied on a monthly basis to the outstanding intercompany balance assuming a 360-day year.

5 **REFERENCES**

- 5.1 CT-AC-03 Cash Management Policy.
- 5.2 CT-DO-30 Cash Management Process.
- 5.3 CA-BC-8100 Exelon Business Services Company Associate Transactions Procedure Manual T&RM.

6 **ATTACHMENTS**

None.

DOCUMENT REVIEW / APPROVAL

DOCUMENT REVIEW LIST			
NAME	POSITION (TITLE) & BUSINESS UNIT	DATE REVIEWED	MAJOR REVISIONS
Chuck Walls*	Director Corporate Cash Management	1/19/07	
	Controller, BSC		
	Controller, PECO Energy		
	Senior Accountant, Exelon Generation		
	Cash Accountant, Exelon		
	Manager Accounting, ComEd		
	Manager, Accounting Operations		
	Manager Cash Accounting and Controls		

* Indicates Document Owner.

DOCUMENT APPROVAL		
NAME	POSITION (TITLE) & BUSINESS UNIT	DATE
/s/ Thomas R. Miller	Vice President, Finance	1/19/07

DOCUMENT HISTORY	
Former Document Number	CT-AC-203
Comments	

ICC Docket No. 11-0721

**Commonwealth Edison Company's Response to
Illinois Commerce Commission ("STAFF") Data Requests**

DGK 3.01 – 3.04

Date Received: December 2, 2011

Date Served: December 9, 2011

REQUEST NO. DGK 3.03:

Referring to lines 279 through 285 of ComEd Ex. 8.0, please provide the relevant pages of the General Services Agreement, as approved by the Commission, that document the monthly billing and settlement requirements for inter-company billings for 2010.

RESPONSE:

See the attachment labeled as DGK 3.03_Attach 1 for the most current General Services Agreement (GSA). Section 8, Payment, provides that invoices shall be prepared on a monthly basis and payment shall be remitted by making appropriate accounting entries on the books of the companies involved. The GSA does not stipulate the settlement date. As stated in ComEd's Response to Staff Data Request DGK 1.07, Section 3.2 of Exelon Finance Procedure CT-DO-308 "Settling Certain Intercompany Receivables and Payables" specifically references "OpCo Accounting" which documents the monthly billing and required settlement by the 15th of the following month.

ICC Docket No. 11-0721

**Commonwealth Edison Company's Response to
Illinois Commerce Commission ("STAFF") Data Requests**

DGK 3.01 – 3.04

Date Received: December 2, 2011

Date Served: December 9, 2011

REQUEST NO. DGK 3.04:

In regard to DGK-3.03, please provide the docket number of the proceeding in which the General Services Agreement was approved by the Commission.

RESPONSE:

The Illinois Commerce Commission approved the General Services Agreement (GSA) in its Final Order in ICC Docket No. 00-0295.