

**ICC Docket No. 11-0721****Commonwealth Edison Company's Response to  
The People of the State of Illinois ("AG") Data Requests****AG 7.01 – 7.09****Date Received: December 27, 2011****Date Served: January 10, 2012****REQUEST NO. AG 7.02:****Ref: ComEd Responses to AG 4.18, AG 4.24 and AG 4.25 (Lead Lag Treatment of Reserve for Bad Debts).**

The responses to AG 4.18 indicates that "The reserve for uncollectible accounts has not been incorporated in the calculation of the delivery service rate, nor are the associated customer accounts receivable."(AG 4.18a) Please respond to the following:

- a. Confirm that the Accounts Receivable Balances provided in AG 4.21, Attachment 1 that were used to calculate the revenue collection lag day value used in ComEd Ex. 8.1 were not reduced by the Company's estimated reserve for the portion of such receivables that would ultimately prove to be uncollectible, or explain any inability to confirm this assertion.
- b. Explain each element of the Company's rationale for not reducing the Accounts Receivable balances for estimated uncollectible accounts therein. What is being assumed regarding the timing of cash inflows and outflows for bad debt expenses?
- c. Provide a summary of the Company's recorded monthly 2010 total balance in the Reserve for Uncollectible Accounts (Account 144000) associated with electric sales revenues and late payment charges, that resulted from application of the procedures set forth in the response to AG 4.25 and related attachments.
- d. What overall percentage of ComEd's monthly accounts receivable balances, as set forth in the response to AG 4.21 and used to calculate the revenue collection lag, was offset by the reserve for uncollectibles amounts in each month (using the information provided in response to part c)?
- e. Explain whether and each reason why/if ComEd believes that customers who do not pay their bills at all, causing their recorded accounts receivable to ultimately be written off as uncollectible, should have an impact on calculation of the revenue collection lag days?

**RESPONSE:**

- a. Yes, the accounts receivable balances were not reduced by the estimated reserve for uncollectible accounts.
- b. ComEd has not reduced the accounts receivable balances for estimated uncollectible amounts primarily for two reasons. First, ComEd does not know with certainty which balances will become uncollectible. Second, even if the amounts become uncollectible they would have to be considered separately in order to determine how long it takes ComEd to recover those amounts and be made whole.

Uncollectible expense is assumed to be a non cash expense and has been removed from the Cash Working Capital calculations. See WPB-8, lines 2 and 19.

- c. See the attachment labeled as AG 7.02\_Attach1.
- d. Zero percent, see the response to part a above.
- e. See ComEd's response to subpart (b), above.

**Commonwealth Edison Company**  
Subaccount 144000  
Accumulated Provisions for Uncollectible Accounts  
(In Dollars)

<u>Month</u>	<u>Ending Balance Per Trial Balance - Bad Debt Provision</u>	<u>Ending Bal Per Trial Balance - Project LPCRES</u>	<u>Ending Balance Per Trial Balance (Total 144000)</u>
December 2009	\$ (65,000,482)	(7,487,880)	\$ (72,488,363)
January 2010	(76,938,054)	(7,318,722)	(84,256,775)
February 2010	(77,529,874)	(7,396,381)	(84,926,254)
March 2010	(83,160,754)	(8,979,651)	(92,140,406)
April 2010	(75,421,185)	(9,040,509)	(84,461,695)
May 2010	(72,342,842)	(9,224,138)	(81,566,980)
June 2010	(69,382,179)	(9,051,148)	(78,433,326)
July 2010	(84,305,974)	(9,338,656)	(93,644,630)
August 2010	(91,167,630)	(9,361,914)	(100,529,544)
September 2010	(85,037,804)	(9,437,846)	(94,475,650)
October 2010	(69,734,103)	(9,333,727)	(79,067,831)
November 2010	(58,986,819)	(8,809,845)	(67,796,664)
December 2010	(66,015,588)	(9,084,061)	(75,099,649)

**ICC Docket No. 11-0721**

**Commonwealth Edison Company's Response to  
The People of the State of Illinois ("AG") Data Requests**

**AG 4.01 – 4.26**

**Date Received: December 8, 2011**

**Date Served: January 13, 2012**

**REQUEST NO. AG 4.25:**

Explain the procedures employed by ComEd to determine monthly accruals to the provision for uncollectibles (bad debts) related to electricity sales. If these procedures during 2010 involved any analysis of aged accounts receivables, provide complete copies of the reports, calculations, analyses, workpapers and other information relied upon to determine the recorded uncollectibles provisions.

**CORRECTED RESPONSE:**

Uncollectible expense is calculated as follows:

Each month the required bad debt reserve is calculated based on management's estimate of the collectability of the accounts receivable portfolio. This analysis is using the results of a quarterly study performed by KPMG utilizing a risk factor analysis of accounts receivable, based on four risk segments to determine the appropriate reserve percentages for uncollectible accounts. Risk segments are determined by evaluating a customer's payment history and collection activity on their account in order to determine the level of risk of ultimately defaulting on a payment. The length of time they have been a customer is also a factor in determining risk segmentation. The higher the estimated collectibility, the lower the risk factor. Additionally, separate risk factors are established for residential (RES) and small commercial and industrial (SC&I) customers. Within each group, there is one risk factor percentage for each risk segment. These risk factors are then multiplied against the month end accounts receivable to calculate the indicated reserve. The indicated reserve is then reduced for deposits on customer accounts, revenues subject to refund and for estimated cash recoveries of previously written off accounts. Cash recoveries are estimated to be 10% of written off accounts based on ComEd's history of collections. The indicated reserve is increased for other customers, such as large commercial and industrial (LC&I), customers in bankruptcies and any other customers that require a specifically identified special reserve. ComEd specifically determines which customers pose credit risks and determine what percentage to accrue. Finally, ComEd makes an adjustment to the reserve to reduce its utility tax liability by 8% to reflect the portion of its total receivables which will not be collected and therefore will not be required to be remitted to the appropriate taxing authority. The net amount of the indicated reserve is then compared to the amount reserved in the previous month, less actual charge-offs in the current month. The difference represents the amount necessary to reflect the net indicated reserve at the end of the month, which is recorded as the total uncollectible accounts expense in Account 904.

See detailed monthly calculation in the attachments labeled as AG 4.25 CORRECTED\_Attach 01A through AG 4.25 CORRECTED\_Attach 12A. See corresponding work papers that support those calculations in the attachments labeled as AG 4.25 CORRECTED\_Attach 01B through AG 4.25 CORRECTED\_Attach 12B. All attachments have been redacted for customer specific information.