

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: December 20, 2011

REQUEST NO. AG 4.01:

Ref: ComEd Ex. 4.1, Schedule FR C-2, lines 7-9 (Forecasted Change in Depreciation and Amortization Expense). This Schedule and the Company's supporting Appendix 1, Appendix 8 and WP 19 calculations appear to indicate that ComEd has included an annualized level of incremental estimated depreciation and amortization expenses on the amount of projected net Plant in Service Additions for the year 2011, as if the entire amount of incremental net Plant in Service investment was in service and subject to depreciation/amortization accruals in all months of 2011. Please respond to the following:

- a. Confirm this treatment regarding depreciation or explain what ComEd is intending in its calculation of depreciation/amortization on projected net plant additions.
- b. State whether ComEd has completed all of its net capital additions to Plant in Service entirely in the month of January 2011, so that such investment would be depreciable in all months of 2011.
- c. Why would it not be more reasonable to assume ratable spending on projected Plant in Service additions and retirements throughout 2011, with a correspondingly more gradual growth in incremental depreciation and amortization expense in 2011?
- d. Please explain your approach and provide calculations of the change in test year expenses and rate base if more ratable spending on projected 2011 net Plant in Service additions is assumed.

RESPONSE:

- a. The intent of the calculation is to provide an estimated amount of depreciation and amortization expense expected in 2011, which would include an increase related to the 2011 plant additions (albeit less than one full year's worth) as well as an increase for the 2010 plant additions which were placed in service over 2010. The 2010 depreciation and amortization expense does not reflect a full year's worth of depreciation and amortization expense related to the 2010 additions, thus there is an increase in 2011 related to 2010 plant additions. Note that Section 16-108.5(c)(6) states:

The utility shall file, together with its tariff, final data based on its most recently filed FERC Form 1, plus projected plant additions and correspondingly *updated depreciation reserve and expense for the calendar year in which the tariff and data are filed*, that shall populate the performance-based formula rate and set the initial delivery services rates under the formula.

(emphasis added). Accordingly, ComEd updated its depreciation expense with a reasonable amount for the increase in 2011.

- b. ComEd did not complete all of its 2011 plant additions in January, 2011. See ComEd's response to subpart (a) above.
- c. The attachment labeled as AG 4.01_Attach 1 provides an alternative methodology of forecasting depreciation expense by applying a half year convention to both 2010 and 2011 plant additions. The calculation produces results similar to ComEd's proposed methodology based on a full year 2011 plant additions, \$16.56 million and \$16.61 million (ComEd Ex. 4.1, APP 8, Line 16, Column G), respectively related to the growth in depreciation expense for 2011. See also the attachment to ComEd's Data Request Response to AG 1.17 labeled as AG 1.17_Attach 1, Page 1, Line 5, which shows a 2011 total forecasted depreciation and amortization expense of \$416,841,000, which is \$11,290,000 higher than the amount included in ComEd Ex. 4.1, Sch. FR A-1, Lines 5 and 6. ComEd believes that these calculations, coupled with the fact that any differences between the estimated amount and actual 2011 depreciation expense will be reflected in the true-up calculation support the reasonableness of the estimate on FR C-2.
- d. See ComEd's response to subpart (c) above.

APP 8 AS FILED (lines 13 - 25 only)							
Ln	Description	Source	Projected Plant Additions	5 Yr Retirements	Total	Estimated Depreciation Rate by Functional Class Col (G) (Ln 17) thru (Ln 19)	Depreciation Expense (E) * (F)
			(\$ in 000s)	(\$ in 000s)	(\$ in 000s)	%	(\$ in 000s)
Projected Change in Depreciation Expense							
13	Distribution Plant	App 1 Ln 38	\$ 576,236	\$ (124,508)	\$ 451,728	2.44%	\$ 11,022
14	General Plant	WP 19	90,684	(36,002)	54,682	4.78%	2,614
15	Intangible Plant	WP 19	30,635	(2,472)	28,163	10.40%	2,929
							To Sch FR C-2 Col C,D,F Ln 7
16	Total Projected Depreciation Expense Change	(Ln 13) + (Ln 14) + (Ln 15)					\$ 16,565
Plant in Service Balance							
	Depreciation Rate Calculation		Beginning	Ending	Avg	FERC Fm 1 Depreciation Expense	Estimated Depreciation Rate by Functional Class (F) / (E)
			(\$ in 000s)	(\$ in 000s)	((C) + (D)) / 2 (\$ in 000s)	(\$ in 000s)	%
17	Distribution Plant	(2'), (3'), (4')	\$ 12,661,135	\$ 13,091,342	\$ 12,876,238	\$ 314,226	2.44%
18	General Plant	(2'), (3'), (4')	1,303,209	1,340,192	1,321,700	63,156	4.78%
19	Intangible Plant	(2'), (3'), (4')	366,241	416,628	391,434	40,706	10.40%
	Retirements		Yr X-4	Yr X-3	Yr X-2	Yr X-1	Yr X
			(\$ in 000s)	(\$ in 000s)	(\$ in 000s)	(\$ in 000s)	(\$ in 000s)
20	Distribution Plant	FERC Fm 1 Pgs 205, 207 Col F	\$ 101,842	\$ 89,569	\$ 228,237	\$ 75,954	\$ 126,939
21	General Plant	FERC Fm 1 Pgs 205, 207 Col F	47,675	23,968	42,269	32,628	33,470
22	Intangible Plant	FERC Fm 1 Pgs 205, 207 Col F	1,085	-	-	725	10,552
	5 Year Average Retirements						(\$ in 000s)
23	Distribution Plant				Avg of Col (C) thru Col (G) Ln 20	\$	124,508
24	General Plant				Avg of Col (C) thru Col (G) Ln 21		36,002
25	Intangible Plant				Avg of Col (C) thru Col (G) Ln 22		2,472
Notes:							
(1) Represents removal portion of depreciation expense that was charged to FERC Acct 407 following 2006 adoption of FIN 47.							
(2) FERC Fm 1 Pg 206 Col B Ln 75, Pg 206 Col B Ln 99, Pg 204 Col B Ln 5							
(3) FERC Fm 1 Pg 207 Col G Ln 75, Pg 207 Col G Ln 99, Pg 205 Col G Ln 5							
(4) FERC Fm 1 Pg 336 Col F Ln 8, Ln 10, and Ln 1							
(5) (-1.0) * (Col G), (Ln 23) thru (Ln 25)							
APP 8 REVISED WITH AVERAGE ADDITIONS							
		<u>Average Additions Lines 30-32</u>	<u>5 Year Retirements Lines 13-15 Above</u>	<u>Total</u>	<u>Estimated rate Lines 13-15 Above</u>		
26	Distribution Plant	\$ 562,275	\$ (124,508)	\$ 437,767	2.44%	\$	10,682
27	General Plant	72,741	(36,002)	36,739	4.78%		1,756
28	Intangible Plant	42,610	(2,472)	40,138	10.40%		4,174
29	Total					\$	16,612
	<u>Plant Additions Average</u>	<u>2010 Jurisdictional Additions (Lines 34-37 below)</u>	<u>2011 Additions (Line 13-15 Above)</u>	<u>Average Additions</u>			
30	Distribution Plant	\$ 548,313	\$ 576,236	\$ 562,275			
31	General Plant	54,798	90,684	72,741			
32	Intangible Plant	54,585	30,635	42,610			
33	Total	\$ 657,696	\$ 697,555	\$ 677,626			
	<u>Actual Plant Additions</u>	<u>2010 FF1, Page 204-206</u>	<u>Allocators</u>	<u>2010 Jurisdictional Plant Additions</u>			
34	Distribution Plant	\$ 548,313	100.00%	\$ 548,313			
35	General Plant - Non Acct 397	47,738	89.22%	42,592			
36	General Plant - Acct 397	22,721	53.72%	12,206			
37	Intangible Plant	61,180	89.22%	54,585			
38	Total	679,952		657,696			