STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Commonwealth Edison Company	)	
	)	
Reconciliation of revenues collected under Rider UF with uncollectible costs incurred.	)	Docket No. 11-0609
	)	

DRAFT PROPOSED ORDER
SUBMITTED BY COMMONWEALTH EDISON COMPANY

Dated: February 8, 2012

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

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ORDER

By the Commission:

I. Procedural History

On August 31, 2011, Commonwealth Edison Company ("ComEd") filed its Verified Petition of Commonwealth Edison Company for Reconciliation Under Rider UF – Uncollectible Factors ("Petition"). The Petition was accompanied by ComEd's Annual Report to the Illinois Commerce Commission Concerning the Operation of Rider UF – Uncollectible Factors Regarding the Recovery of Incremental Uncollectible Costs for the Period Beginning April 1, 2010 and Extending through May 31, 2011 ("Annual Report", attached as ComEd Exhibit 1.0 to the Petition). The Petition was also accompanied by the Direct Testimony of ComEd witnesses Kevin J. Waden, Vice President and Controller of ComEd (ComEd Exhibit 2.0), and William B. DeLoach, ComEd's Director of Revenue Management (ComEd Exhibit 3.0).

On December 8, 2011, the Illinois Commerce Commission's Staff ("Staff") filed direct testimony (Staff Exhibit 1.0), and on December 13, 2011 ComEd filed the Affidavits of Mr. Waden and Mr. DeLoach (ComEd Exhibits 4.0 and 5.0, respectively).

Pursuant to notice given as required by law and by the rules and regulations of the Commission, the hearing in this proceeding was set for December 15, 2011 at the offices of the Commission in Springfield, Illinois. The parties requested that the hearing be an evidentiary hearing and such request was granted. The proceeding convened on December 15, 2011 before a duly authorized Administrative Law Judge ("ALJ"). Appearances were entered by counsel on behalf of ComEd and Staff. ComEd requested that ComEd Exhibits 1.0 through 5.0 (including ComEd Exhibits 2.1-2.6) be admitted into the record, and Staff moved for the entry of Staff Exhibit 1.0 into the record. All exhibits were so admitted into evidence. There were no contested issues at the completion of the hearing, and ComEd was granted leave to file a Proposed Order by February 15, 2012, after providing a copy of the Proposed Order for Staff's review and comment.

II. ComEd's Position

A. Operation of Rider UF

1. Overview of Rider UF

Mr. Waden testified that the purpose and intent of Rider UF is to pass through to retail customers the applicable uncollectible costs incurred by ComEd.[1] To this end, Rider UF prescribes the method of computing the charges or credits that reflect the incremental difference between ComEd's actual uncollectible amount, set forth as its "Uncollectible Accounts" (Account No. 904) in its FERC Form No. 1: Annual Report of Major Electric Utilities, Licensees and Others ("FERC Form 1") and the uncollectible amount associated with the recovery of uncollectible costs accrued through the application of existing rates. Mr. Waden stated that each May, ComEd files with the Commission an informational filing that reflects this incremental difference from the prior calendar year through revised incremental uncollectible cost factors applicable for the 12-month period beginning with the June monthly billing period and extending through the following May monthly billing period. (ComEd Ex. 2.0, p.4.)

Mr. Waden explained that following the application of the incremental uncollectible cost factors, ComEd calculates a balancing factor for each of the customer groups described in Rider UF. Each balancing factor reflects the difference between the incremental uncollectible cost for a given year and the amounts accrued for such incremental amount through the application of the incremental uncollectible cost factors. Rider UF provides that the initial balancing factors be applied beginning with the September 2011 monthly billing period. With the exception of certain nonresidential and lighting supply retail customers (from whom ComEd under recovered incremental uncollectible costs related to 2008 and 2009), the balancing factors related to the 2008 and 2009 incremental uncollectible factors reflect a cumulative over collection of Rider UF revenues. Therefore, Mr. Waden explained, the application of the balancing factors beginning in September 2011 will decrease the amount otherwise to be recovered from all retail customers other than certain nonresidential and lighting supply retail customers. (ComEd Ex. 2.0, pp. 4-5.)

Mr. Waden testified that the costs recoverable through Rider UF are equal to the bad debt expense recorded in Account No. 904 of FERC Form 1 for the applicable year that are related to distribution and supply service provided to retail customers. ComEd accrues the estimated allowance for the uncollectible accounts expense on customer receivables and records such estimate in FERC Form 1 Account No. 904 (Uncollectible Accounts) and Account No. 144 (Accumulated Provision for Uncollectible Accounts). (ComEd Ex. 2.0, p. 5.)

Mr. Waden also explained how ComEd recovers the uncollectible amounts through existing rates. With respect to distribution service, Mr. Waden stated that a

[1] The version of Rider UF that applied to the recovery of 2008 and 2009 incremental costs is attached to this Proposed Order as Appendix A.

specific amount of uncollectible costs is reflected in the distribution revenue requirement set by the Commission in its most recent rate case order. Therefore, ComEd recovers these costs through the application of Customer Charges, Standard Metering Service Charges, and Distribution Facilities Charges (collectively, the "standard delivery service charges"), in accordance with the provisions of Rate BES – Basic Electric Service ("Rate BES"), Rate BESH – Basic Electric Service Hourly Pricing ("Rate BESH"), and Rate RDS – Retail Delivery Service ("Rate RDS"). (ComEd Ex. 2.0, pp. 5-6.)

Concerning electric power and energy supply and transmission service, Mr. Waden explained that ComEd recovers its uncollectible costs through the application of a multiplier adjustment to base supply-related charges. Specifically, the adjustment is included in the Purchased Electricity Charges and PJM Services Charges applied in accordance with the provisions of Rate BES, as well as in the Capacity Charges, Hourly Energy Charges, PJM Services Charges, and Miscellaneous Component Charges applied in accordance with the provisions of Rate BESH and Rider PPO – Power Purchase Option ("Rider PPO"). These multipliers are also set by the Commission in its most recent rate case order, and are identified in Rider UF as the base uncollectible cost factors ("BUFs"). (ComEd Ex. 2.0, p. 6.)

Mr. Waden next testified regarding how ComEd recovers the incremental difference between its actual uncollectible amount, set forth as its bad debt expense in Account No. 904 in its FERC Form 1, and the uncollectible amounts included in its existing rates. He explained that Rider UF provides for the determination of incremental uncollectible cost factors that are applied as multipliers to base charges. Distinct incremental cost factors are determined for three different customer groupings: residential customers; nonresidential customers to which the Watt-Hour Delivery Class, Small Load Delivery Class, Medium Load Delivery Class, and Large Load Delivery Class are applicable; and all other customers. Further, Rider UF provides for the determination and application of two sets of incremental uncollectible cost factors – incremental supply uncollectible cost factors ("ISUFs") and incremental distribution uncollectible cost factors ("IDUFs"). (ComEd Ex. 2.0, pp. 6-7.)

Mr. Waden explained that ISUFs are determined to provide for the recovery of incremental uncollectible costs associated with the supply of electricity by ComEd to its customers, and are applied only to customers for which ComEd supplies electric power and energy. ISUFs determined in accordance with Rider UF are applied as multipliers to the Purchased Electricity Charges and PJM Service Charges in accordance with the provisions of Rate BES. As previously noted, separate ISUFs are determined for the three different customer groupings. A system average ISUF, consistent with current tariff provisions, is applied as a multiplier in the computation of the Capacity Charges, Hourly Energy Charges, PJM Services Charges, and Miscellaneous Component Charges in accordance with the provisions of Rate BESH and Rider PPO. ISUFs are applied in addition to the application of the previously described BUFs. (ComEd Ex. 2.0, p. 7.)

Mr. Waden further explained that IDUFs, on the other hand, are determined to provide for the recovery of the remaining incremental uncollectible costs incurred by

ComEd and are applicable to all customers. IDUFs determined in accordance with the provisions of Rider UF are applied as multipliers to the standard delivery service charges, as shown in Rate RDS. These charges with the adjustment due to the application of the multipliers are applied to customers in accordance with the provisions in Rate BES, Rate BESH, or Rate RDS, as applicable. Like ISUFs, IDUFs are determined for the three different customer groupings. (ComEd Ex. 2.0, p. 7.)

Mr. Waden testified that there were differences between the 2008 and 2009 reconciliation periods that affected the implementation of ISUFs and IDUFs, due largely to matters of timing. For 2008, Rider UF provides the equations used to determine the applicable IDUFs and ISUFs that effectuate the recovery of the incremental difference between ComEd's bad debt expense in Account No. 904 in its FERC Form 1 for the year 2008 and the uncollectible amounts associated with the recovery of uncollectible costs accrued through the application of existing rates during the year 2008. These IDUFs and ISUFs were applicable beginning with the April 2010 monthly billing period and extending through the December 2010 monthly billing period. (ComEd Ex. 2.0, p. 8.)

Mr. Waden testified that with respect to 2009 (and each year thereafter), Rider UF provides the equations used to determine the applicable IDUFs and ISUFs that effectuate the recovery of the incremental difference between ComEd's bad debt expense in Account No. 904 in its FERC Form 1 for a given calendar year and the uncollectible amounts associated with the recovery of uncollectible costs accrued through the application of existing rates during that year. These IDUFs and ISUFs were applicable beginning with the June 2010 monthly billing period and extending through the May 2011 monthly billing period. (ComEd Ex. 2.0, p. 8.)

Mr. Waden testified that Rider UF includes further adjustments following the application of the IDUFs and ISUFs. To ensure there is no over or under collection of uncollectible costs, Rider UF includes balancing factors that ComEd determines each year. Beginning with the September 2011 monthly billing period, a distribution balancing factor ("DBF") will be incorporated into the determination of each IDUF and a supply balancing factor ("SBF") will be incorporated into the determination of each ISUF. Mr. Waden described DBF and SBF as follows:

> DBF: A DBF is determined each year for each of the three customer groups. For example, using 2011 as an exemplar year, the DBF would be the difference between the incremental distribution uncollectible cost for 2011 for that group and the amounts accrued for such incremental amount through the application of the IDUF for that group during the June 2012 monthly billing period through the May 2013 monthly billing period.
>
> SBF: Similarly, an SBF is determined each year for each of the three customer groupings. Using 2011 again as an exemplar year, the SBF would be the difference between the incremental supply uncollectible cost for 2011 for that group and the amounts accrued for such incremental amount through the

application of the ISUF for the group during the June 2012 monthly billing period through the May 2013 monthly billing period. (ComEd Ex. 2.0, pp. 8-9.)

Continuing with his 2011 exemplar year, Mr. Waden explained that because the balancing factors cannot be determined until after such May monthly billing period in 2013, Rider UF would provide for the application of the balancing factors only during the nine monthly billing periods beginning with the September 2013 monthly billing period and extending through the following May 2014 monthly billing period. (ComEd Ex. 2.0, p. 9.)

2. Calculation of Rider UF Factors for the 2008 and 2009 Reconciliation Periods

Mr. Waden testified that during 2008, ComEd recovered the uncollectible amounts included in existing rates through the BUFs that were in effect during the year 2008. Specifically, during the period beginning January 1, 2008 and extending through September 15, 2008, ComEd applied BUFs in accordance with the Commission's 2005 Rate Case Order. *See* ComEd Ex. 2.1; Commonwealth Edison Co., ICC Docket No. 05-0597, Final Order (July 26, 2006). Consistent with the Commission's 2007 Rate Case Order issued on September 10, 2008, revised BUFs were applied for the period beginning September 16, 2008 through December 31, 2008. *See* ComEd Ex. 2.2; Commonwealth Edison Co., ICC Docket No. 07-0566, Final Order (Sept. 10, 2008). (ComEd Ex. 2.0, pp. 9-10.)

ComEd Ex. 2.3 to Mr. Waden's Direct Testimony showed how ComEd calculated the 2008 ISUFs and IDUFs that were applied beginning with the April 2010 monthly billing period and extending through the December 2010 monthly billing period. ComEd Ex. 2.3 includes ComEd's "New Informational Sheet and Informational Sheet Revisions Related to Incremental Uncollectible Cost Factors" submitted to the Commission on March 18, 2010, for charges to be effective beginning with the April 2010 monthly billing period, as well as the supporting workpapers that were provided electronically to the Staff of the Commission. Importantly, page eight sets forth the 2008 incremental uncollectible cost factors as follows: the Residential IDUF and ISUF were 1.0108 and 1.0070, respectively; the Nonresidential IDUF and ISUF were 1.0037 and 1.0044, respectively; and the All Others IDUF and ISUF were 1.0030 and 1.0138, respectively. Mr. Waden explained that the applicable 2008 ISUF or IDUF was applied as a multiplier to the relevant charges beginning with the April 2010 monthly billing period and extending through the December 2010 monthly billing period. (ComEd Ex. 2.0, p. 11.)

With respect to 2009, Mr. Waden testified that ComEd recovered the uncollectible amounts included in existing rates through the BUFs that were in effect during the year 2009. Specifically, during the period beginning January 1, 2009 and extending through December 31, 2009, ComEd applied the BUFs consistent with the Commission's 2007 Rate Case Order. *See* ComEd Ex. 2.2; Commonwealth Edison Co., ICC Docket No. 07-0566, Final Order (Sept. 10, 2008). (ComEd Ex. 2.0, p. 12.)

ComEd Exhibit No. 2.4 to Mr. Waden's Direct Testimony showed how ComEd calculated the 2009 ISUFs and IDUFs that were applied beginning with the June 2010 monthly billing period and extending through the May 2011 monthly bill period. ComEd Exhibit 2.4 includes ComEd's "Incremental Uncollectible Cost Factors Informational Sheet" submitted to the Commission on May 3, 2010, for charges to be effective beginning with the June 2010 monthly billing period, as well as the supporting workpapers that were provided electronically to the Staff of the Commission. Page three in particular is the informational sheet that sets forth the incremental uncollectible cost factors as follows: the Residential IDUF and ISUF were 1.0125 and 1.0108, respectively; the Nonresidential IDUF and ISUF were 1.0038 and 1.0054, respectively; and the All Others IDUF and ISUF were 1.0003 and 1.0011, respectively. Mr. Waden explained that the applicable 2009 ISUF or IDUF was applied as a multiplier to the relevant charges beginning with the June 2010 monthly billing period and extending through the May 2011 monthly billing period. (ComEd Ex. 2.0, pp. 12-13.)

3. Balancing Factors

Mr. Waden testified that, as required by Rider UF, on August 18, 2011, ComEd submitted its "Informational Sheets Filed to Incorporate Changes to Incremental Uncollectible Cost Factors." *See* ComEd Ex. 2.5. As prescribed by Rider UF, for each customer group the DBF is the difference between the incremental distribution uncollectible costs for years 2008 and 2009 for that group and the amounts accrued for such incremental amounts through the application of the IDUFs for that group during the April 2010 through May 2011 monthly billing periods. Similarly, for each customer group the SBF is the difference between the incremental supply uncollectible costs for years 2008 and 2009 for that group and the amounts accrued for such incremental amounts through the application of the ISUFs for that group during the April 2010 through May 2011 monthly billing periods. (ComEd Ex. 2.0, p. 14.)

4. Annual Report to the Illinois Commerce Commission Concerning the Operation of Rider UF – Uncollectible Factors

Mr. Waden explained that Rider UF requires ComEd to file "[o]n or before August 31, 2011 … a petition with the ICC to initiate a review of the reconciliation of the Company's uncollectible costs incurred during years 2008 and 2009 and its recovery of such costs beginning with the April 2010 monthly billing period extending through the May 2011 monthly billing period." He further testified that Rider UF also requires that ComEd "provide a report with such petition addressing the operation of th[e] rider." He explained that this report must include "(a) schedules with detailed work papers showing the determination of any IDUFCs, ISUFCs, and IDUFSYSs that were applied for the period under review; and (b) the results of the internal audit described in the Annual Audit section of th[e] rider" and must be verified by an officer of the Company.

Mr. Waden testified that ComEd filed its Annual Report on August 31, 2011. (ComEd Ex. 2.0, pp. 14-15.) Mr. Waden testified that as prescribed by Rider UF, the Annual Report consists of a Summary page that sets forth the 2008 and 2009 IDUFs and ISUFs, as well as the balancing factors to be applied beginning with the September

2011 monthly billing period. The Summary page further provides citations to the relevant supporting workpapers previously transmitted to Commission Staff and attached to his direct testimony as ComEd Ex. Nos. 2.3 through 2.5. In addition, Mr. Waden attached his Verification of the Annual Report to the Verified Petition of Commonwealth Edison Company for Reconciliation Under Rider UF – Uncollectible Factors. (ComEd Ex. 2.0 at p. 15.)

Mr. Waden further testified that as required by Rider UF, the Annual Report includes "the results of the internal audit described in the Annual Audit section of [Rider UF]." Ill. C. C. No. 10, 2nd Revised Sheet No. 267.15. Consistent with this section, Mr. Waden explained that Exelon's internal audit team performed testing to ensure proper accounting under, and operation of, Rider UF. As reflected in ComEd Exhibit 2.6, the audit found that ComEd's control activities are effective at mitigating the financial risks identified in the Annual Audit section of Rider UF and no material issues were discovered as a result of these tests. (ComEd Ex. 2.0, pp. 15-16.)

B. Minimization of Uncollectible Costs

1. Overview of ComEd's Revenue Management Department

ComEd witness William DeLoach testified that ComEd acted prudently and reasonably by pursuing the minimization and collection of uncollectible costs during 2008 and 2009. (ComEd Ex. 3.0, pp. 1-2.) Mr. DeLoach explained that ComEd's Revenue Management department is responsible for managing the portfolio of ComEd's receivables, including credit disconnections and collection policies and procedures, as well as managing the work of its payment processing vendor, which includes activities such as opening mail, creating an electronic image of the payment, and processing payments to associated accounts within ComEd's Customer Information Management System ("CIMS"). Mr. DeLoach explained that CIMS is more than a billing system, however, and also contains a record of ComEd's customer contacts (*e.g.*, calls received by the call center), tracks any service orders (*e.g.*, field technician visits), and also interfaces with ComEd's financial and accounting systems. (ComEd Ex. 3.0, pp. 3-4.)

Mr. DeLoach testified that the Revenue Management department carries out a variety of responsibilities and implements its policies with respect to applicants for electric service, existing customers, and former customers. (ComEd Ex. 3.0, p. 4.) Concerning applications for electric service, Mr. DeLoach testified that ComEd attempts to minimize uncollectibles even during the application process for electric service. He testified that ComEd takes a proactive approach to the minimization of uncollectibles that begins before an applicant for service becomes a ComEd customer. Mr. DeLoach described the tools ComEd has designed and employs to identify applicants that present a credit risk and to mitigate that risk. First, ComEd attempts to verify the applicant's identity, which is called "right party verification". Obtaining this verification reduces the risk of bad debt write-offs caused by the applicant having provided falsified contact information. Second, ComEd determines whether to require a deposit from the applicant based on applicable Commission rules and the applicant's credit history, which is obtained from an external credit bureau during the application process.

Deposits are used to offset any future write-offs should the account default. Third, ComEd determines whether the applicant was a previous ComEd customer who left with an unpaid balance. If so, this balance must be paid prior to reestablishing service if service is not connected at the premises of the applicant. Otherwise, if service is connected at the premises, the customer's previous charges are transferred and applied to the new account. (ComEd Ex. 3.0, pp. 5-6.) Mr. DeLoach further testified that the ComEd processes described above have been programmed into CIMS to ensure that they are followed with respect to every applicant applying for residential or small commercial and industrial ("small C&I") service. Mr. DeLoach explained that with respect to the large commercial and industrial and governmental accounts ("managed accounts"), ComEd account managers assist in undertaking a verification and deposit process appropriate for the particular applicant. (ComEd Ex. 3.0, p. 6.)

Mr. DeLoach testified that ComEd also attempts to minimize its uncollectibles and pursue collections with regard to current customers. For its existing residential and small C&I accounts, ComEd has developed and implemented efficient and robust processes for monitoring each customer's monthly payment activity and identifying collection activities for delinquent accounts. In particular, ComEd employs a risk scoring model that scores each of these customers two days after every bill due date based on the customer's overall payment history with ComEd. This scoring takes place automatically every month. That score in turn determines the customer's risk segment placement and, ultimately, the schedule according to which the customer will be moved through a "collection action matrix". The customers with the worst risk segment placement move through the steps of the collection action matrix the fastest. Mr. DeLoach clarified that, of course, if timely payment has been made by the customer, the account is considered current and no credit action is initiated. (ComEd Ex. 3.0, p. 6.)

According to Mr. DeLoach, ComEd contracted with Total Solution Inc. ("TSI") to develop the risk scoring model. He explained that TSI developed a regression model that analyzes a variety of attributes of customer accounts and, based on this analysis, determines the likelihood of whether a given customer will pay its ComEd bill. Specifically, the model incorporates a variety of ComEd customer payment behaviors, including the assessment of late payment charges, service of disconnection notices, and whether the account was ever disconnected. As a result, the model is customized for ComEd and reflects the unique features of its service territory. Mr. DeLoach testified that every month, two days after a given account's bill is due, that account's updated information is transmitted to the TSI model, which generates a unique and updated risk score for that account. This process happens automatically through CIMS, which has been programmed to ensure each account is risk scored every month. In addition, TSI validates the model's algorithm every year, and has full access to the model throughout the year. Importantly, for each year that the model has been in use, including 2008 and 2009, TSI has found that it is statistically valid (*i.e.*, it accurately predicts whether or not a customer will pay with an acceptable level of confidence). (ComEd Ex. 3.0, p. 7.)

Mr. DeLoach testified that near the time that ComEd contracted with TSI to design the risk scoring model, ComEd also developed the collection action matrix for

the purposes of ensuring standardization and consistency regarding collection activities and processes. He explained that each month CIMS classifies the account in one of eight risk segments based on the score provided by the TSI model; this classification in turn determines where a given customer falls within ComEd's collection action matrix and any action to be taken as a result of a customer's failure to pay a ComEd bill. (ComEd Ex. 3.0, p. 7.) Mr. DeLoach summarized the key steps of the collection action matrix as including late payment charges, deposit reviews, proactive calls, disconnect notices, winter contact letters, and field notification calls. He explained that after these steps are followed, the account becomes eligible for disconnection in accordance with Commission rules, and ComEd may disconnect service. (ComEd Ex. 3.0, p. 8.)

Mr. DeLoach clarified that the collection action matrix was not formally followed for current managed account customers. For these customers, the Revenue Management department discusses the accounts with past due balances with the responsible ComEd account manager on a monthly basis to determine what steps should be taken toward collecting the debt. Mr. DeLoach testified that these steps may include (i) the ComEd account manager contacting the customer, (ii) disconnection of service, or (iii) legal action. (ComEd Ex. 3.0, p. 8.)

Mr. DeLoach testified that ComEd also attempts to minimize uncollectibles and pursue collection with respect to its former customers. A customer becomes a former customer at the time the account is "finaled", which means the customer is no longer being billed for electric service. An account can be finaled in several different ways, including (i) the customer of record calls to close the account, (ii) an applicant calls to establish new service at the same premises as an existing account ("force final"), or (iii) the customer of record fails to pay to restore a cut-for-nonpayment account within 30 days. Where an account has finaled with an outstanding balance, ComEd attempts to locate the customer through various means, including utilizing outside collection agencies to obtain payment in full on the outstanding balance and using CIMS to perform internal matching of finaled and written-off accounts to determine if there are any active accounts to which the outstanding debt can be transferred and appropriate credit action taken. (ComEd Ex. 3.0, p. 9.)

Mr. DeLoach also explained how ComEd ensures that these collection policies and practices are consistently implemented in order to minimize uncollectibles. He testified that ComEd has developed and implemented a risk scoring model that automatically scores each customer monthly and, based on that updated score, CIMS places the customer in the collection action matrix, which ensures the appropriate actions are taken to minimize uncollectibles. He testified that to further ensure the effectiveness of these policies and processes, the Revenue Management department regularly reviews a variety of metrics. For example, the department reviews accounts receivable that are past due greater than 60 days (for both active and inactive accounts) and accounts receivable that are past due greater than 60 days as a percent of total receivables. These figures are further analyzed through week-to-week, month-to-month, and year-to-year comparisons. If the aged balance trends upward or downward, the department undertakes further inquiry regarding the drivers of the increasing or

decreasing balance. Factors that influence the aged balance include weather and either the commencement or lifting of the winter disconnection moratorium imposed by Illinois law. (ComEd Ex. 3.0, p. 9-10.)

2. Minimization and Collection of Uncollectibles through the Activities Identified in Section 16-111.8(c) of the Act

a. Identifying Customers with Late Payments

With respect to identifying customers with late payments, Mr. DeLoach explained that Section 280.90 of the Commission rules sets forth provisions regarding past due bills and late payment charges. He noted that Section 280.90(a) provides that a customer's bill is considered past due if payment is made in person after the due date printed on the bill or, if mailed, when it is not received within two full business days after the due date on the bill. Mr. DeLoach testified that ComEd has programmed the CIMS software consistent with these provisions to ensure that every customer is evaluated for late payments two days after the bill due date. If a timely payment has been made in full, the account is considered current and no credit action is initiated. If payment has not been made in full in a timely manner, the customer is considered past due and collection action is initiated. (ComEd Ex. 3.0, p. 10.)

Mr. DeLoach testified that once the customer's bill has been determined to be past due, ComEd assesses late fees. He stated that Section 280.90(d) allows utilities to assess a late payment charge up to 1½% per month on any amount, including amounts previously past due, for service which is considered to be past due. Accordingly, the first step of the collection action matrix is the assessment of late fees, which will continue to be assessed as long as there is a past due outstanding debt. Moreover, to ensure the application of late fees, ComEd has programmed CIMS to calculate and assess these charges automatically. Assessment of late fees is also an attribute of the risk scoring model, and is taken into account monthly when the customer's risk score is updated. (ComEd Ex. 3.0, pp. 10-11.)

b. Contacting Customers in an Effort to Obtain Payment

With respect to initially contacting residential and C&I customers with past due bills to obtain payment, Mr. DeLoach testified that ComEd has designed efficient and effective methods of communicating this information to the customer through telephone calls and mail. He added that in the event the past due bill triggers an opportunity to require an additional or increased deposit, ComEd has put in place processes that ensure a deposit notice is sent and the deposit itself assessed. (ComEd Ex. 3.0, p. 11.)

When ComEd attempts to obtain payment through telephone calls, Mr. DeLoach testified that ComEd's vendor places "proactive" calls to customers with a past due bill based on the customer's risk segment placement. Those customers who have been placed in the worst risk segment receive a call beginning with the third day a bill is past

due. Specifically, during 2008 and 2009 and in accordance with the risk scoring model and collection action matrix, CIMS was programmed to notify ComEd's customer communications vendors, Varolii and NCO, to initiate the calls. These are automated calls (Varolii) or live agent calls (NCO) designed to remind these customers that their bill is past due and that it must be paid in full to avoid additional collection action and disconnection. Mr. DeLoach added that the telephone call also provides the customer with the option of paying the bill during the call through the voice response unit system. Proactive calls are typically initiated once per billing period. (ComEd Ex. 3.0, pp. 11-12.) Mr. DeLoach testified that ComEd also attempts to obtain payment through mailings and each monthly bill states the total amount due from the customer, and includes both the charges for the current month as well as any past due balance and late fees. (ComEd Ex. 3.0, p. 12.)

Mr. DeLoach also described the circumstances under which ComEd may require an additional or increased deposit from a current customer. He explained that Section 280.70 of the Commission's rules provides that a utility may request a deposit from a current residential or non-residential customer during the first 24 months that the customer receives utility service from the utility if the customer, during any 12-month period, pays late four times if billed monthly, two consecutive times or three times if billed bi-monthly, or two times if billed quarterly or semi-annually, or if the customer's wires, pipes, meters or other equipment associated with the utility service have been tampered with and the customer enjoyed the benefit of the tampering. (ComEd Ex. 3.0, p. 12.) He added that a utility requesting a deposit for any of the reasons stated in Section 280.70 must make such request within 45 days after the event giving rise to the request takes place. However, in the event the customer's wires, pipes, meters or other equipment associated with the utility service have been tampered with and the customer enjoyed the benefit of the tampering, the request for deposit must be made within 45 days after the discovery of the tampering. (ComEd Ex. 3.0, pp. 12-13.)

Mr. DeLoach testified that if the Commission's rules permit ComEd to request an additional deposit, ComEd assesses the deposit so that it can offset any unpaid balance that may be left by the customer. Specifically, ComEd has programmed CIMS to automatically perform a deposit evaluation each month two days after the bill due date to determine whether a deposit can be assessed or increased based on the customer's usage and bill payment behaviors consistent with the Commission's rules. If so, CIMS automatically generates a letter to these customers through ComEd's bill printing vendor, Regulus, that notifies them of the additional deposit requirement. The deposit is typically assessed through the utility bill and paid in installments. Once the full deposit has been collected, CIMS generates a letter providing notification to the customer that the deposit has been collected. (ComEd Ex. 3.0, p. 13.)

Mr. DeLoach testified that customers with accounts other than residential and small C&I that are overdue may receive a call from their ComEd account manager, a deposit notice or notification of the past due balance through their monthly bills in an attempt to obtain payment. (ComEd Ex. 3.0, p. 13.)

c. Providing Delinquent Customers with Information about Possible Payment Options, Including Payment Plans and Assistance Programs

Mr. DeLoach provided testimony regarding how ComEd offers delinquent customers information about possible payment options, including payment plans and assistance programs. For residential and small C&I customers, the proactive telephone calls and monthly bills provide the customers with ComEd's website address (www.comed.com) and the 1-800-Edison1 toll-free number, each of which provides information regarding payment plan options and customer assistance programs. With respect to managed accounts, ComEd's account managers work directly with the customer on a case-by-case basis. Requests for a payment plan are generally made directly to the ComEd account manager, who in turn works with the Revenue Management department regarding options. Mr. DeLoach also listed other sources of information during 2008 and 2009 regarding payment plans and assistance programs, which included the following: ComEd's call center; disconnect notices; meetings between ComEd representatives and low-income advocates; ComEd's External Affairs department; ComEd's partnership with the Chicago Housing Authority; and local administrative agencies. (ComEd Ex. 3.0, pp. 13-15.)

Mr. DeLoach also described the types and payment plans and assistance programs that ComEd offered to qualifying residential and small C&I customers during 2008 and 2009. With respect to payment plans, ComEd offered the payment plan options described in the Commission's rules. Concerning ComEd's customer assistance programs, ComEd offered a variety of low-income programs falling under three categories – the Customers' Affordable Reliable Energy ("CARE") program, the Low Income Home Energy Assistance Program ("LIHEAP"), and the Percentage of Income Payment Plan ("PIPP"). Mr. DeLoach described the CARE programs as limited funding programs administered through ComEd's CARE program team, and he provided a list of the initiatives during 2008 and 2009, which included the Residential Special Hardship program, the Helping Hand program, education classes and outreach, the All Clear program and ComEd Helps Activated Military Personnel program. (ComEd Ex. 3.0, p. 15.)

d. Serving Disconnection Notices

Mr. DeLoach testified that Section 280.130(a)(2) of the Commission's rules generally prescribes the process for serving a notice of disconnection:

> The utility can discontinue service only after it has mailed or delivered by other means a written notice of discontinuance substantially in the form of Appendix A. Any notice required to be delivered or mailed to a customer prior to discontinuance of service shall be delivered or mailed separately from any bill. Service shall

> not be discontinued until at least five days after delivery or eight days after the mailing of this notice.

Mr. DeLoach explained that consistent with this rule, ComEd mails disconnection notices to those customers whose risk score places them in the worst risk segment as early as the sixth day a bill is past due. (ComEd Ex. 3.0, pp. 16-17.) Mr. DeLoach explained that Illinois law imposes limitations on when a disconnection can be effected. Specifically, Illinois law provides that, during the period of time from December 1 through and including March 31, a utility generally may only disconnect service under limited circumstances to any residential or master-metered apartment building for nonpayment of a bill or deposit where gas or electricity is used as the primary source of space heating or is used to control or operate the primary source of heating equipment at the premise. He added that the Act further categorically prohibits such disconnections on certain days where temperatures are forecasted to be at or below 32 degrees Fahrenheit or at or above 95 degrees Fahrenheit. (ComEd Ex. 3.0, p. 17.)

Mr. DeLoach testified that despite these prohibitions, a disconnection notice can be sent during the winter to a customer that has become past due. Because there is not a categorical prohibition against service disconnections during the winter, the service of a disconnection notice may be made during this period. Because service of the disconnection notice often encourages the customer to pay and allows ComEd to effect a disconnection if temperatures permit, ComEd has programmed CIMS to continue to send out disconnection notices during the winter. During the period of December 1 through March 31, for example, a customer whose account has accrued a past due balance and meets the criteria in the law is sent both a disconnection notice and a "winter contact letter", the latter of which may be sent as early as the seventh day a bill is past due. The winter contact letter is sent at least one time between December 1 and March 31 and describes how the customer can avoid disconnection via a deferred payment agreement (or "DPA") or application for assistance. (ComEd Ex. 3.0, pp. 17-18.)

e. Implementing Disconnections Based on the Level of Uncollectibles

Mr. DeLoach reiterated that ComEd mails disconnection notices as early as the sixth day a bill is past due. Following service of the notice (and assuming no payment has been made), ComEd also initiates a field notification call three days prior to the account becoming eligible for disconnection. Like the proactive automated calls made to customers whose accounts have become past due, ComEd has programmed CIMS to notify Varolii to make the field notification calls, which are designed to provide customers with one last reminder to pay just prior to becoming eligible for disconnection. This low-cost tool also helps to avoid the costs of effecting disconnections to the extent it prompts payment. (ComEd Ex. 3.0, p. 18.)

Mr. DeLoach explained that once an account is eligible to be disconnected, CIMS automatically identifies these accounts. ComEd then begins scheduling accounts for disconnection beginning with "behavioral cuts" and the high dollar accounts. The behavioral cuts are those accounts placed in the worst risk segments based on their risk score, which represent customers with poor payment history. The worse the risk segment placement, the earlier ComEd pursues recovery and disconnections, subject to legal requirements and restrictions. By initiating recovery and disconnection efforts when the customer owes a lower amount, ComEd has the best chance of collecting from customers who can still pay. Higher account values are more likely to result in non-payment from those customers placed in the worst risk segments. (ComEd Ex. 3.0, pp. 18-19.)

Mr. DeLoach testified that with respect to high dollar past due accounts, increased balances can occur relatively quickly where usage is great but sufficient time has not yet elapsed to escalate the account through the collection action matrix. He gave the example of an account that could have nonpayment of only a few consecutive bills but usage could inflate the past due balance to a high level before the account has moved through the risk segments making it a high priority. Other factors such as access issues, life support/medical certification stays from disconnection, and temperature and winter moratorium restrictions can also yield high account balances. To address these issues, Mr. DeLoach explained that the Revenue Management and Field and Meter Services departments meet weekly to identify and update a list of high dollar past due accounts from both the residential and small C&I rate classes to be pursued with added focus. Accounts on these lists are selected as they become eligible for disconnection and become the subject of a service order. The Field and Meter Services department then takes the necessary steps to disconnect the customer. (ComEd Ex. 3.0, p. 19.)

Mr. DeLoach also explained how the disconnection itself is effected. Assuming there are no winter or temperature restrictions in place at the time a disconnection notice becomes "active" (*i.e.*, the required period of time has elapsed after mailing the notice), Mr. DeLoach testified that ComEd can effect a disconnection during two consecutive 20-day periods beginning from the time the notice became active. During each such period, he added, ComEd must make contact with the customer. The Revenue Management department generally selects all of the accounts that are eligible to be cut on a given day, and creates "cut-out" service orders in CIMS. These service orders are then incorporated into the Field and Meter Services department work queue, where the orders are placed into routes for the energy technicians to execute. The routes are generally designed to maximize efficiencies by grouping together accounts eligible for disconnection that are located near each other. (ComEd Ex. 3.0, pp. 19-20.)

f. Pursuing Collection Activities Based on the Level of Uncollectibles

Having already provided testimony describing how ComEd works to minimize and collect uncollectibles with respect to both applicants for electric service and current

customers, Mr. DeLoach focused his testimony on how ComEd pursues collection activities for those accounts that have finaled (the customer is no longer being billed for electric service) with an outstanding balance. He testified that once an account has finaled, ComEd issues a final bill and allows the customer an opportunity to pay in accordance with the applicable terms of payment. If payment is not received, ComEd transfers the accounts to its first stage of collection agencies, which attempt to collect the debt within 90 days. After 90 days, ComEd retrieves the accounts from the collection agencies and charges off the balance to ComEd's bad debt reserve. ComEd then transfers these accounts to the next stage of collection agencies. After one year, ComEd then transfers the remaining accounts to a final agency that continues to work on collecting the debt. (ComEd Ex. 3.0, p. 20.)

Mr. DeLoach also explained how ComEd selects the collection agencies that it uses. Specifically, ComEd conducts a request for proposals ("RFP") process that selects vendors based on a variety of criteria, including fees, bad debt recovery rates, and areas of specialization. He added that in the first quarter of 2009, ComEd replaced all but one of its credit collection vendors pursuant to an RFP process. (ComEd Ex. 3.0, pp. 20-21.)

Mr. DeLoach further testified that ComEd took new and enhanced steps to improve its credit and collection activities during 2008 and 2009. In addition to conducting the collection agency RFP process in early 2009 to improve performance, ComEd increased its focus on collection activities by seeking to recover amounts owed from those able to pay and taking into account the level of uncollectibles. For example, in the fourth quarter of 2009, ComEd implemented a "Champion Challenger" model to assist with cash recoveries on monies owed to ComEd. The model places the collection agencies used by ComEd in direct competition with each other by rewarding those with higher recoveries with additional accounts upon which to collect. Mr. DeLoach reported that implementation of the model yielded an increase in collections net of commissions in 2009. (ComEd Ex. 3.0, p. 21.)

Mr. DeLoach testified that through litigation ComEd has also increased its collections from those who can pay. In particular, a special claims litigation group formed in 2009 was highly successful in this regard, ultimately significantly reducing the cost of uncollectibles through the recovery of cash and judgments. Some amounts were also recategorized (*e.g.*, a successor was back-billed (charged or rebilled for updated historical usage), the customer filed bankruptcy, estimated meter reads were trued up (actual usage was obtained and charged), or a billing issue was corrected). (ComEd Ex. 3.0, p. 21.)

Mr. DeLoach also testified that the Experian Matching Project was implemented to match accounts that were previously written off to active customers. As a result of these and other efforts, from January 2009 to November 2009, the over 60-day total receivables (which represents monies owed to ComEd more than 60 days after the bill date) decreased. (ComEd Ex. 3.0, p. 22.)

III. Staff's Position

In her direct testimony, Ms. Pearce presented Staff's position regarding ComEd's Annual Report. Ms. Pearce recommended that the Commission accept ComEd's Annual Reconciliation Adjustments, which she reflected in Schedule 1.1 to her Direct Testimony, and she testified that she had no adjustments to ComEd's reconciliation adjustment amounts. (ICC Staff Ex. 1.0, pp. 2-3.) Based on her calculations, Ms. Pearce recommended that the Commission, accept the Company's reconciliation, which reflects over-collections of $7,413,355 for 2008 and 2009 combined, in charges collected from the Company's uncollectible expense factors pursuant to Rider UF. Ms. Pearce noted that these amounts will be refunded or collected over the 9-month period beginning September 1, 2011 by customer designation by the amounts reflected on ComEd Ex 1.0, Column (E). (ICC Staff Ex. 1.0, p. 4.)

IV. Commission Analysis and Conclusions

There are no issues between the parties to resolve in this proceeding. Based on the record herein, the Commission concludes that ComEd's actions to pursue minimization and collection of uncollectibles were reasonable and prudent. The Commission further finds that the Company's reconciliation of its uncollectible costs incurred during years 2008 and 2009 is correct, and therefore is accepted by the Commission. Specifically, the reconciliation reflects cumulative over-collections of $7,413,355 from most retail customers for 2008 and 2009 combined. With the exception of certain nonresidential and lighting supply retail customers (from whom ComEd under recovered incremental uncollectible costs related to 2008 and 2009), the balancing factors related to the 2008 and 2009 incremental uncollectible factors reflect this cumulative over collection of Rider UF revenues, and the application of the balancing factors beginning in September 2011 decreased the amount otherwise to be recovered from all retail customers other than certain nonresidential and lighting supply retail customers.

V. Findings and Orderings Paragraphs

The Commission, having given due consideration to the entire record and being fully advised in the premises, is of the opinion and finds that:

(1) Commonwealth Edison Company is an Illinois corporation engaged in the transmission, sale and distribution of electricity to the public in Illinois, and is a public utility as defined in Section 3-105 of the Public Utilities Act;

(2) the Commission has jurisdiction over Commonwealth Edison Company and the subject matter of this proceeding;

(3) the statements of fact set forth in the prefatory portion of this Order are supported by the evidence and the record and are hereby adopted as findings of fact;

(4) during the 2008 and 2009 reconciliation periods, ComEd's actions to pursue minimization and collection of uncollectibles were reasonable and prudent;

(5) as reflected in ComEd's Annual Report (ComEd Ex. 1.0), with the exception of certain nonresidential and lighting supply retail customers from whom ComEd under recovered incremental uncollectible costs related to 2008 and 2009, the balancing factors related to the 2008 and 2009 incremental uncollectible factors reflect a cumulative over collection of Rider UF revenues of $7,413,355.

IT IS THEREFORE ORDERED that the Annual Report to the Illinois Commerce Commission Concerning the Operation of Rider UF – Uncollectible Factors is hereby approved.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Illinois Administrative Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By order of the Commission this _____ day of _____, 2012.

(SIGNED) DOUGLAS P. SCOTT

Chairman