

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY

Tariffs and charges submitted pursuant to
Section 16-108.5 of the Public Utilities Act

No. 11- _____

Direct Testimony of
SCOTT A. VOGT

Director,
Financial Planning and Analysis
Commonwealth Edison Company

OFFICIAL FILE

I.C.C. DOCKET NO. 11-0721

ComEd Exhibit No. 3.0

Witness Vogt

Date 3-9-12 Reporter ce

1 **I. Introduction, Background and Summary**

2 **Q. What is your name and business address?**

3 A. My name is Scott A. Vogt, Commonwealth Edison Company ("ComEd"), Three Lincoln
4 Centre, Oakbrook Terrace, Illinois 60181-4260.

5 **Q. Mr. Vogt, by whom are you employed and in what capacity?**

6 A. I am employed by ComEd in the position of Director of Financial Planning and Analysis.

7 **Q. What is the purpose of your testimony?**

8 A. The purpose of my testimony is to support the delivery service revenue requirement set
9 forth in the testimony of ComEd witness Martin G. Fruehe (ComEd Ex. 4.0), by
10 providing information concerning ComEd's (1) capital structure, (2) cost of debt, and (3)
11 return on equity, upon which that revenue requirement is based.

12 **Q. Mr. Vogt, what are your duties as ComEd's Director of Financial Planning and
13 Analysis?**

14 A. My primary duties include load forecasting, risk management, short-term financial
15 forecasting, and long-term financial modeling. I supervise preparation of ComEd's
16 budget, long-range plan, and monitoring and analysis of monthly financial performance.
17 Under my direction, ComEd analyzes the drivers of and variances from its budget and
18 develops revised projections for the current year. I also direct preparation of detailed
19 projections for revenue, expenses, earnings and cash flow to ensure the company has the
20 proper levels of liquidity and financing available to achieve its operational and financial
21 targets. I direct monitoring and projection of numerous financial ratios to insure that

22 ComEd's financial position will support an investment grade credit rating, as well as
23 determination of when debt issuances or other sources of capital are required to support
24 the operations of the business.

25 Q. **Mr. Vogt, would you describe your educational background and business
26 experience?**

27 A. I have a Bachelor of Science degree in Business Analysis from Indiana University. I
28 have been employed by ComEd and Exelon since 1998 in various positions, including
29 roles as a Financial Analyst, Executive Assistant, Assistant Treasurer, and Director of
30 Project Evaluation. In November 2002 I was promoted to my current position, Director
31 of Financial Planning and Analysis for ComEd.

32 **II. Capital Structure and Return on Capital**

33 Q. **What capital structure has ComEd used to support the revenue requirement in this
34 case?**

35 A. The revenue requirement reflects ComEd's actual capital structure for 2010, excluding
36 goodwill.

37 Q. **What were the components of ComEd's capital structure in 2010?**

38 A. ComEd's capital structure was composed of 45.54% equity (excluding goodwill), 53.89%
39 long-term debt, and 0.57% short-term debt.

40 Q. **How, if at all, does this capital structure differ from that approved by the
41 Commission in Docket 10-0467 and upon which ComEd's existing rates are based?**

42 A. The capital structure approved in 10-0467 was based on March 31, 2010 balances and
43 was composed of 47.28% equity, 52.54% long-term debt, and 0.18% short-term debt.
44 The capital structure reflected above represents the December 31, 2010 balances and has
45 a lower proportion of equity and a higher proportion of long-term and short-term debt
46 than the capital structure approved in the last rate case. This is primarily due to a \$500
47 million August, 2010 debt issuance that was partly used to refinance maturing debt with
48 the majority used to finance capital investment. More debt was added to the capital
49 structure between March 31, 2010 and December 31, 2010 than equity increased over the
50 same time period.

51 Q. **In your opinion is the capital structure upon which the proposed revenue
52 requirement is based prudent and reasonable?**

53 A. Yes. The 2010 capital structure is consistent with the degree of leverage in the capital
54 structures approved by the Commission in Docket Nos. 10-0467, 07-0566, and 05-0597.
55 The capital structure is consistent with sound financial practice and, as the Commission
56 has found in the past, it is prudent and reasonable.

57 Q. **What is the cost of the long-term debt component in ComEd's 2010 capital
58 structure?**

59 A. The 2010 cost of long-term debt as illustrated on Schedule FR D-1 (ComEd Ex. 4.1) of
60 the formula rate is 6.37%.

61 Q. **What is the cost of the short-term debt component in ComEd's 2010 capital
62 structure?**

63 A. The 2010 cost of short-term debt as provided on Schedule FR D-1 (ComEd Ex. 4.1) for
64 the formula rate is 1.43%.

65 Q. **How has ComEd calculated the return on equity (“ROE”) for purposes of deriving**
66 **the revenue requirement in this case?**

67 A. It is the sum of (1) the average for the applicable calendar year (2010) of the monthly
68 average yields of 30-year U.S. Treasury bonds published by the Board of Governors of
69 the Federal Reserve System in its Statistical Release of Selected Interest Rates – H.15;
70 and (2) 600 basis points, or 580 basis points if House Bill 3036 (the “Trailer Bill”)
71 becomes law.

72 Q. **What is the ROE that results from applying that formula?**

73 A. Because the average treasury yield was 4.25%, the total allowed return on equity is
74 10.25%, or 10.05% if the Trailer Bill becomes law. The calculation of the 2010 average
75 yield and the resulting ROE can be found on Schedules FR D-2 and FR D-1, or FR D-1
76 TB if the Trailer Bill becomes law. (ComEd Ex. 4.1).

77 Q. **Does this conclude your direct testimony?**

78 A. Yes.