

**STATE OF ILLINOIS**  
**ILLINOIS COMMERCE COMMISSION**

ILLINOIS COMMERCE COMMISSION	)	
On Its Own Motion	)	
	)	
vs.	)	
	)	
COMMONWEALTH EDISON COMPANY	)	No. 11-0357
	)	
Reconciliation of revenues collected	)	
under power procurement riders with	)	
actual costs associated with power	)	
procurement expenditures.	)	

Direct Testimony of

**KEVIN J. WADEN**

Vice President and Controller  
Commonwealth Edison Company

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1 **I. Introduction and Background**

2 **A. Identification of Witness**

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

4 A. My name is Kevin J. Waden. My business address is Commonwealth Edison  
5 Company, Three Lincoln Centre, Oakbrook Terrace, Illinois 60181.

6 **Q. By whom are you employed and what is your position?**

7 A. I am employed by Commonwealth Edison Company (“ComEd” or the  
8 “Company”) as its Vice President and Controller.

9 **B. Purpose of Testimony**

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

11 A. The purpose of my testimony is to explain ComEd’s reconciliation of revenues  
12 during the applicable period (the period involved in this proceeding under the  
13 applicable tariffs, *i.e.*, June 1, 2009, through May 31, 2010) for: (1) its Purchased  
14 Electricity Adjustment Factors (“PEAs”) under ComEd’s Rider PE – Purchased  
15 Electricity (“Rider PE”); and (2) its Hourly Purchased Electricity Adjustment  
16 Factors (“HPEAs”) under Rate BESH – Basic Electric Service Hourly Energy  
17 Pricing (“Rate BESH”).

18 **Q. Please describe the PEAs during the applicable period.**

19 A. The PEAs pertained to full requirements electric supply purchased by ComEd for  
20 customers in the “blended” segment, as described in Rider PE, and for which the  
21 applicable period is June 1, 2009, through May 31, 2010.

22 **Q. Please describe the HPEAs during the applicable period.**

23 A. The HPEAs, like the PEAs, pertained to electric power and energy directly  
24 procured by ComEd for customers taking service under ComEd's bundled service  
25 tariff with hourly pricing. The applicable period for the HPEAs also is June 1,  
26 2009, through May 31, 2010.

27 **C. Summary of Conclusions**

28 **Q. Stated briefly, what are your conclusions?**

29 A. In brief, I conclude that: (1) ComEd correctly determined and recovered the  
30 applicable costs through the PEAs during the applicable period and did not  
31 inappropriately recover those costs through charges in any other tariffs;  
32 (2) ComEd correctly accounted for the costs and revenues associated with the  
33 PEAs during the applicable period; (3) ComEd correctly determined and  
34 recovered the applicable costs through the HPEAs during the applicable period  
35 and did not inappropriately recover those costs through charges in any other  
36 tariffs; and (4) ComEd correctly accounted for the costs and revenues associated  
37 with the HPEAs during the applicable period.

38 Please note that, per the Supplemental Report Relating to 2010 ComEd  
39 Purchased Electricity Cost Recovery Review (described further below), ComEd  
40 has at times identified appropriate adjustments during the course of preparing the  
41 monthly filings for Rider PE and Rate BESH. As these items have been identified  
42 they have been corrected and filed in the next monthly filing made in accordance  
43 with the applicable tariffs.

44 **D. Itemized Attachments to Direct Testimony**

45 **Q. Are you sponsoring any attachments to your testimony?**

- 46 A. Yes. Attached hereto are the following exhibits:
- 47 • ComEd Exhibit (“Ex.”) 1.1 is a genuine copy of the 2010 ComEd  
48 Purchased Electricity Cost Recovery Review prepared by Exelon’s  
49 Internal Audit Services, along with the accompanying cover letter and  
50 Company Officer Verification, which ComEd filed with the Illinois  
51 Commerce Commission (the “Commission” or “ICC”) on November 8,  
52 2010.
- 53 • ComEd Ex. 1.2 is a genuine copy of the Supplemental Report Relating to  
54 2010 ComEd Purchased Electricity Cost Recovery Review  
55 contemporaneously filed with the Commission on November 8, 2010.
- 56 • ComEd Ex. 1.3 is a schedule of ComEd’s Cumulative Totals of  
57 Incremental Expenses, Revenues and Recoveries under Rider PE and Rate  
58 BESH for the June 1, 2009 through May 31, 2010 determination period,  
59 which is an updated version of Appendix I to ComEd Ex. 1.2.

60 **Q. Please describe the internal audit report included in ComEd Ex. 1.1.**

61 A. The internal audit was conducted by Exelon Corporation’s internal audit  
62 department, which is a separate and independent function within Exelon  
63 Corporation (ComEd’s ultimate parent company). The report provides  
64 background information, identifies the objective and scope of the internal audit,  
65 describes the results of the internal audit, and sets forth in an appendix further  
66 information on the procedures performed as part of the audit.

67 **Q. Please describe the supplemental report included in ComEd Ex. 1.2.**

68 A. The supplemental report provides additional background information (including  
69 information about related legal developments), notes that the finding of  
70 immaterial differences in calculations performed by the internal audit function  
71 and those reported in the General Ledger do not mean or suggest that the General  
72 Ledger or the PEAs or HPEAs were incorrect, and provides additional  
73 information about the operation of the tariffs.

74 Q. **Please describe the schedule included in ComEd Ex. 1.3.**

75 A. This schedule provides the cumulative totals of incremental expenses, revenues  
76 and recoveries under Rider PE and Rate BESH for the June 1, 2009 through May  
77 31, 2010 determination period and was prepared consistent with the Appendix to  
78 the Commission's Final Order in Docket No. 10-0275. The schedule reflects an  
79 adjustment included by ComEd in its December 20, 2011 informational filing  
80 (September 2011 determination period effective January 2012). The adjustment  
81 relates to the change in characterization of the cost of energy from a certain  
82 qualifying facility during January 2010 through October 2011. This adjustment  
83 reflects a decrease in purchased power expense of \$348,375 for the June 2009  
84 through May 2010 determination period.

85 **E. Background and Experience**

86 Q. **Please summarize your educational background and qualifications.**

87 A. I graduated with honors from Augustana College, Rock Island, Illinois, in 1992  
88 with a Bachelor's degree in Accounting and Business Administration. I am also a  
89 1998 graduate of Northwestern University's J.L. Kellogg Graduate School of  
90 Management where I earned a Master's of Business Administration degree in

91 finance, real estate, and organizational behavior. Additionally, I am a licensed  
92 Certified Public Accountant (“CPA”) in the State of Illinois and a member of the  
93 American Institute of Certified Public Accountants (“AICPA”).

94 **Q. Describe your past and present employment.**

95 A. I spent the first nine years of my career at Arthur Andersen, LLP, in expanding  
96 levels of responsibilities in the audit practice of the Chicago office, ultimately  
97 achieving the level of experienced manager. A significant portion of my time at  
98 Arthur Andersen was focused on the energy industry, which included working  
99 with ComEd from 1995 through 2000. In May 2002, I joined ComEd as the  
100 Manager of Financial Reporting. In September 2003, I was promoted to Director  
101 of Financial Reporting and Accounting Research for Exelon Energy Delivery,  
102 LLC. In January 2007, I became the Director of Accounting Operations for  
103 ComEd and in January 2008 my role expanded to cover both Accounting  
104 Operations and Financial Reporting. In July 2009, I was promoted to Vice  
105 President and Controller for ComEd.

106 **II. Summary of Relevant Operations Under Rider PE and Rate BESH**

107 **Q. Please generally describe the operations relating to PEAs under Rider PE**  
108 **and HPEAs under Rate BESH.**

109 A. In brief, the PEAs and HPEAs were designed as part of Rider PE and Rate BESH  
110 so that the expenses that ComEd incurred for the procurement of full requirements  
111 electric supply and directly procured electric power and energy, as applicable,  
112 required by retail customers for which ComEd was providing such supply, would  
113 equal the revenues from such retail customers for such supply based on changes

114 in those customers' actual usage and demands on ComEd's system. The expenses  
115 included in the PEAs and HPEAs also include certain transmission expenses as  
116 well as certain supply administration costs associated with the provision of  
117 service under Rider PE and Rate BESH. Those administrative costs are addressed  
118 in the direct testimony of ComEd's Vice President - Energy Acquisition,  
119 William P. McNeil (ComEd Ex. 2.0). As provided in the tariff language of  
120 Rider PE and Rate BESH, an internal audit was required to be conducted related  
121 to the PEAs and HPEAs for the applicable period, and a report that summarized  
122 the results of that internal audit had to be prepared and then submitted to the  
123 Commission as an informational filing. The internal audit was conducted, and the  
124 report was prepared. ComEd Ex. 1.1 is a copy of the required submission of that  
125 report as an informational filing.

126 **Q. How did ComEd determine the underlying data and calculate PEAs and**  
127 **HPEAs under Rider PE and Rate BESH during the applicable period?**

128 **A.** In brief, on a monthly basis, ComEd calculated the difference between revenues  
129 and expenses recognized associated with each product. ComEd's general ledger  
130 contains the revenue and expense data necessary to calculate the PEA and HPEA.  
131 ComEd's wholesale procurement management system, payables system and retail  
132 billing system are the sources of the information that support the general ledger.  
133 These sources were used to validate the wholesale electric supply costs and  
134 accrued retail electric supply revenue used in the calculations. At my direction,  
135 the calculations and filings were prepared by accounting staff and either Christine  
136 Brinkman, ComEd Manager of Accounting, or I approved them prior to filing

137 with the ICC each month. Any amounts that were over/under recovered in a  
138 given period were reflected in a subsequent period on our customers' bills, as  
139 applicable. Any amounts that were credited to or recovered from customers were  
140 incorporated into the next applicable monthly calculation of the PEAs and  
141 HPEAs. At the end of any accounting period, ComEd recorded a cumulative  
142 regulatory asset (under-recovery) or regulatory liability (over-recovery) for each  
143 product offering.

144 **Q. Did ComEd correctly determine and recover the applicable costs through the**  
145 **PEAs and HPEAs during the applicable period?**

146 A. Yes. The internal audit report states in part: “[W]e can state, in our opinion, that  
147 based upon testing performed for the 12-month period June 1, 2009 – May 31,  
148 2010, the cost recovery process performed by Revenue Accounting, including the  
149 supporting [General Ledger] reconciliation used to calculate PEA/HPEA activity,  
150 is consistent with the five aforementioned cost and revenue recovery requirements  
151 of Rider PE and Rate BESH.” (ComEd Ex. 1.1 at p. 3).

152 **Q. Did ComEd inappropriately also recover any of the same costs through**  
153 **charges in any other tariffs?**

154 A. No. The accounting and the process related to the PEAs and HPEAs, as well as  
155 the tariff provisions, prevented any such double-recovery.

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

157 A. Yes.