



An Exelon Company

Commonwealth Edison Company      www.comed.com  
Three Lincoln Centre  
Oakbrook Terrace, IL 60181-4260

VIA OVERNIGHT DELIVERY

November 8, 2010

Ms. Elizabeth Rolando  
Chief Clerk  
Illinois Commerce Commission  
527 East Capitol Avenue  
Springfield, Illinois 62701

Subject: Rider PE and Rate BESH Annual Reconciliation

Dear Ms. Rolando:

Commonwealth Edison Company ("ComEd") submits for filing, for informational purposes, the Internal Audit Report as provided for in Rider PE – Purchased Electricity ("Rider PE") and Rate BESH – Basic Electric Service-Hourly Energy Pricing ("Rate BESH"), as well as a Supplemental Report that provides additional information related to the upcoming proceeding required under Rider PE and Rate BESH. ComEd notes that the cover page of the Internal Audit Report includes language relating to confidentiality. ComEd is not requesting confidential treatment of this Report.

In addition to this original transmittal letter, two copies of this transmittal letter are provided. One of the copies is provided for your convenience in acknowledging receipt of this letter and may be returned to ComEd in the self-addressed, stamped envelope provided. The other copy is for your files.

Sincerely,

A handwritten signature in cursive script that reads "Kevin J. Waden".

Kevin J. Waden, C.P.A.  
Vice President & Controller  
ComEd  
(630) 437-2337

cc: Ms. Mary Selvaggio  
Ms. Joy Nicdao-Cuyugan  
Ms. Bonnie Pearce  
Mr. Steve Knepler



# 2010 ComEd Purchased Electricity Cost Recovery Review

September 22, 2010

**INTERNAL AUDIT**

# Executive Overview

## Background

As of January 2007, Commonwealth Edison Company (ComEd or the Company) began procuring electric supply from wholesale suppliers under the provisions of the former tariffs, Rider CPP – Competitive Procurement Process (Rider CPP) and Rate BES-H - Basic Electric Services-Hourly Energy Pricing (Rate BES-H). Successor tariffs Rider PE - Purchased Electricity (Rider PE) and Rate BESH - Basic Electric Service Hourly Pricing (Rate BESH) replaced Rider AAF – Accuracy Assurance Factor and Rate BES-H, in June 2008 and January 2009, respectively. Under the provisions of Rider PE and Rate BESH, the recovery of ComEd procured electric supply and transmission costs occurs through the application of fixed price retail supply and transmission charges for customers served under Rate BES - Basic Electric Supply Service (Rate BES) and hourly priced retail supply and transmission charges for retail customers served under Rate BESH. In order to ensure that the application of retail supply and transmission charges does not result in over or under recovery of ComEd's costs to procure electric supply for its retail customers due to changes in customer usage and demand patterns, a Purchased Electricity Adjustment Factor (PEA) and a Hourly Purchased Electricity Adjustment Factor (HPEA) are determined on a monthly basis and applied under the provisions of Rider PE and Rate BESH, respectively.

Rider PE and Rate BESH require ComEd to conduct an annual internal audit of its supply and transmission related costs, and recoveries of those costs with a report to be filed with the Illinois Commerce Commission (ICC). Specifically, under Rider PE and Rate BESH, the Company must conduct an internal audit of its costs for the previous PJM Planning Year, June 1, 2009 through May 31, 2010, and recoveries of such costs pursuant to Rider PE and Rate BESH. Such audit must examine:

- Costs recovered pursuant to such tariffs to verify that such costs are recovered only pursuant to such tariffs and to confirm that any such costs are not also being recovered inappropriately through charges imposed under other tariffs,
- Charges and adjustments determined pursuant to Rider PE and Rate BESH that are included in retail customers' bills for electric service provided under Rate BES and Rate BESH, to verify that such charges and adjustments are properly applied,
- Revenues resulting from the application of such tariffs to verify that such revenues are correctly stated,
- Company's costs of implementing or complying with the procurement plan approved by the ICC, including any fees assessed by the Illinois Power Agency (IPA), costs associated with load balancing, and contingency plan costs, and
- Company's internal administrative and operational costs associated with the procurement of electric power and energy for retail customers served under such tariffs to verify that such costs are reasonable.

## Objective and Scope

The objective of this review was to ensure that ComEd is in compliance with the requirements of Rider PE and Rate BESH.

The scope of our review included costs and recoveries of supply, transmission, and supply administration related costs incurred during the period June 2009 - May 2010, that fall under the provisions of Rider PE and Rate BESH.

Specific areas of focus were:

- Validate wholesale electric supply, capacity, transmission, and supply administration costs and revenues against source documentation,
- Validate source system data to the general ledger (GL) to determine the completeness and accuracy of Revenue Accounting's PEA and HPEA calculations,
- Validate adjustments included in the PEA and HPEA calculations, and
- Review supply administration costs associated with the procurement of electric supply for reasonableness.

Internal Audit performed this review using the Company's GL and documents provided by ComEd Revenue Accounting and Energy Acquisition personnel. Internal Audit also used source system data from ComEd's wholesale procurement management system (Retail Office), ComEd's retail billing system (Customer Information and Marketing System (CIMS) and ComEd's revenue data warehouse database (Revenue Net Fuel (RNF)). These sources were used to validate the wholesale electric supply purchases (costs) and retail electric supply revenue (recoveries) used in the PEA/HPEA calculations.

## Results

While we cannot offer a legal opinion as to whether ComEd is or is not in compliance with Rider PE and Rate BESH, we can state, in our opinion, that based upon testing performed for the 12-month period June 1, 2009 – May 31, 2010, the cost recovery process performed by Revenue Accounting, including the supporting GL reconciliation used to calculate PEA/HPEA activity, is consistent with the five aforementioned cost and revenue recovery requirements of Rider PE and Rate BESH.

To obtain further assurance of the Revenue Accounting process and overall accuracy of the PEA/HPEA calculations, Internal Audit validated revenue and purchase amounts used by Revenue Accounting to source data and systems, including, supporting invoices, CIMS and RNF. Internal Audit identified immaterial differences between source data used to perform PEA/HPEA calculations and the GL.

For a summary of Internal Audit's procedures performed, please see Appendix A.

We appreciate the assistance of Revenue Accounting, Energy Acquisition, and Information Technology personnel in the completion of this review.

Adrienne Grier, Principal  
Internal Audit

## Report Distribution

**To:** Kevin Waden

<b>cc:</b> Isaac Akridge	Ross Hemphill
Kimberly Audette	Stephen Lesniak
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Christine Brinkman	Anastacia O'Brien
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# Appendix A – Procedures Performed

## Summary of Procedures Performed

### **Wholesale Electric Supply, Transmission and Supply Administration Costs**

To validate the wholesale electric supply cost amounts from Revenue Accounting's PEA/HPEA calculations for the period under review, Internal Audit obtained a sample of Supplier Forward Contract invoices, RFP Contract invoices, Renewable Energy Credit confirmations, and PJM reconciliation spreadsheets to extract purchase amounts for fixed energy supply and the PJM reconciliation spreadsheets for hourly energy supply. Each file in the PJM reconciliation spreadsheets contains charges for supply and transmission directly procured from PJM for fixed and hourly customers, as well as charges for transmission expenses used in the analysis. To assess the reasonableness of supply administration costs, Internal Audit obtained and reviewed a sample of 2009-2010 legal invoices and 2005-2006 rate case expense schedules. The 2005-2006 expense schedules included costs approved by the ICC to be recovered in PEA/HPEA calculations over a three to five year period, including May 2009 - June 2010. Internal Audit also estimated energy procurement related labor costs based upon budgeted salaries and an allocation of salaries for energy procurement related functions. Internal Audit compared these estimates of labor costs to actual labor costs included in PEA and HPEA calculations for reasonableness.

### **Retail Electric Supply, Transmission and Supply Administration Revenue**

To validate the retail electric supply, transmission and supply administration revenue amounts from Revenue Accounting's PEA/HPEA calculations for the period under review, Internal Audit reviewed a sample of CIMS reports to extract billed revenue amounts for fixed and hourly energy supply and transmission related charges. The monthly billed amounts were calculated by summing the appropriate tariff rates in the CIMS report. These amounts were validated against the GL. Internal Audit noted immaterial differences between the CIMS reports and the GL.

Partial free service for retail electric supply charges is included in the CIMS report for fixed and hourly energy supply; however, revenue recorded in the GL does not include these amounts. As such, we subtracted free service charges from CIMS reports to validate total revenue. To determine the partial free service amounts related to retail electric supply charges, Internal Audit obtained RNF free service queries that showed the partial free service amounts by customer accounts. These queries were tested for completeness and accuracy in a prior year, and no new queries were used in this year's review.



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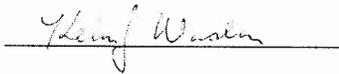
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## COMPANY OFFICER VERIFICATION

The undersigned officer certifies that:

I have examined the 2010 ComEd Purchased Electricity Cost Recovery Review report, dated November 8, 2010, from Exelon Corporation Internal Audit Services, and to the best of my knowledge, information, and belief all statements of fact contained in the report are correct statements.

  
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Kevin J. Waden  
Vice President & Controller  
ComEd

  
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Date