

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY :
: No. 12-0321
Annual formula rate update and revenue :
requirement reconciliation authorized by :
Section 16-108.5 of the Public Utilities Act :

Direct Testimony of
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Vice President,
Regulatory Policy & Strategy
Commonwealth Edison Company

OFFICIAL FILE
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Witness Hemphill
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1 I. **Introduction**

2 A. **Witness Identification**

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

4 A. My name is Ross C. Hemphill. My business address is 440 S. LaSalle, Suite 3300,
5 Chicago, Illinois 60605.

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

7 A. I am the Vice President, Regulatory Policy and Strategy of Commonwealth Edison
8 Company ("ComEd").

9 B. **Summary of Direct Testimony**

10 Q. **What are the purposes and subjects of your direct testimony?**

11 A. First, In **Section II**, I introduce and summarize the update and reconciliation that ComEd
12 is filing with the Illinois Commerce Commission ("ICC" or "Commission") pursuant to
13 Section 16-108.5(d) of the Public Utilities Act ("PUA") and describe the purpose and
14 function of the filing.

15 Next, in **Section III**, I put the filing in context for customers and the Commission.
16 I explain how ComEd's performance-based formula rate, with updated costs, meshes
17 with the many activities and programs envisioned by the Energy Infrastructure
18 Modernization Act,¹ and explain how they will affect delivery services charges paid by a
19 typical ComEd residential customer.

¹ The Energy Infrastructure Modernization Act, or "EIMA," is a term commonly used to refer to the changes and additions the General Assembly made to the PUA through Public Acts 97-0616 and 97-0646.

20 Finally, In **Section IV**, I identify and describe the direct testimonies of the other
21 witnesses supporting this filing.

22 **C. Qualifications and Professional Background**

23 **Q. What are your duties and responsibilities at ComEd?**

24 **A.** As Vice President, Regulatory Policy and Strategy, I have executive responsibility for the
25 regulatory policies and strategies relating to ComEd's distribution business and for
26 ComEd's Illinois-jurisdictional tariffs. I thus have a central role in developing new
27 customer service and regulatory initiatives, including those called for by the EIMA.

28 **Q. What was your professional experience prior to assuming your duties with ComEd?**

29 **A.** My entire professional career has been spent in the energy and utility industries in
30 positions in industry, government, and non-profit regulatory support organizations. I was
31 one of the leaders of the ComEd team that worked along with stakeholders, regulators,
32 and legislators to develop the EIMA and, thereafter, led important aspects of its
33 implementation.

34 Before assuming my current position, I was Director, Rates & Regulatory
35 Strategies for ComEd. In that role, I managed ComEd's retail rates department and
36 managed and coordinated ComEd's relationship with Illinois regulatory bodies including
37 the Commission and its Staff.

38 From 2008 until I joined ComEd in 2009, I was a Director at Black & Veatch
39 Corporation, which is an engineering, consulting, and construction company that
40 specializes in infrastructure development in energy, water, telecommunications,
41 management consulting and environmental markets, as well as providing support to

42 federal agencies. At Black & Veatch, I was responsible for developing and managing
43 projects that provided a broad range of regulatory services to utility clients.

44 From 2007 to 2008, I was a Principal Consultant at Freeman, Sullivan & Co., a
45 research and consulting firm that provides expert testimony, statistical analysis, economic
46 modeling, field studies, and data collection that can serve as the basis for public policy
47 programs and for business and litigation strategy. At Freeman, Sullivan & Co., I was
48 responsible for projects that included the design and assessment of the benefits of energy
49 efficiency, demand response, and alternative pricing programs.

50 From 2005 until 2007, I was a Vice President at NERA Economic Consulting
51 ("NERA"). At NERA, I provided a broad range of rate related and regulatory services to
52 utility clients. Prior to joining NERA, I served as an officer, manager, or economist for
53 Laurits R. Christensen Associates, AXS Marketing LLC, the Argonne National
54 Laboratory, the National Regulatory Research Institute, American Electric Power Service
55 Corporation, and the Illinois Commerce Commission.

56 Q. **What is your educational background?**

57 A. I hold a Bachelor of Arts Degree in Economics from Lewis University and a Master of
58 Science with a concentration in Economics from Indiana State University. In 1988, I
59 earned a Ph.D. in Resource Economics from The Ohio State University.

60 Q. **Are any exhibits attached to your direct testimony?**

61 A. Yes. ComEd Ex. 1.1 is my full and current resume.

62 **II. The Purpose and Function of this Filing**

63 **A. The Role of Updated Formula Rates in a Successful EIMA Process**

64 **Q. On November 8, 2011 ComEd elected to become a participating utility under the**
65 **EIMA and filed a performance-based formula rate, Rate DSPP – Delivery Service**
66 **Pricing and Performance (“Rate DSPP”) with the Commission. What has**
67 **transpired at ComEd over the past six months since that decision and tariff filing?**

68 **A.** There is a strong sense of purpose resonating throughout ComEd since the passage of the
69 EIMA. We recognize that, through this legislation, we have been given a charge to
70 deliver greater performance and value to our customers. At the same time, EIMA has
71 given us tools to deliver on that direction, including the ability to make and fund billions
72 in additional investment over the next ten years. We are using those tools, and have
73 begun making those investments, with the purpose of improving the electric service
74 customers receive and helping customers get the most value for the electricity we deliver.

75 The result has been a busy six months for ComEd and all other stakeholders
76 involved with implementing the EIMA. Not only have we been working through the
77 Commission process of reviewing Rate DSPP in *Commonwealth Edison Company*, ICC
78 Docket No. 11-0721 (“2011 Formula Rate Case”), but many other activities envisioned
79 by the EIMA are also underway or complete. ComEd is on target to deliver on all
80 commitments and obligations that are part of the EIMA, including most notably:

81 ➤ Preparing and timely filing with the Commission our Infrastructure Investment
82 Plan, which also included our plan to create, operate, and administer a Smart Grid
83 test bed;

- 84 ➤ Developing and timely filing with the Commission a multi-year performance
85 metrics plan and a performance metrics tariff, Rider DSPM – Delivery Service
86 Performance Metrics (“Rider DSPM”), both of which were subsequently
87 approved by the Commission as modified;
- 88 ➤ Supporting low income and energy support programs that are benefiting, and will
89 continue to benefit, thousands of customers requiring assistance;
- 90 ➤ Commencing what in total will be an estimated \$2.6 billion of additional
91 investment in electric system upgrades and modernization, including smart grid
92 and Advanced Metering Infrastructure (“AMI”) technologies and training
93 facilities that will help create jobs and deliver improved reliability, service
94 quality, and value; and, most recently,
- 95 ➤ Filing our Smart Grid AMI Deployment Plan (“AMI Plan”), under which ComEd
96 estimates that customers will save more than \$1.25 billion in net present value.

97 While we strive to do more, ComEd remains committed to doing all that we
98 reasonably can to minimize the increased costs of the EIMA modernization program.
99 Our commitment is demonstrated in this update. This year, we have been able to meet
100 our increased investment commitments and take decisive steps to implement EIMA,
101 while incurring additional costs that will, if fully recognized, increase delivery services
102 charges only slightly over 1% greater than those in effect as of April 30, 2012. That
103 increase is less than inflation.

104 Q. **What reaction should the Commission have to this update?**

105 A. Our commitment to EIMA is not enough to make it a success. While ComEd works to
106 faithfully implement EIMA and to make each one of the customer benefits it anticipates a
107 reality, EIMA is a two-way street. For its promise to be realized, the cost recovery and
108 ratemaking provisions of the EIMA must be faithfully implemented in order for
109 customers to receive the benefits that the General Assembly meant for them to receive,
110 and for ComEd to be able to make the investments that the General Assembly charged us
111 to plan for.

112 Q. **How are ComEd's delivery services charges established and updated under EIMA?**

113 A. Participating utilities' charges are set annually under the EIMA's ratemaking structure²
114 pursuant to a formula rate tariff. That tariff specifies the cost components that form the
115 basis of the delivery services charges paid by customers with sufficient specificity to
116 operate in a standardized manner. The revenue requirement is updated annually with
117 transparent information that reflects the utility's actual costs. Those costs, in turn,
118 include the utility's actual reasonable and prudently incurred operating expenses reflected
119 in the Federal Energy Regulatory Commission ("FERC") Form 1 for the prior calendar
120 year, and a return of and on a rate base that includes the value of investments projected to
121 be made through the end of the year in which the filing is made – in this instance,
122 calendar year 2012. The calculated revenue requirements are subsequently reconciled to
123 actual costs to assure that customers pay charges based on revenue requirements tied to
124 ComEd's actual costs of service, not to some imperfect or artificial proxy.

² That structure, about which I express no legal opinion, is established by 220 ILCS 5/16-108.5.

125 Q. **How are ComEd's calculated revenue requirements reconciled with actual costs?**

126 A. Generally, in the update that is filed in the year immediately following the rate year for
127 which a calculated revenue requirement is used, that calculated revenue requirement is
128 compared to the actual cost of service for that rate year, which actual cost is then known.
129 An adjustment which includes interest is then applied, to reconcile the calculated revenue
130 requirement to the actual cost of service. So, in this 2012 update filing, we are
131 reconciling an average revenue requirement underlying delivery services rates charged in
132 2011 with our actual costs for that period calculated in accordance with the performance-
133 based formula rate tariff.

134 Q. **What is the Infrastructure Investment Plan ("IIP") that ComEd filed with the**
135 **Commission?**

136 A. On January 6, 2012, ComEd filed with the Commission its ten-year plan for
137 implementing its commitment to invest an additional estimated \$2.6 billion in
138 infrastructure. ComEd's plan provided details of the scope and schedule of that effort,
139 and the planning and staffing behind it. The IIP also describes the creation, operation and
140 administration of a Smart Grid test bed described in Section 16-108.8(c) of the PUA,
141 which will facilitate the testing of Smart Grid technologies. No later than April 1st of
142 each year ComEd will submit to the Commission a report that includes any updates to the
143 IIP, a schedule for the next calendar year, the expenditures made for the prior calendar
144 year and cumulatively, and a reporting on the number of jobs created for the prior
145 calendar year and cumulatively.

146 Q. **What are ComEd's Multi-Year Performance Metrics Plan and performance metrics**
147 **tariff that were approved by the Commission in early April?**

148 A. On December 8, 2011, as required by the EIMA, ComEd filed its Multi-Year
149 Performance Metrics Plan and its penalty mechanism, Rider DSPM – Delivery Service
150 Performance Metrics (“Rider DSPM”). The EIMA and this plan together require that
151 ComEd achieve multiple performance improvements over a 10-year period or be subject
152 to financial penalties specified by the law and tariff. The Commission approved this
153 plan and Rider DSPM on April 4, 2012, with certain modifications.³ The performance
154 period for several of the metrics will begin on January 1, 2013; the performance period
155 for the remaining metrics will commence no later than 14 months after the Commission
156 approves AMI Plan. ComEd will be prepared to achieve these target improvements when
157 the performance periods commence.

158 Q. **Has ComEd undertaken other efforts to promote the EIMA job creation goals?**

159 A. Yes. ComEd this year is undertaking a multi-million dollar investment in a new multi-
160 purpose facility in Rockford, Illinois. This facility will include a training center, of the
161 type described in the EIMA, and it will be closely followed by a second facility in
162 Chicago. By building the training facility as part of a larger investment in the
163 community, we can both promote job creation and investment in the community and gain
164 operational efficiencies.

³ *Commonwealth Edison Co.*, ICC Docket No. 11-0772.

165 Q. **What is ComEd's AMI Plan?**

166 A. On April 23, 2012, ComEd filed with the Commission its AMI Plan.⁴ That Plan outlines
167 how ComEd expects to deploy AMI meters and technology to all of its retail customers,
168 delivering cost savings and other economic and environmental benefits. The AMI Plan
169 was developed after many stakeholder meetings during which we elicited input on, and
170 discussed improvements to, the Plan. We also consulted with the (newly formed) Smart
171 Grid Advisory Council concerning the AMI Plan, and considered its input. Provided that
172 the AMI Plan meets all requirements – which ComEd's Plan does – a decision approving
173 it, or approving it as modified, is due from the Commission within 60 days of the Plan's
174 filing (or by June 22, 2012).

175 Q. **How has ComEd begun making contributions to implement the types of energy low-**
176 **income and support programs described in the EIMA?**

177 A. ComEd is making contributions to energy low-income and support programs through
178 initiatives including: residential hardship programs; support for non-profit organizations
179 that assist seniors, the homeless, and veterans by supporting basic life needs; CHAMP
180 (ComEd Helps Active Military Personnel); and, educational classes for first-time
181 homebuyers through the Chicago Urban League and LUCHA (Latin United Community
182 Housing Association). ComEd is also preparing to fund non-profit energy management
183 education to be developed and implemented with the Center for Neighborhood
184 Technology. These contributions total at least \$10 million annually, and they are neither
185 included in our revenue requirement nor otherwise recovered through rates.

⁴ *Commonwealth Edison Co.*, ICC Docket No. 12-0298.

186 **B. This Annual Update and Reconciliation Filing**

187 Q. **What is this filing?**

188 A. In this filing, ComEd submits updated cost inputs to its performance-based formula rate
189 and the corresponding new delivery services charges for rate year 2013. The filed update
190 includes actual cost data for all of calendar year 2011, based on final historical data
191 reflected in ComEd's most recently filed annual FERC Form 1, as well as projected plant
192 additions and correspondingly updated depreciation reserve and expense for calendar
193 year 2012. ComEd also submits the annual reconciliation for calendar year 2011. This is
194 a special reconciliation with a unique comparison set out in the EIMA because ComEd's
195 2011 rates were not based on a calculated revenue requirement set via a formula. It,
196 therefore, compares the revenue requirements that were the basis of delivery services
197 charges in effect throughout 2011 with ComEd's actual costs throughout that same year.

198 Q. **Do all of the components of ComEd's update tend to increase its calculated delivery**
199 **services revenue requirement?**

200 A. No. Some components reduce the revenue requirement. For example, I am no tax
201 expert, but I know that the update includes a significant reduction resulting from an
202 income tax benefit that ComEd experienced as a result of the 2011 Illinois state income
203 tax change. All of this \$29 million tax benefit gets passed on to customers in the form of
204 lower rates. While that tax issue and the determination of its effect on the revenue
205 requirement is further discussed in the direct testimony of Mr. Fruehe (ComEd Ex. 3.0), it
206 exemplifies how the formula rate reflects both increased costs and costs savings on a year
207 to year basis.

208 Q. **When will this annual update affect ComEd's charges?**

209 A. ~~Delivery services charges based on the revenue requirement~~ resulting from this update
210 are for the 2013 rate year, and will take effect beginning on the first billing day of the
211 January 2013 billing period and remain in effect through the last billing day of the
212 December 2013 billing period.

213 Q. **In what form has ComEd presented the updated data?**

214 A. Although this is not a traditional Article IX filing seeking a general increase in rates,
215 ComEd is following the outline set out in Parts 285 and 286 of the Commission's rules,
216 insofar as it is practicable, in providing the relevant and necessary data and
217 documentation for the years applicable to this filing. This is the same approach ComEd
218 took in the 2011 Formula Rate Case, and also fulfills the assurances ComEd made in that
219 docket that it would continue to take that approach in this filing. By doing so, however,
220 ComEd is not intending to waive any rights, or to set any precedent, for future filings or
221 proceedings.

222 Q. **Does ComEd currently have a performance-based formula rate tariff in force and**
223 **effect?**

224 A. No. After ComEd timely filed its performance-based formula rate tariff, Rate DSPP,
225 with the Commission on November 8, 2011, the Commission suspended the tariff and
226 opened the 2011 Formula Rate Case. As of April 30, 2012, when this update was filed
227 with the Commission, the tariff remained suspended. However, a performance-based
228 formula rate tariff must be approved by May 31, 2012, prior to the earliest possible date
229 by which the Commission could either conclude a hearing process concerning this update

230 or exhaust the 45-day period in which such a process may be initiated. In practical terms,
231 this means that there will be a formula rate tariff in effect in time to implement this
232 update, regardless.

233 **Q. Does ComEd propose any further changes to the formulae included in Rate DSPP**
234 **or to the design or interclass cost allocation in the resulting rates?**

235 A. The formulae used by ComEd and the resulting calculations reflect the correction of
236 errata (e.g., cell reference errors) and housekeeping changes (e.g., correcting spreadsheet
237 cell colors) to Rate DSPP as currently proposed by ComEd in the 2011 Formula Rate
238 Case. Those same errata and housekeeping changes are also being proposed in the 2011
239 Formula Rate Case itself. Because this is an update and reconciliation filing, ComEd is
240 proposing no changes to the structure of Rate DSPP, no other changes to its revenue
241 requirement formula, no changes to its rate design, and no changes to how it allocates
242 costs across delivery classes.

243 **Q. How does ComEd address in this cost update and reconciliation filing decisions the**
244 **Commission may make in the 2011 Formula Rate Case?**

245 A. ComEd's update is based on ComEd's actual costs of service for 2011, and on its
246 projected 2012 investments. Those costs and that projection will not themselves change
247 depending upon the Commission's final Order in the 2011 Formula Rate Case. However,
248 the formulae may change if the Commission approves Rate DSPP with modifications,
249 and that change could affect which costs are recovered and how such costs are
250 incorporated in delivery services charges.

251 To address this, ComEd based its calculations on the most up to date formulae
252 that ComEd has proposed, *i.e.*, Rate DSPP as filed with the Commission with all
253 modifications and parameters proposed or agreed to by ComEd through its surrebuttal
254 testimony in the 2011 Formula Rate Case. If the Commission's final Order in the 2011
255 Formula Rate Case orders modifications in the formulae, ComEd will timely provide to
256 Staff and intervenors revised calculations using the modified formulae in Rate DSPP as
257 approved by the Commission.

258 **Q. Does that mean that ComEd will necessarily agree with any modification of Rate**
259 **DSPP the Commission may order in the 2011 Formula Rate Case?**

260 **A.** No. ComEd cannot predict at this time whether or how the Commission may modify
261 Rate DSPP in its final Order in the 2011 Formula Rate Case and, therefore, cannot
262 predict whether ComEd may respectfully disagree. But, even if ComEd respectfully
263 disagrees with a modification, we will comply with the Commission's final Order until
264 and unless it is stayed, reversed, vacated, or superseded.

265 Submitting a revised update to reflect Rate DSPP as approved by the Commission
266 in the 2011 Formula Rate Case is, however, not intended to waive any right ComEd has
267 to appeal or seek rehearing of that order, or any portion thereof, nor to seek subsequent
268 corrective changes to the performance-based formula rate structure, protocols, or
269 formulae pursuant to the EIMA or the Commission's continuing Article IX ratemaking
270 authority. I venture no opinion on how legally to accomplish that. Beyond confirming
271 that ComEd will comply with Commission orders and that ComEd intends to waive no
272 rights by doing so, this is a legal issue.

273 Q. In the 2011 Formula Rate Case, some parties sought greater certainty about when
274 the Commission could consider changes to the rate design and allocation of costs
275 among classes. Can you give the Commission and parties any information about
276 when that might occur?

277 A. Yes. Unless the Commission has an earlier opportunity to consider changes to the rate
278 design formula in Rate DSPP and the allocation of costs among ComEd's delivery
279 classes, ComEd will, no later than May 1, 2013, refile the rate design formula tariff
280 provisions of Rate DSPP in a manner that permits the Commission and all stakeholders to
281 consider those issues on a revenue neutral basis. This assurance means that interested
282 stakeholders will have the opportunity, within a reasonably short period of time, to
283 reexamine those cost allocation and rate design issues.

284 **III. Revenue Requirement, Delivery Service Charges, and Bill Impacts**

285 Q. What is the revenue requirement that results from the application of the formula
286 rate to the updated data ComEd now submits?

287 A. ComEd's 2013 rate year revenue requirement that results from the application of the
288 revenue requirement formula to the updated data is \$2,131,121,000, including the effect
289 of the reconciliation adjustment. The calculation of that revenue requirement is described
290 by ComEd witness Martin Fruehe (ComEd Ex. 3.0).

291 Q. What effect will this new revenue requirement have on typical customers' bills?

292 A. Beginning with the first billing period of 2013, when new charges based on the revenue
293 requirement update will first be applied, the delivery service charges to a typical
294 residential customer will increase by a little more than 1%, or approximately \$12 per

295 year, compared to the charges established approximately 18 months earlier in
296 Commission Docket No. 10-0467 and that remained in effect as of April 30, 2012, when
297 ComEd filed this update.⁵ That increase is also less than the inflation that occurred over
298 this same period. A typical residential customer, in other words, will be paying a lower
299 real price for ComEd's delivery services than a like customer did prior to the passage of
300 EIMA. Customers are, in short, getting more for less: they are gaining the benefits of
301 increased investment, including the 2012 share of the additional investments that ComEd
302 committed to make under the EIMA, at a lower real cost.

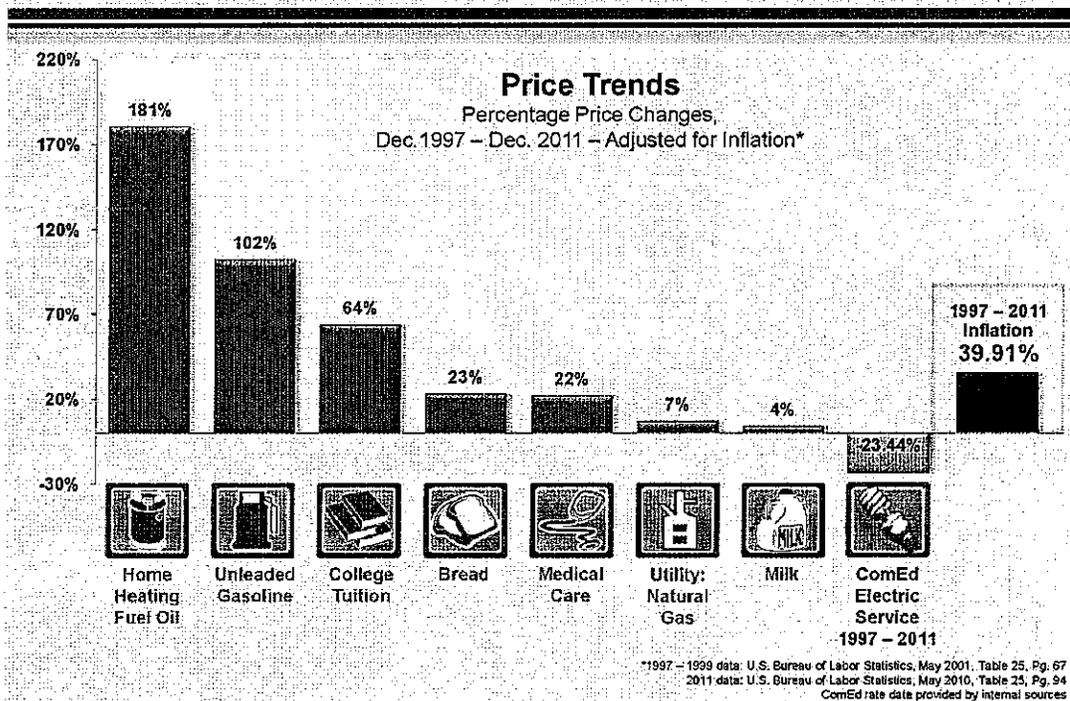
303 Q. **How will ComEd's updated delivery service charges affect the total cost of electric**
304 **service to customers?**

305 A. Electric service will remain an excellent value, even without considering the benefits to
306 customers flowing from increased investment. In fact, electric service for a typical
307 ComEd residential customer will be substantially less expensive in real dollars in 2013,
308 after the update, than it was some fifteen years earlier, in 1997, before restructuring.⁶ By
309 comparison, while electric costs will continue to be less in real terms even after the
310 update, the prices of other important goods and services have increased, some
311 dramatically. The fact that the quality of electric service has increased during this same
312 time reinforces the growing value that ComEd delivers to customers.

⁵ A more complete listing of the updated delivery services charges and the corresponding bill impacts are provided in the testimony of ComEd witness Charles Tenorio (ComEd Ex. 9.0).

⁶ This calculation is based on ComEd bundled supply rates. If a customer can purchase electric supply at a lower cost from an ARES, the reduction in his or her bills will be even greater.

Comparing Pocketbook Impacts – Electric Service Costs Down



313

314 Q. Will ComEd also continue to offer customers means of managing and reducing their
315 bills further?

316 A. Yes. ComEd will, for example, continue to offer a wide range of energy efficiency
317 programs that can result in significant additional savings. If delivery services charges
318 were to increase in a future period, a residential customer could take advantage of these
319 programs, and the resulting savings would mitigate any increase. In addition, as part of
320 ComEd's AMI Plan, ComEd will deploy throughout its service territory new AMI
321 technologies and related systems that enable customers to better control their electricity
322 use and, ultimately, their overall energy costs.

323 **IV. Summary of Other Testimonies**

324 **Q. Who are the other witnesses presenting direct testimony on behalf of ComEd in this**
325 **proceeding and what, in sum, are the topics that each witness addresses?**

326 **A. In addition to me, each of the following witnesses provides direct testimony:**

- 327 • **Kathryn Houtsma, CPA**, ComEd's Vice President, Regulatory Projects (ComEd
328 Ex. 2.0), describes how this first annual update under Rate DSPP works. She
329 explains how (1) the updated cost information is used to determine an updated
330 revenue requirement that is then reflected in updated delivery service charges that
331 will become effective with the January 2013 monthly billing period, and (2) how
332 the 2011 delivery services revenue requirement calculated using actual data is
333 reconciled with the weighted average revenue requirements on which ComEd's
334 delivery service charges in effect during 2011 were based.

- 335 • **Martin G. Fruehe**, ComEd's Manager, Revenue Policy Department (ComEd Ex.
336 3.0), presents the details underlying the reconciliation of (1) the revenue
337 requirement in effect during 2011 pursuant to the Commission's orders in Docket
338 Nos. 07-0566 and 10-0467 weighted by the time each order was in effect during
339 2011, and (2) actual costs and rate base for the year-ended December 31, 2011,
340 based on ComEd's FERC Form 1 for the year ended December 31, 2011.
341 Mr. Fruehe also presents and supports the specific data that populate the revenue
342 requirement formula presented and discussed in the direct testimony of ComEd
343 witness Ms. Houtsma (ComEd Ex. 2.0), for purposes of determining the delivery

344 services revenue requirement to be used in setting delivery services charges
345 applicable beginning with the January 2013 monthly billing period.

346 • **Joseph R. Trpik, CPA**, ComEd's Senior Vice President, Chief Financial Officer,
347 and Treasurer (ComEd Ex. 4.0), testifies concerning the revenue requirement
348 reconciliation of 2011 costs and the delivery services revenue requirement for
349 charges to become effective beginning with the January 2013 monthly billing
350 period. Specifically, Mr. Trpik provides information regarding ComEd's capital
351 structure, cost of debt, and cost of equity, upon which the revenue requirements
352 are based.

353 • **John Hengtgen, CPA** (ComEd Ex. 5.0), presents ComEd's Cash Working
354 Capital study, including that supporting Construction Work in Progress.

355 • **Michelle Blaise**, ComEd's Vice President, Engineering & Project Management
356 (ComEd Ex. 6.0), describes and supports the distribution operating expenses and
357 distribution plant investments underlying ComEd's revenue requirement.
358 Ms. Blaise specifically addresses those investments that would have been
359 identified on Schedule F-4 of a utility's Part 285 submissions in a general rate
360 case and analogous recurring activities that ComEd designates as "blanket
361 programs." ("Schedule F-4 Projects and Blankets") She confirms that, overall,
362 ComEd's operating expenses and the costs of its rate base assets incurred in the
363 relevant periods are prudently incurred and reasonable in amount.

364 • **Ronald Donovan, P.E.**, ComEd's Vice President, Customer Business
365 Transformation and Technology (ComEd Ex. 7.0 Revised), describes the

366 customer-related plant in ComEd's rate base and the customer-related operating
367 expenses included in ComEd's revenue requirement. He specifically discusses
368 major new customer operations investments that are Schedule F-4 Projects and
369 Blankets. Mr. Donovan also confirms that the operating expenses and investment
370 expenditures supporting ComEd's customer operations functions incurred in the
371 relevant periods are reasonable and were incurred prudently.

372 • **Michael F. Born, P.E.**, a Principal Engineer in the Distribution Capacity
373 Planning Department at ComEd (ComEd Ex. 8.0) supports the functionalization
374 of ComEd's plant and operating expenses. Mr. Born also presents distribution
375 system loss factor studies.

376 • **Charles S. Tenorio**, a Principal Rate Analyst in the Retail Rates Department at
377 ComEd (ComEd Ex. 9.0) presents and supports the populated rate design formula
378 and confirms that it correctly incorporates the updated revenue requirement
379 presented by Mr. Fruehe (ComEd Ex. 3.0). Mr. Tenorio also presents the updated
380 ECOSS, cost data from which are used to populate the rate design formula, and
381 updated billing determinants which are also used to populate the rate design
382 formula.

383 **V. Conclusion**

384 **Q. What action should the Commission take with respect to the update filing?**

385 **A.** The Commission should approve the updated cost data provided in this filing, the revenue
386 requirement and reconciliation calculations described in this filing, and the associated
387 update of ComEd's delivery services charges. ComEd also requests the Commission

388 make a finding as to the original cost of ComEd's electric utility plant in service as of
389 December 31, 2011, as described in and supported by the testimony of Mr. Fruehe
390 (ComEd Ex. 3.0).

391 Q. **Does this complete your direct testimony?**

392 A. Yes.