

Docket No: 10-0537
Bench Date: 8/15/12
Deadline: N/A

MEMORANDUM

TO: The Commission

FROM: Terrance Hilliard, Administrative Law Judge

DATE: August 1, 2012

SUBJECT: Illinois Commerce Commission
On its Own Motion
-vs-
Commonwealth Edison Company

Reconciliation of revenues collected under Rider EDA with the actual costs associated with energy efficiency and demand response programs.

RECOMMENDATION: Enter the attached Order.

On September 9, 2010, the Commission initiated this proceeding for Commonwealth Edison (“ComEd” or the “Company”) to present evidence to show the reconciliation of revenues collected under its Rider EDA- Energy Efficiency and Demand Response Adjustment (“Rider EDA”) with costs prudently incurred in connection with proper energy efficiency and demand response activities as defined in the tariffs of the Company for the period June 2009 through May 2010.

An evidentiary hearing was held in this matter on May 10, 2012, at which time Staff’s pre-filed redacted direct and rebuttal testimony were all admitted into evidence. The Company’s pre-filed testimony and exhibits were also admitted into evidence. The record was then marked heard and taken.

In previous dockets the Commission has required a showing of benefit to ratepayers due to Annual Incentive Programs (“AIP”) to recover incentive compensation cost. In this Docket, the Company had failed to show how the incentive cost it sought to recover relate to energy efficiency or how the AIP had been tailored for ComEd’s Energy Efficiency (“EE”) employees.

The record shows that the incentive compensation paid under ComEd’s AIP plan is barely related to ComEd’s incremental EE employees’ efforts. Eighty-five percent of the goal weights in the AIP Plan have nothing to do with energy efficiency let alone EE activities and programs approved in ComEd’s EE Plan.

The other fifteen percent is related to Focused Initiatives and Environmental Index. The record shows that for 2009 none of the Focused Initiatives and Environmental Index related to energy efficiency. For 2010, only 2 of the 13 Focused Initiatives and Environmental Index related to energy efficiency. Ninety-eight percent of incentive compensation paid to incremental energy efficiency employees has nothing to do with energy efficiency.

As a result, the efforts of the incremental EE employees have very little to do with the incentive compensation which the Company seeks to recover from ratepayers through Rider EDA. Because AIP is not tailored to energy efficiency and demand response measures approved in ComEd's Energy Efficiency Plan that are ultimately implemented by ComEd for which ComEd seeks cost recovery through Rider EDA, ComEd is unable to meet the customer benefit standard set forth in past Commission orders.

The allowance of these costs through Rider EDA would be contrary to several prior Commission orders regarding ComEd rates with respect to incentive compensation cost recovery in general. The argument that the Commission directive in Docket 10-0570 that ComEd show in its next reconciliation how its incentive compensation relates to energy efficiency exempts ComEd from that requirement in this Docket is misplaced.

Therefore, the attached Order adopts Staff's recommendation to disallow the recovery of ComEd's Plan Year 2 incentive compensation costs recovered through Rider EDA and the reconciliation attached as an appendix to the Order.

Accordingly, I recommend entry of the attached Order.

TH:fs