

REBUTTAL TESTIMONY

of

SCOTT TOLSDORF

Accountant

Accounting Department
Financial Analysis Division
Illinois Commerce Commission

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

Commonwealth Edison Company

Docket No. 11-0646

May 14, 2013

1 **Q. Please state your name and business address.**

2 A. My name is Scott Tolsdorf. My business address is 527 East Capitol
3 Avenue, Springfield, Illinois 62701.

4 **Q. Are you the same Scott Tolsdorf who previously provided direct**
5 **testimony in this proceeding?**

6 A. Yes.

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

8 A. I am providing rebuttal testimony regarding my proposed adjustment for
9 Measurement & Verification (M&V) costs of Commonwealth Edison
10 Company ("Company" or "ComEd") that I proposed in my direct testimony
11 ICC Staff Ex. 1.0.

12 **Q. Please identify any adjustments from your direct testimony that are**
13 **no longer contested.**

14 A. In direct testimony, I proposed the disallowance of incentive
15 compensation costs that were not related to Energy Efficiency. ICC Ex.
16 1.0 at 4-7. The Company's witness, Mr. Brandt, stated in rebuttal
17 testimony that although ComEd did not agree with the disallowance, the
18 Company would withdraw from recovery through Rider EDA the \$331,309
19 proposed for disallowance. ComEd Ex. 3.0 at 10.

20 **Schedule and Attachment Identification**

21 **Q. Are you sponsoring any schedules with your testimony?**

22 A. Yes. I prepared the following schedules relating to the Company, which
23 show data as of, or for, the Program Year 3 (PY 3) reconciliation period:

24 Schedule 2.1 Rider EDA – Reconciliation

25 Schedule 2.2 Rider EDA – Measurement & Verification (M&V)
26 Costs

27

28 Schedule 2.3 Rider EDA – Incentive Compensation Costs

29 **Q. Please explain Staff Exhibit 2.0, Schedule 2.1.**

30 A. Schedule 2.1 presents the reconciliation statements proposed by the
31 Company, Staff adjustments, and the resulting Staff position. Page 1
32 represents a summary of Rider EDA while pages 2 through 4 are the
33 reconciliation statements for the applicable delivery classes EDA-R
34 (Residential), EDA-NS (Non-Residential-Small Load), and EDA-NL (Non-
35 Residential-Large Load). The total of the Staff adjustments result in a
36 \$3,069,289 refund for the three delivery classes as an Ordered
37 Reconciliation Adjustment.

38 **Q. Is this the same schedule that you proposed in direct testimony?**

39 A. With one exception, it is the same schedule. Staff's proposed adjustment
40 for Measurement & Verification (M&V) costs has changed and is reflected
41 in Schedule 2.1.

42 **Measurement and Verification Costs**

43 **Q. Please explain Staff Exhibit 2.0, Schedule 2.2.**

44 A. Schedule 2.2 presents my adjustment to disallow M&V costs that were not
45 incurred during PY-3.

46 **Q. Is this the same adjustment that you proposed in direct testimony?**

47 A. No. In direct testimony I proposed to disallow all M&V costs that were
48 incurred after the date of the Company's internal audit report. I am now
49 proposing to disallow all M&V costs incurred outside of the program year.

50 **Q. Please explain the rationale for the adjustment.**

51 A. The annual reconciliations for ComEd's Rider EDA have attempted to
52 capture all of the costs associated with a particular Plan Year. This has
53 led to some difficulty in reporting because not all of the costs associated
54 with a particular Plan Year are incurred during the twelve month period of
55 the Plan Year. For example, the M&V costs incurred to evaluate the
56 energy savings of PY-3 were incurred, for the most part, after May 31,
57 2011 which is the end of the twelve month period of the Plan Year. The
58 costs incurred after May 31, 2011 to evaluate PY-3 have not been subject
59 to the Company's Internal Audit which accompanies the annual
60 reconciliation report for PY-3. This has led to the Company including a
61 budgeted number, rather than an actual number, for M&V in its annual
62 reconciliation report.

63 **Q. Has the Company proposed an alternative approach to the recovery**
64 **of these M&V costs incurred after the end of the Plan Year?**

65 A. Yes. In response to Staff Data Request (DR) ST-7.05, the Company has
66 proposed to include as expenses in its annual reconciliations only M&V
67 costs actually incurred regardless of which Plan Year they are associated.
68 In other words, rather than trying to budget or predict what M&V costs
69 may or may not occur for a given Plan Year, the Company will include in
70 its annual reconciliations only the actual expenses incurred during the
71 twelve month period for which the Rider EDA reconciliation is concerned.

72 **Q. What would be the impact in this docket?**

73 A. The Company would remove the M&V costs that were incurred after May
74 31, 2011 and seek recovery of those particular costs in the next
75 reconciliation. The proposed adjustment for M&V costs would no longer
76 be contested. In the response to Staff DR ST-7.05, the Company stated:

77 If Staff agrees with this proposal, ComEd would agree to voluntarily
78 withdraw the amount of M&V costs that Staff proposes to disallow in
79 this docket (so there is no disallowance) and file a revised Annual
80 Report and testimony in Plan Year 4 to incorporate these costs,
81 provided that Staff would agree to such a revised filing in ICC Docket
82 No. 12-0509. Finally, ComEd would include in its annual reports a
83 running (cumulative) total of incremental costs incurred for each Plan
84 year to demonstrate compliance with the spending screens/budgets for
85 each Plan year. (Company response to Staff DR ST-7.05)

86 **Q. Do you agree with the Company's proposed approach?**

87 A. Yes. From a practical standpoint, the Company's proposed approach will
88 result in greater transparency and have a higher level of fidelity to
89 accounting principles, which will be true not only for the current docket,
90 but also for every subsequent Rider EDA reconciliation.

91 **Incentive Compensation Costs**

92 **Q. Please explain Staff Exhibit 2.0, Schedule 2.3.**

93 A. Schedule 2.3 is my adjustment to disallow incentive compensation costs
94 from Rider EDA recoverable costs that are not related to Energy
95 Efficiency (“EE”). As stated previously, this adjustment is no longer
96 contested by the Company, and is included here for the convenience of
97 the reader and for purposes of a clearer evidentiary record.

98 **Recommendations**

99 **Q. Please summarize your recommendations.**

100 A. I recommend that the Commission approve the Rider EDA reconciliation
101 for PY3 as presented on ICC Staff Exhibit 2.0, Schedule 2.1. I also
102 recommend that the Commission direct ComEd to refund the PY3
103 Ordered Reconciliation Amount of \$3,069,289 through the EDA
104 calculation in its first filing following the date of the Order in this docket.

105 **Q. Does this end your prepared rebuttal testimony?**

106 A. Yes.

**Commonwealth Edison
 Rider EDA - Reconciliation
 Rider EDA - Summary Reconciliation
 For the Period June 1, 2010 through May 31, 2011 (PY-3)**

Line No.	Description (A)	Per Company (B)	Staff Adjustment (C)	Per Staff (B+C) (D)
<u>(Over)/Under Recovery from Prior Years</u>				
1	PY-2 Automatic Reconciliation Factor (ARF) [Docket No. 10-0537]	\$ (10,905,594)	\$ -	\$ (10,905,594)
2	PY-2 Ordered Reconciliation Factor (ORF) [Docket No. 10-0537]	-	(262,929)	(262,929)
3	(Over)/Under Recovery from Prior Periods (Line 1 + Line 2)	<u>\$ (10,905,594)</u>	<u>\$ (262,929)</u>	<u>\$ (11,168,523)</u>
<u>Current Year (Over)/Under Recovery</u>				
4	PY-3 Recoverable EDA Costs	\$104,341,731	\$ (3,069,289)	\$ 101,272,442
5	PY-3 EDA Revenue	110,642,647	-	110,642,647
6	(Over) /Under Recovery for PY-3 (Line 4 - Line 5)	<u>(6,300,916)</u>	<u>(3,069,289)</u>	<u>(9,370,205)</u>
7	Cumulative (Over)/Under Recovery (Line 3 + Line 6)	<u><u>\$ (17,206,510)</u></u>	<u><u>\$ (3,332,218)</u></u>	<u><u>\$ (20,538,728)</u></u>
<u>Disposition of Cumulative (Over)/Under Recovery</u>				
8	PY-2 ORF to be (Refunded)/Recovered in Future Filing	\$ -	\$ (262,929)	\$ (262,929)
9	PY-3 ARF to be (Refunded)/Recovered in PY-4	(17,206,510)	-	(17,206,510)
10	PY-3 ORF to be (Refunded)/Recovered in Future Filing	<u>-</u>	<u>(3,069,289)</u>	<u>(3,069,289)</u>
11	Cumulative (Over)/Under Recovery (Sum of Lines 8 thru 10)	<u><u>\$ (17,206,510)</u></u>	<u><u>\$ (3,332,218)</u></u>	<u><u>\$ (20,538,728)</u></u>

Sources:

Column (B): ComEd Exhibit 1.0 REV , Page 1 of 4
 Column (C): ICC Staff Ex. 2.0, Schedule 2.2 and Schedule 2.3
 Column (D): Per Staff [Column (B) + Column (C)]

Commonwealth Edison
 Rider EDA - Reconciliation
 Rider EDA-R - Reconciliation
 For the Period June 1, 2010 through May 31, 2011 (PY-3)

Line No.	Description	Per Company	Staff Adjustment	Per Staff (B+C)
	(A)	(B)	(C)	(D)
<u>(Over)/Under Recovery from Prior Years</u>				
1	PY-2 Automatic Reconciliation Factor (ARF) [Docket No. 10-0537]	\$ 1,448,531	\$ -	\$ 1,448,531
2	PY-2 Ordered Reconciliation Factor (ORF) [Docket No. 10-0537]	-	(108,327)	(108,327)
3	(Over)/Under Recovery from Prior Periods (Line 1 + Line 2)	\$ 1,448,531	\$ (108,327)	\$ 1,340,204
<u>Current Year (Over)/Under Recovery</u>				
4	PY-3 Recoverable EDA Costs	\$ 37,782,300	\$ (1,138,080)	\$ 36,644,220
5	PY-3 EDA Revenue	45,504,986	-	45,504,986
6	(Over) /Under Recovery for PY-3 (Line 4 - Line 5)	(7,722,686)	(1,138,080)	(8,860,766)
7	Cumulative (Over)/Under Recovery (Line 3 + Line 6)	\$ (6,274,155)	\$ (1,246,407)	\$ (7,520,562)
<u>Disposition of Cumulative (Over)/Under Recovery</u>				
8	PY-2 ORF to be (Refunded)/Recovered in Future Filing	\$ -	\$ (108,327)	\$ (108,327)
9	PY-3 ARF to be (Refunded)/Recovered in PY-4	(6,274,155)		(6,274,155)
10	PY-3 ORF to be (Refunded)/Recovered in Future Filing	-	(1,138,080)	(1,138,080)
11	Cumulative (Over)/Under Recovery (Sum of Lines 8 thru 10)	\$ (6,274,155)	\$ (1,246,407)	\$ (7,520,562)

Sources:

Column (B): ComEd Exhibit 1.0 REV , Page 1 of 4
 Column (C): ICC Staff Ex. 2.0, Schedule 2.2 and Schedule 2.3
 Column (D): Per Staff [Column (B) + Column (C)]

Commonwealth Edison
 Rider EDA - Reconciliation
 Rider EDA-NS - Reconciliation
 For the Period June 1, 2010 through May 31, 2011 (PY-3)

Line No.	Description	Per Company	Staff Adjustment	Per Staff (B+C)
	(A)	(B)	(C)	(D)
<u>(Over)/Under Recovery from Prior Years</u>				
1	PY-2 Automatic Reconciliation Factor (ARF) [Docket No. 10-0537]	\$ (4,130,993)	\$ -	\$ (4,130,993)
2	PY-2 Ordered Reconciliation Factor (ORF) [Docket No. 10-0537]	-	(85,978)	(85,978)
3	(Over)/Under Recovery from Prior Periods (Line 1 + Line 2)	\$ (4,130,993)	\$ (85,978)	\$ (4,216,971)
<u>Current Year (Over)/Under Recovery</u>				
4	PY-3 Recoverable EDA Costs	\$ 38,252,850	\$ (1,098,532)	\$ 37,154,318
5	PY-3 EDA Revenue	39,966,452	-	39,966,452
6	(Over) /Under Recovery for PY-3 (Line 4 - Line 5)	(1,713,602)	(1,098,532)	(2,812,134)
7	Cumulative (Over)/Under Recovery (Line 3 + Line 6)	\$ (5,844,595)	\$ (1,184,510)	\$ (7,029,105)
<u>Disposition of Cumulative (Over)/Under Recovery</u>				
8	PY-2 ORF to be (Refunded)/Recovered in Future Filing	\$ -	\$ (85,978)	\$ (85,978)
9	PY-3 ARF to be (Refunded)/Recovered in PY-4	(5,844,595)		(5,844,595)
10	PY-3 ORF to be (Refunded)/Recovered in Future Filing	-	(1,098,532)	(1,098,532)
11	Cumulative (Over)/Under Recovery (Sum of Lines 8 thru 10)	\$ (5,844,595)	\$ (1,184,510)	\$ (7,029,105)

Sources:

Column (B): ComEd Exhibit 1.0 REV , Page 1 of 4
 Column (C): ICC Staff Ex. 2.0, Schedule 2.2 and Schedule 2.3
 Column (D): Per Staff [Column (B) + Column (C)]

Commonwealth Edison
 Rider EDA - Reconciliation
 Rider EDA-NL - Reconciliation
 For the Period June 1, 2010 through May 31, 2011 (PY-3)

Line No.	Description	Per Company	Staff Adjustment	Per Staff (B+C)
	(A)	(B)	(C)	(D)
<u>(Over)/Under Recovery from Prior Years</u>				
1	PY-2 Automatic Reconciliation Factor (ARF) [Docket No. 10-0537]	\$ (8,223,132)	\$ -	\$ (8,223,132)
2	PY-2 Ordered Reconciliation Factor (ORF) [Docket No. 10-0537]	-	(68,624)	(68,624)
3	(Over)/Under Recovery from Prior Periods (Line 1 + Line 2)	\$ (8,223,132)	\$ (68,624)	\$ (8,291,756)
<u>Current Year (Over)/Under Recovery</u>				
4	PY-3 Recoverable EDA Costs	\$ 28,306,581	\$ (832,678)	\$ 27,473,903
5	PY-3 EDA Revenue	25,171,209	-	25,171,209
6	(Over) /Under Recovery for PY-3 (Line 4 - Line 5)	3,135,372	(832,678)	2,302,694
7	Cumulative (Over)/Under Recovery (Line 3 + Line 6)	\$ (5,087,760)	\$ (901,302)	\$ (5,989,062)
<u>Disposition of Cumulative (Over)/Under Recovery</u>				
8	PY-2 ORF to be (Refunded)/Recovered in Future Filing	\$ -	\$ (68,624)	\$ (68,624)
9	PY-3 ARF to be (Refunded)/Recovered in PY-4	(5,087,760)		(5,087,760)
10	PY-3 ORF to be (Refunded)/Recovered in Future Filing	-	(832,678)	(832,678)
11	Cumulative (Over)/Under Recovery (Sum of Lines 8 thru 10)	\$ (5,087,760)	\$ (901,302)	\$ (5,989,062)

Sources:

Column (B): ComEd Exhibit 1.0 REV , Page 1 of 4
 Column (C): ICC Staff Ex. 2.0, Schedule 2.2 and Schedule 2.3
 Column (D): Per Staff [Column (B) + Column (C)]

Commonwealth Edison
 Rider EDA - Measurement & Verification Disallowed Costs
 For the Period June 1, 2010 through May 31, 2011 (PY-3)

Line No.	Description (A)	Amount (B)	Sources (C)
1	Measurement & Verification (M&V) per Staff	\$ 883,049	Line 2 + Line 3
2	Measurement & Verification (M&V) per Company	<u>3,621,029</u>	ComEd Exhibit 1.0 REV , Page 4 of 4
3	Staff Adjustment	<u><u>\$ (2,737,980)</u></u>	Schedule 2.2, p. 2, Line 15
<u>PY3 Costs Incurred per Company</u>			
4	Residential	\$ 38,692,605	ComEd Exhibit 1.0 REV , Page 1 of 4
5	Small Commercial and Industrial	37,348,044	ComEd Exhibit 1.0 REV , Page 1 of 4
6	Large Commercial and Industrial	<u>28,309,494</u>	ComEd Exhibit 1.0 REV , Page 1 of 4
7	Total	<u>\$ 104,350,143</u>	Sum of Lines 4-6
8	Residential percent of total	37.1%	Line 4 / Line 7
9	Small C&I percent of total	35.8%	Line 5 / Line 7
10	Large C&I percent of total	27.1%	Line 6 / Line 7
11	Disallowance Allocated to EDA-R	\$ (1,015,232)	Line 3 * Line 8
12	Disallowance Allocated to EDA-NS	(979,953)	Line 3 * Line 9
13	Disallowance Allocated to EDA-NL	(742,796)	Line 3 * Line 10
14	Total Staff Adjustment	<u><u>\$ (2,737,980)</u></u>	Sum of Lines 11-13

Commonwealth Edison
 Rider EDA - M&V Disallowed Costs
 For the Period June 1, 2010 through May 31, 2011 (PY-3)

Invoicing from Navigant for PY3 M&V Costs

<u>Line No.</u>	<u>Date</u> (A)	<u>Total Invoice</u> (B)	<u>ComEd</u> (C)	<u>DCEO- ComEd</u> (D)	<u>DCEO-Ameren</u> (E)
1	12/31/2010	\$ 81,233.27	\$ 78,118.55	\$ 2,049.49	\$ 1,065.23
2	2/28/2011	270,209.95	228,963.53	27,140.14	14,106.28
3	3/31/2011	143,077.14	113,148.51	19,693.04	10,235.59
4	4/29/2011	122,262.53	96,014.98	17,270.89	8,976.66
5	7/8/2011	209,724.27	168,745.22	26,964.21	14,014.84
6	8/29/2011	759,990.16	635,695.94	81,785.60	42,508.62
7	9/27/2011	380,015.65	285,360.91	62,282.82	32,371.92
8	10/31/2011	818,766.87	548,680.60	177,716.77	92,369.50
9	11/29/2011	306,840.18	134,241.62	113,569.85	59,028.71
10	1/31/2012	498,571.32	312,819.49	122,224.70	63,527.13
11	4/24/2012	76,729.13	50,891.03	17,001.47	8,836.63
12		<u>\$ 3,667,420.47</u>	<u>\$ 2,652,680.38</u>	<u>\$ 667,698.98</u>	<u>\$ 347,041.11</u>
13	Total invoices incurred outside of PY-3 (Sum of Column (B) Lines 5 - 11)				3,050,637.58
14	(Less) Ameren portion of invoices incurred outside of PY-3 (Sum of Column (E) Lines 5 - 11)				<u>(312,657.35)</u>
15	ComEd portion of invoices incurred outside of PY-3 (Sum of Lines 13 + 14)				<u><u>2,737,980.23</u></u>

Sources:

Lines 1-12: ComEd DR Response ST 2.02_Attach 3, Tab: PY3 Recap

Commonwealth Edison
 Rider EDA - Incentive Compensation Costs
 For the Period June 1, 2010 through May 31, 2011 (PY-3)

Line No.	Description (A)	2010 (B)	2011 (C)	Sources (D)
1	EE Employees Total Incentive Compensation	\$ 309,548	\$ 386,647	ComEd DR Response ST 3.04
2	Months Included in PY3	7	5	7=June-Dec 2010; 5=Jan-May 2011
3	Incentive Compensation Attributable to PY3	<u>\$ 180,570</u>	<u>\$ 161,103</u>	(Line 1 x Line 2)/12 Months
4	Incentive Compensation % Attributable to EE	4.16%	1.77%	Schedule 1.3, p. 2, Line 3
5	Incentive Compensation \$ Attributable to EE	<u>\$ 7,512</u>	<u>\$ 2,852</u>	Line 3 * Line 4
6	Total EE Employees Incentive Compensation Related to EE Attributable to PY3		\$ 10,363	Line 5: Column (B) + Column (C)
7	Total EE Employees Incentive Compensation Paid Attributable to PY3		<u>341,673</u>	Line 3: Column (B) + Column (C)
8	Total Staff Adjustment		<u><u>\$ (331,309)</u></u>	Line 6 - Line 7
	<u>PY3 Costs Incurred per Company</u>			
9	Residential		\$ 38,692,605	ComEd Exhibit 1.0 REV , Page 1 of 4
10	Small Commercial and Industrial		37,348,044	ComEd Exhibit 1.0 REV , Page 1 of 4
11	Large Commercial and Industrial		28,309,494	ComEd Exhibit 1.0 REV , Page 1 of 4
12	Total		<u>\$ 104,350,143</u>	Sum of Lines 9-11
13	Residential percent of total		37.1%	Line 9 / Line 12
14	Small C&I percent of total		35.8%	Line 10 / Line 12
15	Large C&I percent of total		27.1%	Line 11 / Line 12
16	Disallowance Allocated to EDA-R		\$ (122,848)	Line 8 * Line 13
17	Disallowance Allocated to EDA-NS		(118,579)	Line 8 * Line 14
18	Disallowance Allocated to EDA-NL		(89,882)	Line 8 * Line 15
19	Total Staff Adjustment		<u><u>\$ (331,309)</u></u>	Sum of Lines 16-18

Commonwealth Edison
Rider EDA - Incentive Compensation Costs
For the Period June 1, 2010 through May 31, 2011 (PY-3)

<u>Line No.</u>	<u>Description</u> (A)	<u>2010</u> (B)	<u>2011</u> (C)	<u>Sources</u> (D)
1	Percentage of Focused Initiative and Environmental Index ("FIE") Attributable to Energy Efficiency ("EE")	15.4%	7.7%	ComEd DR Response ST 2.08
2	Percentage of Annual Incentive Plan ("AIP") Attributable to FIE	<u>27.0%</u>	<u>23.0%</u>	ComEd DR Response ST 2.09
3	Percentage of AIP Attributable to EE	<u><u>4.16%</u></u>	<u><u>1.77%</u></u>	Line 1 x Line 2