

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY :
 : No. 13-0318
Annual formula rate update and revenue :
requirement reconciliation under :
Section 16-108.5 of the Public Utilities Act :

**VERIFIED AMENDED PETITION TO INITIATE ANNUAL FORMULA
RATE UPDATE AND REVENUE REQUIREMENT RECONCILIATION
UNDER SECTION 16-108.5 OF THE PUBLIC UTILITIES ACT**

Commonwealth Edison Company (“ComEd”) petitions the Illinois Commerce Commission (the “Commission” or “ICC”), under Section 16-108.5 of the Illinois Public Utilities Act (“PUA”), 220 ILCS 5/16-108.5, as amended by Public Act (“PA”) 98-0015, and pursuant to the direction of the Commission’s Order in Docket No. 11-0721, to approve its Annual Formula Rate Update and Revenue Requirement Reconciliation for Rate Year 2014, to make a finding fixing the original cost of ComEd’s electric utility plant in service as of December 31, 2012, and to authorize and direct ComEd to make the compliance filings necessary to place into effect the resulting charges beginning with the first billing period of 2014.

In support thereof, ComEd states:

1. ComEd provides electric delivery services to approximately 3.8 million customers in the northern portion of Illinois. ComEd is a corporation organized and existing under the laws of the State of Illinois with its principal business office in Chicago, Illinois, and management offices in DuPage and Will Counties, Illinois. ComEd is a public utility within the meaning of Section 3-105 of the PUA (220 ILCS 5/3-105), an electric utility within the meaning of Article XVI of the PUA (*see* 220 ILCS 5/16-102). ComEd is also a “participating utility” as defined in Section 16-108.5(b) of the PUA, 220 ILCS 5/16-108.5(b).

2. ComEd provides delivery services under performance based formula rates established pursuant to Energy Infrastructure Modernization Act (“EIMA”).¹ ComEd’s rate formula and the tariffs and other filings that implement that formula were approved by the Commission’s order dated May 30, 2012 in *Commonwealth Edison Co.*, ICC Docket No. 11-0721.

3. In Docket No. 11-0721, ComEd also presented data to initially populate its formula rate. The Commission’s final Order in Docket 11-0721 approved inputs to the rate formula and approved delivery services charges that included material disallowances to ComEd’s filed costs. Resulting charges went into effect on June 20, 2012. These charges were later revised as a result of rehearing in Docket No. 11-0721. The revised delivery services charges became applicable prospectively as of customers’ November 2012, monthly billing period.

4. ComEd timely filed its first Annual Formula Rate Update and Revenue Requirement Reconciliation as provided by EIMA, on April 30, 2012. This proceeding, *Commonwealth Edison Co.*, ICC Docket No. 12-0321, principally concerned updated costs of service and other rate formula inputs, and established charges for Rate Year 2013. Rates approved by the Commission in Docket No. 12-0321 went into effect as of the first monthly billing period of 2013 and remain in effect.

5. ComEd timely filed its Petition presenting to the Commission ComEd’s second Annual Formula Rate Update and Revenue Requirement Reconciliation as provided by EIMA. Section 16-108.5(d) of the PUA on April 29, 2013. EIMA authorizes the Commission to “enter

¹ “EIMA” is the common short name of the Energy Infrastructure Modernization Act, the changes and additions made to the PUA by PA 97-0616, as amended by PA 97-0646 and PA 98-0015.

upon a hearing concerning the prudence and reasonableness of the costs incurred by the utility to be recovered during the applicable rate year that are reflected in the inputs to the performance-based formula rate derived from the utility's FERC Form 1” subject to certain evidentiary and procedures set forth therein. The Commission opened this proceeding in response to that Petition. EIMA calls on the Commission to enter its final order, in this case, no later than 240 days after filing, or by December 26, 2013.

6. On May 22, 2013, Public Act (“PA”) 98-0015 became law and, by its terms, it became effective immediately. PA 98-0015 clarifies certain provisions of EIMA, certain structural components of the formulae used to calculate revenue requirements under EIMA, and certain inputs used in those calculations. The law “preempts and supersedes any final Commission orders entered in Docket Nos. 11-0721, 12-0001, 12-0293, and 12-0321 to the extent inconsistent” with those clarifications. It does not, however, reopen or direct reconsideration of those dockets and does not otherwise affect the Orders in those dockets.

7. Section 16-108.5(k)(i) of the PUA, added by PA 98-0015, provides in pertinent part:

No earlier than 5 business days after the effective date of ... [PA 98-0015], each participating utility shall file any tariff changes necessary to implement th[at] amendatory language ... and a revised revenue requirement under the participating utility's performance-based formula rate. The Commission shall enter a final order approving such tariff changes and revised revenue requirement within 21 days after the participating utility's filing.

Because, by clarifying EIMA, PA 98-0015 changes the way charges and revenue requirements are calculated from how they were calculated under prior interpretations of EIMA, ComEd timely filed with the Commission on May 30, 2013, in compliance with that provision of PA 98-0015, revisions to Rate DSPP and the formula rate templates.

8. While the review and approval of those revisions are not part of this proceeding, upon their approval, the revised tariff and rate formula will among other things govern how the 2014 Rate Year Net Revenue Requirement, and (subject to future amendment) all subsequent revenue requirements under EIMA formula ratemaking, will be determined. In particular, this proceeding will implement and be subject to the requirements of PA 98-0015 insofar as they affect the revenue requirements for rate years 2012 and 2014.

9. Along with this Amended Petition, ComEd submits the updated cost and other data required by its rate formula and EIMA, as they have each been amended by PA 98-0015, in order to establish charges correctly for Rate Year 2014. That information is presented in testimony (including five revised testimonies submitted with this Amended Petition), schedules (original and revised), and other exhibits (original and revised) to be offered into evidence as well as in other informational submissions called for by the Commission's Rules and orders.²

10. As required by EIMA, ComEd submits herewith:

... inputs to the performance-based formula rate for the applicable rate year ... based on final historical data reflected in the utility's most recently filed annual FERC Form 1 plus projected plant additions and correspondingly updated depreciation reserve and expense for the calendar year in which the inputs are filed. The filing shall also include a reconciliation of the revenue requirement that was in effect for the prior rate year (as set by the cost inputs for the prior rate year) with the actual revenue requirement for the prior rate year (as reflected in the applicable FERC Form 1 that reports the actual costs for the prior rate year). Any over-collection or under-collection indicated by such reconciliation shall be reflected as a credit against, or recovered as an additional charge to, respectively, with interest, the charges for the applicable rate year.

220 ILCS 5/16-108.5(d).

² To the extent that ComEd's submissions, individually or collectively, exceed both ComEd's commitments and requirements imposed or allowed by law, ComEd waives no legal rights and does not intend to bind itself for future filings or proceedings.

11. In particular, ComEd submits herewith testimonies, many with attached Exhibits, summarized as follows:

- **Ross C. Hemphill, Ph.D.**, ComEd’s Vice President, Regulatory Policy and Strategy (ComEd Ex. 1.0), introduces the EIMA formula ratemaking process, taking into consideration PA 98-0015, the role of Annual Formula Rate Update and Revenue Requirement Reconciliation proceedings in that process, the revenue requirements the data support, and the resulting delivery service rates for Rate Year 2014. Dr. Hemphill also puts those rates into context and explains how they affect customers. He presents ComEd’s view on how this proceeding should interact, at a practical level, with the upcoming revenue requirement-neutral Rate Design Investigation (“RDI”), with potential decisions of appellate courts regarding EIMA issues.
- **Christine M. Brinkman, CPA**, ComEd’s Director of Rates and Revenue Policy (ComEd Ex. 2.0), describes the process of incorporating 2012 actual cost data and 2013 projected plant investment data into the 2014 Initial Rate Year and 2012 Reconciliation Revenue Requirements and describes *how* ComEd has implemented PA 98-0015 in its ratemaking structure. She explains how the updated cost information has been used to determine ComEd’s updated revenue requirements, and supports several of the inputs to those calculations, including confirming the prudence and reasonableness of non-operational costs and investment expenditures in the relevant periods. Ms. Brinkman also addresses the effect of the ROE Collar on the revenue requirements at issue, as well as several tax related items, and the appropriate billing determinants to use for Rate Year 2014.

- **Martin G. Fruehe**, ComEd's Manager, Revenue Policy (ComEd Ex. 3.0), presents and supports the majority of the specific data that populate the revenue requirement formula addressed by Ms. Brinkman (ComEd Ex. 2.0). He supports the calculation of the 2012 Rate Year Reconciliation Revenue Requirement derived from ComEd's actual costs as reflected in its FERC Form 1 for the year ended December 31, 2012, and the 2014 Initial Rate Year Revenue Requirement. He also supports the reconciliation of the 2012 Reconciliation Revenue Requirement to the weighted average of the revenue requirements approved by the Commission's orders in ICC Docket Nos. 10-0467 and 11-0721, on which the delivery service rates in effect during 2012 were based. These data and calculations reflect the impact of PA 98-0015.
- **Joseph R. Trpik, CPA**, ComEd's Senior Vice President, Chief Financial Officer, and Treasurer (ComEd Ex. 4.0), supports ComEd's capital structure (measured in accordance with PA 98-0015), ComEd's costs of debt, and the statutory calculation of ComEd's costs of equity upon which the 2014 Initial Rate Year Revenue Requirement and the 2012 Reconciliation Revenue Requirement are based. Mr. Trpik further presents the capital structure report called for by the Commission in ICC Docket No. 11-0721, supports the prudence and reasonableness of the Exelon Business Services Company costs and certain Administrative and General costs incurred by ComEd during 2012, and explains ComEd's incentive and other compensation plans.
- **Michelle Blaise**, ComEd's Vice President, Engineering & Project Management (ComEd Ex. 5.0), describes and supports the actual 2012 distribution operating

expense and operations-related plant investments included in ComEd's 2012 Reconciliation Revenue Requirement, as well as projected 2013 operations-related plant investments included in ComEd's 2014 Initial Rate Year Revenue Requirement, and confirms that they are reasonable in amount and prudently incurred. She also provides the plant investment information that would have been provided on Schedule F-4 of a Part 285 submission in a general rate case, as well as analogous information on recurring "blanket programs." She also identifies and explains EIMA investments outside of Customer Operations reflected in the 2012 Reconciliation Revenue Requirement and the 2014 Initial Rate Year Revenue Requirements. Finally, Ms. Blaise supports ComEd's incentive compensation programs from a distribution operations perspective and provides data requested by the Commission in that respect.

- **Ronald E. Donovan, P.E.**, ComEd's Vice President, Customer Business Transformation and Technology (ComEd Ex. 6.0), describes the customer-related plant in ComEd's rate base and the customer-related operating expenses included in ComEd's revenue requirements, and confirms that they are reasonable in amount and prudently incurred. He specifically discusses those Schedule F-4 projects and blankets programs that are customer operations efforts. He also identifies and explains the EIMA investments within Customer Operations reflected in the 2012 Reconciliation Revenue Requirement and the 2014 Initial Rate Year Revenue Requirement and provides the information the Commission sought regarding ComEd's support of customer assistance programs. Finally, Mr. Donovan supports

ComEd's incentive compensation programs from a customer operations perspective and also provides data requested by the Commission in that respect.

- **Todd J. Jirovec**, CPA, Vice President, Booz & Company (ComEd Ex. 7.0), presents testimony supporting and quantifying the costs ComEd incurred and the savings it achieved in 2012, as well as the costs and savings it expects to incur and achieve in the future as a result of the merger of its ultimate parent, Exelon Corporation, with Constellation Energy.
- **Anastasia M. Polek-O'Brien**, Vice President and Deputy General Counsel, Exelon Business Services Corporation (ComEd Ex. 8.0), supports the reasonableness and prudence of ComEd's rate case expenses incurred in 2012.
- **Michael F. Born, P.E.**, ComEd's Manager, Distribution Capacity Planning (ComEd Ex. 9.0), supports the functionalization of ComEd's plant and operating expenses. Mr. Born also addresses the updated distribution system loss studies. While these studies primarily address rate design issues, they also, as in past years, have relevance to the updated costs.
- **Bradley L. Bjerning**, a Principal Regulatory Specialist in ComEd's Regulatory Strategies and Solutions group (ComEd Ex. 10.0), presents and supports the populated rate design model and confirms that it correctly incorporates the updated 2014 Rate Year Net Revenue Requirement that reflects the changes called for by PA 98-0015. Mr. Bjerning also presents an updated Embedded Cost of Service Study with updated cost data and historical weather normalized billing determinants that are also used to populate the rate design model.

- **Christ T. Siambekos**, ComEd’s Director, Finance (ComEd Ex. 11.0), quantifies EIMA investments and expenditures as called for by the Commission in Docket No. 12-0321.

12. ComEd has also submitted relevant data and supporting documentation, including information called for under analogous portions of the Commission’s Standard Information Requirements promulgated in Part 285 of Title 83 of the Illinois Administrative Code (“Title 83”), 83 Ill. Admin. Code Part 285, and Part 286 of Title 83, had this been a tariff filing, seeking a general rate increase under Article IX of the PUA. Information has also been provided to senior members of the Commission’s Staff in accordance with the Standard Information Requirements. As stated in Section 285.111(b) of Title 83 (83 Ill. Admin. Code § 285.111 (b)), portions of the information covered by the Commission’s Standard Information Requirements are confidential and/or proprietary and have been so designated. ComEd has also submitted all other information called for by the Commission orders in Docket Nos. 11-0721 and 12-0321,³ including with respect to ADIT. Finally, attached to the original Petition is an attestation certifying the reconciliation in the same manner that ComEd certifies its FERC Form 1, as required by EIMA. ComEd will also submit a revised attestation referring to the reconciliation as conducted in accordance with PA 98-0015.

13. The evidence submitted establishes that, under EIMA as clarified by PA 98-0015, ComEd’s rates should be designed to recover a 2014 Net Rate Year Revenue Requirement of \$2,368 million, taking into account the reconciliation of ComEd’s 2012 revenue requirement,

³ *Commonwealth Edison Co.*, ICC Docket No. 11-0721, Final Order (May 29, 2012) and Order on Rehearing (Oct. 3, 2012); *Commonwealth Edison Co.*, ICC Docket No. 12-0321, Final Order (Dec. 19, 2012) and Amendatory Order (Feb. 14, 2013).

applicable interest, and the effect of the “ROE Collar.” ComEd seeks a 2014 Initial Rate Year Revenue Requirement of \$2,192 million. ComEd’s 2012 Reconciliation Revenue Requirement is \$2,136 million. These revenue requirements and their calculations are described in more detail by the testimonies of Ms. Brinkman and Mr. Fruehe (ComEd Exs. 2.0 and 3.0, respectively).

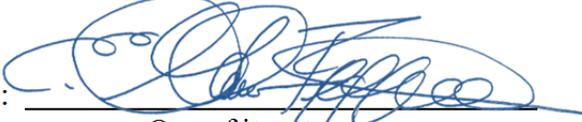
14. ComEd also requests that its 2014 rates reflect the full rate year and reconciliation revenue requirements authorized by EIMA. Therefore, while the base data ComEd is submitting calculates its revenue requirements in accordance with all Commission orders now in force and effect (except insofar as they have been superseded by PA 98-0015), ComEd waives no rights, whether in this proceeding or in any appeal, by doing so, and maintains its positions on appeal. While ComEd does not intend to actively relitigate legal issues on appeal in this proceeding, should ComEd’s views prevail during the pendency of this proceeding, charges reflecting those positions should be put into effect in the most expeditious and effective lawful manner, including if necessary through modification of a reconciliation adjustment applicable during a calendar year. To assist the Commission and parties in such events, ComEd provides a schedule showing how the issues on appeal would affect the relevant revenue requirements (ComEd Ex. 3.20).

WHEREFORE, ComEd requests that the Commission timely (1) approve the updated cost data, revenue requirements, and reconciliation calculations filed herewith as well as the resulting update of ComEd’s delivery services charges, as modified by any subsequent events referred to in Paragraph 14; (2) make a finding of the original cost of ComEd’s electric utility plant in service as of December 31, 2012 in accordance with the evidence, and (3) authorize and direct ComEd to make compliance filings necessary to place the updated delivery services charges into effect beginning with the first billing period of 2014.

Dated: May 31, 2013

Respectfully submitted,

COMMONWEALTH EDISON COMPANY

By: 
One of its attorneys

Thomas S. O'Neill
Senior Vice President & General Counsel
COMMONWEALTH EDISON COMPANY
440 S. LaSalle Street, Suite 3300
Chicago, Illinois 60605
(312) 394-5400
thomas.oneill@exeloncorp.com

Richard G. Bernet
10 S. Dearborn Street, Suite 4900
Chicago, Illinois 60603
(312) 394-5400
richard.bernet@exeloncorp.com

E. Glenn Rippie
ROONEY RIPPIE & RATNASWAMY LLP
350 W. Hubbard St., Suite 600
Chicago, Illinois 60654
(312) 447-2800
glenn.rippie@r3law.com

David M. Stahl
EIMERSTAHL LLP
224 South Michigan Avenue, Suite 1100
Chicago, Illinois 60604
(312) 660-7600
dstahl@eimerstahl.com

Attorneys for Commonwealth Edison Company

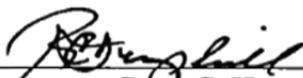
STATE OF ILLINOIS)
)
COUNTY OF COOK) SS.

VERIFICATION OF ROSS C. HEMPHILL

I, Ross C. Hemphill, having first been duly sworn, state and aver as follows:

1. I am Vice President, Regulatory Policy & Strategy of Commonwealth Edison Company. I have read the foregoing Verified Amended Petition to Initiate Annual Formula Rate Update and Revenue Requirement Reconciliation Authorized by Section 16-108.5 of the Public Utilities Act. I am an adult and if called to testify, could testify competently as a witness concerning the facts stated in the attached Verified Amended Petition based on my own personal knowledge and my knowledge of records of Commonwealth Edison Company maintained in the ordinary course of its utility business.

2. The facts stated in the attached Verified Amended Petition are true and correct to the best of my knowledge and belief.



Ross C. Hemphill

SUBSCRIBED AND SWORN to
Before me on this 31st day of
May, 2013.



Notary Public

