



An Exelon Company

Commonwealth Edison Company
Three Lincoln Centre
Oakbrook Terrace, IL 60181-4260

www.comed.com

VIA OVERNIGHT DELIVERY

November 17, 2011

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 informational sheet, 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 black ink that reads "Kevin J. Waden". The signature is written in a cursive, flowing style.

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

2011 ComEd Purchased Electricity Cost Recovery Review

September 30, 2011

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, during 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.

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.

Under Rider PE and Rate BESH, the Company must conduct an internal audit of its costs for the previous PJM Planning Year and recoveries of such costs.

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. Specifically Internal Audit (IA) verified:

- Costs recovered pursuant to such tariffs are recovered only through these tariffs and are not being recovered inappropriately through charges imposed under other tariffs,
- Charges and adjustments determined pursuant to Rate BES, Rider PE, and Rate BESH that are included in retail customers' bills for electric service provided under such tariffs are properly applied,
- Revenues resulting from the application of such tariffs 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 are appropriately included, and
- Company's internal administrative and operational costs associated with the procurement of electric power and energy for retail customers served under such tariffs are reasonable.

The scope of our review included costs and recoveries of supply, transmission, and supply administration related costs incurred during the period June 1, 2010 - May 31, 2011, that fall under the provisions of Rider PE and Rate BESH.

IA performed this review using the Company's GL and documents provided by ComEd Revenue Accounting and Energy Acquisition personnel. IA 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

The cost recovery process performed by Revenue Accounting, including the controls there in such as the supporting GL reconciliation used to calculate PEA/HPEA, is consistent with the requirements of Rider PE and Rate BESH. IA verified that each of the five requirements described above were met.

To obtain further assurance of the Revenue Accounting process and overall accuracy of the PEA/HPEA calculations, IA validated revenue and purchase amounts used by Revenue Accounting to source data and systems, including, supporting invoices, CIMS and RNF. IA identified immaterial differences between source data used to perform PEA/HPEA calculations and the GL. These immaterial differences have been investigated by Management and were not identified as an issue of non-compliance with Rider PE and Rate BESH requirements.

For a summary of IA'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.

Tricia Arrington, Manager
Internal Audit

Report Distribution

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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, IA 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, IA obtained and reviewed a sample of 2010-2011 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 five year period, including June 2010 - May 2011. IA also estimated energy procurement related labor costs based upon budgeted salaries and an allocation of salaries for energy procurement related functions. IA 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, IA 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. IA 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, IA 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.

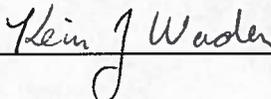
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COMPANY OFFICER VERIFICATION

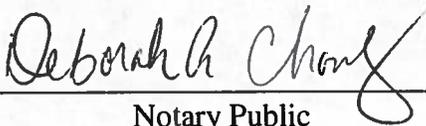
The undersigned officer certifies that:

I have examined the 2011 ComEd Purchased Electricity Cost Recovery Review report, dated September 30, 2011, 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.



Kevin J. Waden
Vice President & Controller
ComEd

Subscribed and sworn to before
me this 17th day of November, 2011.


Notary Public

