

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY	:	
	:	
Reconciliation of revenues collected under	:	
power procurement riders with actual costs	:	No. 12-0549
associated with power procurement	:	
expenditures.	:	

Direct Testimony of
WILLIAM P. MCNEIL
Vice President,
Energy Acquisition
Commonwealth Edison Company

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1 **I. INTRODUCTION AND BACKGROUND**

2 **A. Identification of Witness**

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

4 A. My name is William P. McNeil. My business address is Commonwealth Edison
5 Company, 1919 Swift Drive, Oakbrook, Illinois 60521.

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

7 A. I am employed by Commonwealth Edison Company (the “Company” or “ComEd”) as
8 Vice President – Energy Acquisition.

9 **B. Purpose of Testimony and Summary of Conclusions**

10 **Q. What is the purpose of your testimony?**

11 A. The purpose of my testimony is to describe and support the reasonableness of ComEd’s
12 administrative and operational costs associated with the procurement of electric power
13 and energy for retail customers served under Rider PE Purchased Electricity (“Rider PE”)
14 and under Rate BESH Basic Electric Service Hourly (“Rate BESH”) for the period
15 June 1, 2010, through May 31, 2011. In addition, I shall explain how ComEd complied
16 with the applicable procurement plan approved by the Illinois Commerce Commission
17 (“ICC” or “Commission”).

18 In my testimony, I: (1) provide a description of the types of administrative and
19 operational costs that were flowed through to retail customers under Rider PE and
20 Rate BESH, (2) explain how ComEd’s administrative and operational costs associated
21 with procuring power and energy were allocated to retail customers served under those
22 two tariffs, and (3) explain why it was reasonable for ComEd to incur these costs to
23 procure power and energy for those retail customers.

24 Q. **Please summarize the conclusions of your direct testimony.**

25 A. The methodology that ComEd employed to allocate costs for recovery under both
26 Rider PE and Rate BESH was reasonable. The amount of administrative and operational
27 costs that ComEd incurred in procuring power and energy for Rider PE and Rate BESH
28 customers was also reasonable. Lastly, ComEd fully complied with the applicable
29 Commission-approved procurement plan.

30 C. **Itemized Attachments to Testimony**

31 Q. **Are you sponsoring any attachments to your testimony?**

32 A. Yes, I am sponsoring the attached ComEd Exhibit (“Ex.”) 2.1, which is discussed later in
33 my testimony.

34 D. **Background and Experience**

35 Q. **What is your current position with ComEd?**

36 A. I am Vice President of Energy Acquisition for ComEd. In that capacity, I manage the
37 department that is responsible for procurement of wholesale supply, “PJM” (PJM
38 Interconnection, LLC) wholesale market settlements, and Retail Choice functions for
39 ComEd. This includes overseeing the administrative and operational processes that are
40 used to procure power and energy. I have held this position since June 2007.

41 Q. **Please describe your educational experience and business background.**

42 A. I hold a BSEE from Tri-State University and an MBA from Rosary College. I have been
43 employed in various capacities by ComEd for over 35 years. Prior to my current
44 assignment, my most recent experience was as Director of Regulatory Strategy for
45 ComEd. In that capacity, I was closely involved with all aspects of the development of

46 the various competitive procurement processes used by ComEd to procure power and
47 energy.

48 **Q. Please describe some of the other positions you held before becoming Director of**
49 **Regulatory Strategy.**

50 A. Prior to becoming Director of Regulatory Strategy, I held the position of Director of
51 Energy Acquisition from July 2002 through December 2003. In that capacity, I was
52 responsible for managing power procurement requirements to serve ComEd's retail and
53 wholesale load obligations. This included the intermediate term (one year out)
54 forecasting for load served under ComEd's Rider PPO – Power Purchase Option (Market
55 Index), retail bundled service rates, and a number of “grandfathered” ComEd wholesale
56 contracts. At that time, the Energy Acquisition Department also administered the Power
57 Purchase Agreement with Exelon Generation, LLC (“ExGen”), an affiliate of ComEd, as
58 well as purchases from qualifying facilities. Other responsibilities of the department
59 included taking daily snapshots of market price information, reserving transmission
60 service on behalf of ComEd's retail load, and scheduling electric power and energy for
61 ComEd's PPO load. The Energy Acquisition Department was also the point of contact
62 with respect to ComEd's annual supply plan and reserve margin for the Mid-America
63 Interconnected Network (“MAIN”), a regional reliability council that exists to help
64 ensure reliability for the electric grid.

65 I have also held the position of Director of Strategic Planning in Exelon Energy
66 Delivery Company, LLC. In that position, I was responsible for developing long-term
67 strategies and plans to improve the financial performance of the business unit. Prior to
68 that, I was Director of Marketing for ComEd with primary responsibility for the large

69 commercial and industrial customer segment. My duties in that assignment included
70 product development, product management, marketing planning and competitive pricing.

71 **II. DESCRIPTION OF COMED'S ADMINISTRATIVE AND**
72 **OPERATIONAL COSTS FOR PROCURING POWER AND**
73 **ENERGY FOR RIDER PE AND RATE BESH CUSTOMERS**

74 **Q. Are you familiar with the administrative and operational costs associated with the**
75 **procurement of electric power and energy for retail customers served under Rider**
76 **PE and Rate BESH for the period June 1, 2010, through May 31, 2011?**

77 A. Yes, I am.

78 **Q. Could you generally describe what those administrative and operational costs**
79 **consist of?**

80 A. Yes, these costs consist of two types. First are the internal costs related to the
81 procurement related functions of ComEd's Energy Acquisition Department. Second are
82 the costs that are external to the Energy Acquisition Department that were incurred to
83 obtain products or services needed by the Energy Acquisition Department to perform its
84 procurement-related functions. A summary schedule detailing these costs is presented in
85 ComEd Ex. 2.1. While the Commission's Order commencing this proceeding required
86 only that ComEd address in testimony its internal administrative and operational costs, in
87 past reconciliation proceedings the Commission Staff ("Staff") has inquired about other
88 types of administrative and operational costs. Accordingly, I discuss those other costs in
89 my testimony as well.

90 **A. Internal Administrative and Operational Costs**

91 **Q. Could you describe the organization of ComEd's Energy Acquisition Department?**

92 A. Yes, during the relevant period the department consisted of five functional groups:
93 Procurement Planning and Strategy; Wholesale Billing and Credit; Wholesale Supplier
94 Operations; Wholesale Markets and Development; and Electric Supplier Services.

95 **Q. What functions are performed by the Procurement Planning and Strategy group?**

96 A. The Procurement Planning and Strategy group is responsible for developing and
97 advocating ComEd's position in the annual procurement proceedings, fulfilling ComEd's
98 responsibilities in Illinois Power Agency ("IPA") procurement events and managing the
99 nomination of Auction Revenue Rights ("ARRs") in PJM.

100 **Q. What functions are performed by the Wholesale Billing and Credit group?**

101 A. The Wholesale Billing and Credit group validates PJM's invoiced charges to ComEd and
102 initiates payments to PJM for confirmed services. They also validate charges to ComEd
103 from our wholesale suppliers and initiate payments for those deliveries. During the time
104 frame of June 2010 through May 2011, they also manage all wholesale supplier contracts,
105 including the Master Power Purchase and Sale Agreements from the annual procurement
106 events, the financial swap agreement with ExGen, and the Master Renewable Energy
107 Purchase and Sale Agreements, also from the annual procurement events. Finally, they
108 monitor the credit ratings of ComEd's wholesale suppliers and administer daily credit
109 processes, including the determination of mark-to-market collateral requirements and the
110 processing of collateral payments or instruments.

111 **Q. How are the Procurement Planning and Strategy and the Wholesale Billing and**
112 **Credit groups organized and staffed?**

113 A. During the period in question (June 1, 2010, through May 31, 2011), both groups
114 reported to a Director who oversaw the work of two full-time analysts in the Procurement
115 Planning and Strategy group, and four full-time analysts in addition to the Manager of the
116 Wholesale Billing and Credit group.

117 Q. **What are the costs associated with operating the Procurement Planning and**
118 **Strategy and Wholesale Billing and Credit groups?**

119 A. The costs consist primarily of labor, including benefits. Other costs include office space,
120 computer and telephone equipment, training expenses and data services such as
121 brokerage quotes and credit rating agency reports.

122 Q. **What functions are performed by the Wholesale Supplier Operations group?**

123 A. The Wholesale Supplier Operations group performs a number of daily processes. They
124 validate individual retail customer enrollments for each RES to assure that the daily load
125 responsibilities of each RES are accurate. They calculate individual retail customer
126 Capacity Peak Load Contributions and Network Service Peak Load Contributions,
127 aggregate them by the responsible RES and submit to PJM so that PJM properly bills
128 each RES for generation capacity and transmission service. They submit daily load bids
129 for the retail load served by ComEd into the PJM Day-Ahead energy market. They
130 forecast RES hourly energy load serving responsibilities and monitor the hourly load
131 serving responsibilities submitted by each RES to PJM to ensure good-faith scheduling.
132 They forecast and submit to PJM hourly load serving responsibility estimates for the load
133 supplied by ComEd. They confirm scheduled physical deliveries by ComEd's wholesale
134 suppliers. Finally, they perform the reconciliation of actual versus estimated supplier
135 load responsibilities with PJM.

136 Q. **How is the Wholesale Supplier Operations group organized and staffed?**

137 A. During the period in question (June 1, 2010, through May 31, 2011), there were six full-
138 time equivalent (“FTE”) persons performing the aforementioned processes. Five analysts
139 reported to the Manager of the Wholesale Supplier Operations group.

140 Q. **What are the costs associated with operating the Wholesale Supplier Operations**
141 **group?**

142 A. The costs consist primarily of labor, including benefits. Other costs include office space,
143 computer and telephone equipment, training expenses, and the maintenance and support
144 of the Retail Office (“RO”) software and other back office systems that store and analyze
145 customer and supplier data and are used to submit this data to PJM.

146 Q. **What functions are performed by the Wholesale Markets and Development group?**

147 A. The primary role of the Wholesale Markets and Development group is to calculate the
148 hourly load of the ComEd Zone on a daily basis. This calculation is the starting point for
149 the allocation of load responsibilities to ComEd and each RES in the ComEd Zone. This
150 calculation is done by obtaining hourly meter values for all generation meters (excluding
151 “behind-the-meter” generation) and all transmission tie-line meters associated with the
152 ComEd Zone. The hourly zonal load is calculated by taking the sum of all in-territory
153 generation, adding simultaneous imports, and subtracting simultaneous exports. In
154 addition, this group ensures compliance with certain NERC (North American Electric
155 Reliability Corporation) and Reliability First Corporation standards.

156 Q. **How is the Wholesale Markets and Development group organized and staffed?**

157 A. During the period in question (June 1, 2010, through May 31, 2011), the group consisted
158 of four full-time equivalents consisting of three analysts and a Manager.

159 Q. **What are the costs associated with operating the Wholesale Markets and**
160 **Development group?**

161 A. The costs consist primarily of labor, including benefits. Other costs include office space,
162 computer and telephone equipment and training expenses. It is important to recognize
163 that the functions of this group are required solely for the purposes of fulfilling ComEd's
164 obligations to PJM as an Electric Distribution Utility ("EDC"), and all of these functions
165 are required whether or not ComEd provides supply services to any customer. There is
166 no incremental work required in this group because of ComEd's supply responsibilities to
167 its retail customers. Therefore, none of the costs of this group have been allocated to the
168 costs flowing to customers under Rider PE and Rate BESH.

169 Q. **What functions are performed by the Electric Supplier Services group?**

170 A. The primary responsibility of the Electric Supplier Services group is to serve as the
171 primary point of contact with RESs, including certifying new RESs and addressing RES
172 issues. The group processes customer enrollments with RESs and also processes
173 customer enrollments to ComEd's hourly service. The group also provides historical
174 customer usage data to market participants who have customer authorization to release
175 the data.

176 Q. **How is the Electric Supplier Services group organized and staffed?**

177 A. During the relevant period in question, there was a Manager who supervised a staff of 9.5
178 full-time equivalent employees.

179 Q. **What are the costs associated with the Electric Supplier Services group?**

180 A. The costs consist primarily of labor, including benefits. Other costs include computer
181 and telephone equipment, training expenses and hosting meetings and training for RESs.

182 Q. **How are the Wholesale Markets Development, Wholesale Supplier Operations, and**
183 **Electric Supplier Services groups organized within the Energy Acquisition**
184 **Department?**

185 A. These three groups report to a Director who oversees the work performed within the
186 groups.

187 Q. **Are there any other departmental overhead costs in Energy Acquisition that are**
188 **related to procurement administrative costs?**

189 A. Yes. As Vice President of Energy Acquisition, I spend a portion of my time working on
190 procurement-related activities. My Administrative Assistant also performs some
191 procurement related activities.

192 **B. Other Administrative and Operational Costs**

193 Q. **What are other administrative and operational costs in this context?**

194 A. In general, these are the costs, other than the internal costs of ComEd's Energy
195 Acquisition Department, and other than the direct costs of the supply itself, *e.g.*, energy,
196 capacity, ancillary services, transmission, that ComEd's Energy Acquisition Department
197 incurs in procuring power and energy to serve ComEd's customers.

198 Q. **Can you provide a general description and breakdown of the various categories of**
199 **administrative and operational costs that ComEd incurred in procuring power and**
200 **energy during the relevant period?**

201 A. Yes, that description and breakdown is included in ComEd Ex. 2.1.

202 Q. **Referring to ComEd Ex. 2.1, what are the Energy Acquisition Department Internal**
203 **Costs?**

204 A. These are the internal costs, primarily consisting of labor, office space and equipment,
205 which are incurred by ComEd's Energy Acquisition Department. These are the costs that
206 I have described above.

207 **Q. What are the Information Technology Systems Costs?**

208 A. These are the costs incurred to maintain and support the RO software that is used by the
209 Energy Acquisition Department's Wholesale Supplier Operations. RO is a standard
210 industry wholesale settlements program that assists in the determination of the amount of
211 load served by ComEd pursuant to Rider PE and Rate BESH. PJM requires that ComEd
212 report this information on a daily basis. The function of the Wholesale Supplier
213 Operations group and of the RO software was addressed earlier in this testimony. A
214 portion of the RO costs that were flowed through Rider PE and Rate BESH for this
215 period had been previously approved by the Commission in ICC Docket No. 05-0597. In
216 that proceeding, the Commission approved \$1,381,800 of RO-related costs and approved
217 the amortization and recovery of those costs over a five-year period.¹ For the period
218 under review in this proceeding, ComEd recovered \$363,275 of those previously
219 approved costs. Since that proceeding, ComEd has needed to revise RO in response to
220 various PJM rule changes. Consistent with the approval given in ICC Docket
221 No. 05-0597, and consistent with standard accounting practice, ComEd capitalized those
222 costs and has been amortizing them over a five-year period.

223 **Q. What are the PJM Credit Costs?**

224 A. PJM credit costs represent the credit facility costs for the posting of PJM-required credit.
225 PJM requires collateral of all of its members as insurance for payment of services

¹ See ComEd Ex. 10.7 in ICC Docket No. 05-0597.

226 rendered to serve the load. The Procurement Plan (*see* page 53)² requires ComEd to
227 procure the supply to balance the load of its fixed-price customers directly from the PJM
228 spot markets. Similarly, the Public Utilities Act (“PUA”) requires ComEd to procure the
229 supply to serve the full load of its hourly customers from the “applicable market”, *i.e.*,
230 PJM, as well. In addition, ComEd procures capacity, ancillary services and transmission
231 to serve both its fixed-price and hourly customers from PJM.³ Thus, ComEd must post
232 collateral for this load. PJM requires all of its members who are in a net buyer position to
233 post collateral in order to cover PJM’s exposure to possible payment default. Because
234 ComEd has no generation of its own, it will always be in a position that requires it to buy
235 from the market and therefore will always be required to post collateral. Since the
236 contracts for the block energy products, which are most of the energy that ComEd
237 procures, require the suppliers to physically deliver this supply, ComEd is not required to
238 post collateral for this portion of its load. This requirement, which ComEd has
239 consistently supported, serves to minimize the amount of PJM credit costs that ComEd
240 must incur.

241 **Q. What are the Renewable Energy Credits (“RECs”) Costs?**

242 A. These costs are associated with the certification and tracking services that were used to
243 manage the REC contracts. As set out in the Procurement Plan (*see* pages 56-57), two
244 services were used during this reconciliation period to track RECs. They were the PJM
245 Environmental Information Services Generation Tracking System and the MISO

² Power Procurement Plan, dated September 30, 2009, in ICC Docket No. 09-0373 (“Procurement Plan”).

³ *See* Procurement Plan, pp. 52-53.

246 Midwest Renewable Energy Tracking System. These costs included annual fees and
247 separate volume-based fees charged for RECs delivered and retired using the systems.

248 **Q. What are the Procurement Monitor Costs?**

249 A. The Procurement Monitor Costs were costs directly associated with the payment of bills
250 by ComEd for the professional services of a Procurement Monitor who was employed by
251 Staff for the purposes of monitoring the fixed-price procurement process. The amount of
252 costs shown on ComEd Ex. 2.1 for Procurement Monitor Costs include the costs related
253 to the fourth procurement plan proceedings, ICC Docket No. 10-0563, which were
254 incurred and passed through to customers during the period covered by this proceeding.

255 **Q. What are the Procurement Plan and Reconciliation Proceedings Costs?**

256 These are primarily the costs incurred in developing, obtaining approval for and
257 implementing the fourth procurement event, covering the period June 2011 through May
258 2016, which was approved by the Commission in ICC Docket No. 10-0563. Also
259 included are procurement-related costs that were incurred during this period and
260 generally relate to issues that arose in administering existing supply and renewables
261 contracts and to the reconciliation process and proceedings. These costs were incurred
262 over the period involved in this matter, *i.e.*, June 2010 through May 2011, and were
263 passed through to customers as they were incurred. These costs consist primarily of legal
264 services from counsel external to ComEd, as well as expert witnesses and consulting
265 charges.

266 **III. ALLOCATION METHODOLOGY**

267 **Q. Does the ComEd Energy Acquisition Department procure power and energy for**
268 **ComEd's fixed-price customers as well as ComEd's hourly-price customers?**

269 A. Yes, it does.

270 Q. **How did ComEd allocate the internal administrative and operational costs that you**
271 **describe above between Rider PE and Rate BESH?**

272 A. For each group (other than the Wholesale Markets and Development group), we first
273 identified the primary work activities performed by the group and the portion of the total
274 time spent on each activity by the employees within the group. We then made an
275 assessment of whether or not each activity was related to ComEd's procurement
276 responsibilities. In making that assessment, we considered whether the activity was
277 necessary solely because of ComEd's load-serving responsibilities, or alternatively, if the
278 function would have been required regardless of our load serving obligation. It was
279 determined that most activities are a combination of these responsibilities. That is, some
280 amount of that activity was deemed necessary to fulfill ComEd's electric distribution
281 company responsibilities to PJM. This work activity would have been required whether
282 or not ComEd supplied any energy to retail customers. However, the fact that ComEd
283 was also a load-serving entity expanded the amount of time and resources needed to
284 perform most activities. Therefore, an estimate of the time spent on each activity was
285 made based on the incremental procurement related work. This allocation of time to the
286 procurement function was then further split between how much of the activity related to
287 serving ComEd's fixed-price load versus the hourly load. Again, this split was made on
288 a time-based assessment. For this reconciliation period, the time-weighted allocations
289 were then rolled to the department level and used to allocate both labor and non-labor
290 costs across the entire department. The average weighted percentage that was applied to
291 the department was approximately 43%.

292 Q. **Can you describe the allocations that were made for each of the groups?**

293 A. Yes, I can. With respect to the Wholesale Supplier Operations group, 38% of the overall
294 labor was determined to be procurement related. The procurement-related activities
295 include validation of customer usage and enrollment information, calculation and
296 submission of peak load contributions to PJM, forecasting, submitting Day-Ahead
297 demand bids and submitting load serving responsibility estimates to PJM for load
298 supplied by ComEd, confirming scheduled physical deliveries by ComEd suppliers and
299 reconciliation of actual vs. estimated load serving responsibilities for load supplied by
300 ComEd. 62% percent of these procurement related activities were deemed to be
301 associated with fixed-price customers and 38% with hourly-price customers, based on the
302 relative amount of time spent supporting each customer segment.

303 With respect to the Wholesale Billing and Credit group, 89% of the overall labor
304 was determined to be procurement related. The procurement-related activities include the
305 accrual and processing of PJM and supplier statements, administration of supplier
306 agreements, monitoring supplier credit ratings and performing mark-to-market activities.
307 90% percent of the procurement related activities were deemed to be associated with
308 fixed-price customers and 10% with hourly-price customers.

309 With respect to the Electric Supplier Services group, 8% of the overall labor was
310 determined to be procurement related. The procurement related activities include
311 processing and validating hourly customer enrollments and return-to-ComEd supply
312 enrollments. 9% of the procurement related activities were deemed to be associated with
313 fixed-price customers and 91% with hourly-price customers.

314 The Director who oversees the Wholesale Supplier Operations, Wholesale
315 Markets & Development and Electric Supplier Services groups and the Vice President of
316 Energy Acquisition spent 38% of their time managing procurement-related activities.
317 90% of that time was deemed to be associated with fixed-price customers and 10% with
318 hourly-price customers. The Procurement Planning and Strategy group spent
319 approximately 91% of their time managing procurement-related activities, 95% of which
320 was associated with fixed-price customers and 5% with hourly-price customers.

321 **Q. How did ComEd allocate the other administrative and operational costs that you**
322 **describe above between Rider PE and Rate BESH?**

323 A. The Renewable Energy Costs, the Procurement Monitor Costs and the Procurement Plan
324 Proceedings Costs were all directly allocated to the fixed-price customers as these were
325 costs incurred procuring supply for these customers. The Information Technology
326 System Costs were allocated 81% to fixed-price and 19% to hourly price customers.
327 Approximately 84% of the PJM Credit Costs were allocated to the fixed-price customers
328 and 16% were allocated to the hourly-price customers. These costs were proportionately
329 allocated based on PJM billings to each service type (fixed-price or hourly-price).

330 **IV. REASONABLENESS OF THE ADMINISTRATIVE**
331 **AND OPERATIONAL COSTS**

332 **Q. Are the internal administrative and operational costs that ComEd incurred**
333 **associated with the procurement of electric power and energy for retail customers**
334 **served under Rider PE and Rate BESH for the period June 1, 2010, through**
335 **May 31, 2011 reasonable?**

336 A. Yes, they are. As described above, all of these costs relate to the operations of ComEd's
337 Energy Acquisition Department. The functions performed by the Energy Acquisition

338 Department were all necessary to procure the power and energy to serve Rider PE and
339 Rate BESH customers. The staff that the Energy Acquisition Department employed was
340 needed to perform these procurement functions. The salaries of the staff are set on a
341 competitive basis and utilize the same salary structure that is used throughout ComEd,
342 and they are reasonable in amount. The administrative costs associated with operating
343 the department are also reasonable in amount. The methodology that ComEd employed
344 to allocate these costs for recovery between Rider PE and Rate BESH is a fair and
345 reasonable method.

346 **Q. Are the other administrative and operational costs described above reasonable and**
347 **recoverable?**

348 **A.** Yes, they are. The other administrative and operational costs, described above, all fall
349 within one of two categories: (1) costs incurred in procuring power and energy for fixed-
350 price customers under the provisions of Rate BES – Basic Electric Service (“Rate BES”),
351 including the costs to develop, implement and comply with any relevant procurement
352 plan, as described in Rider PE; and (2) costs incurred in procuring power and energy for
353 hourly price customers under the provisions of Rate BESH. While I am not a lawyer, I
354 am advised by ComEd’s counsel that it is ComEd’s legal position that the PUA
355 specifically provides that a utility shall recover its costs of procuring power and energy,
356 including the costs incurred by the utility in procuring a supply of electric power and
357 energy, any just and reasonable costs that the utility incurs in arranging and providing for
358 the supply of power and energy, all reasonable costs incurred to implement and comply
359 with any procurement plan, any fees assessed by the IPA, any costs associated with
360 balancing load and the full costs of all auction-related activities. Similarly, Rider PE and

361 Rate BESH implement the PUA and further authorize the recovery of these costs.⁴ As is
362 evident from the description of the costs that I have provided above, all the costs that
363 were flowed through to customers during this period were necessary to procure the power
364 and energy to serve ComEd's fixed-price and hourly price customers consistent with the
365 PUA, the Procurement Plan, and ComEd's tariffs. As I noted above, it is ComEd's
366 position that these costs are conclusively classified as prudent and reasonable, and are
367 fully recoverable. Last, all the costs incurred and listed on ComEd Ex. 2.1 are reasonable
368 in amount.

369 **Q. Is the amount of administrative and operational costs that ComEd recovered from**
370 **customers during this reconciliation period similar to the amount that was**
371 **recovered in the prior period of June 2009 through May 2010?**

372 A. Yes, in the prior period, ComEd recovered approximately \$5.5 million in administrative
373 and operational costs. In the period examined in this docket (June 2010 through May
374 2011) the amount recovered from customers was approximately \$5.1 million.

375 **V. Compliance with the Procurement Plan**

376 **Q. What are the key components of the Procurement Plan?**

377 A. The key components of the Plan are: (1) the identification of pre-existing contracts for
378 supply, (2) the determination of the amounts and method for procuring the residual
379 requirements of energy, capacity and ancillary services for the eligible retail customers,
380 and (3) the procurement of renewable energy resources.

⁴ See Rider PE, Original Sheet No. 311, section on Purpose; Original Sheet Nos. 313 and 314, section on Procurement Obligations; 1st Revised Sheet No. 317, section on Purchased Electricity Price; Rate BESH, 5th Revised Sheet No. 36, section on Miscellaneous Procurement Components Charge; 1st Revised Sheet No. 37 and 3rd Revised Sheet No. 38, section on Hourly Purchased Electricity Adjustment Factor; and 4th Revised Sheet No. 46, section on Miscellaneous General Provisions.

381 Q. **Please describe the pre-existing contracts for supply.**

382 A. Pre-existing contracts are contracts for energy, capacity or ancillary services that ComEd
383 entered into outside of the context of a procurement plan pursuant to either an ICC order
384 or a provision of law. The PUA provides that the utility is entitled to full cost recovery
385 for all supply procured under pre-existing contracts (*see* 220 ILCS 5/16-111.5(k) & (l)).
386 During this reconciliation period, there was one pre-existing contract. Pursuant to
387 Section 16-111.5(k) of the PUA, ComEd entered into a five-year financial swap contract
388 with ExGen. During this reconciliation period, that agreement provided price certainty
389 for 3,000 MW of around-the-clock (“ATC”) energy that ComEd procured through the
390 PJM spot markets.

391 Q. **Please describe what the Plan provided for the procurement of energy, capacity and**
392 **ancillary services.**

393 A. The PUA requires that the portion of the utility’s load not supplied by pre-existing
394 contracts is to be served pursuant to the procurement of standard wholesale products. To
395 meet this requirement, the Plan proposed the procurement of block energy-only products
396 that varied monthly and by on-peak and off-peak time periods. To balance the portion of
397 the load served by these block energy products, the Plan proposed for ComEd to
398 passively procure and sell energy in the PJM administered spot markets. Similarly, the
399 Plan proposed for ComEd to procure capacity and ancillary services from the relevant
400 PJM administered markets.

401 Q. **Please describe how the Plan proposed to procure renewable energy resources.**

402 A. The Plan proposed to procure the required amounts of renewable energy resources, as
403 stipulated in the PUA, for this reconciliation period through the procurement of RECs.

404 Q. **Please describe how ComEd complied with the pre-existing contracts portion of the**
405 **Plan.**

406 A. This portion of the Plan required that ComEd track compliance with the terms of the
407 swap agreement. Pursuant to the swap agreement, ComEd procured and paid for energy
408 from the PJM spot market and then settled up, on a monthly basis, with ExGen for the
409 difference between the day-ahead spot prices and the contract prices.

410 Q. **Please describe how ComEd complied with the procurement of energy, capacity and**
411 **ancillary services portion of the Plan.**

412 A. Several days after the ICC approved the winning bidders for the block energy products,
413 ComEd executed the standard contract that the Procurement Administrator had developed
414 with each winning bidder for the amount and price approved by the ICC. During the
415 terms of these contracts, ComEd tracked that the appropriate amounts of energy were
416 delivered by each supplier, and then paid the approved price to the supplier for this
417 product. ComEd confirmed delivery through the PJM scheduling process at least one
418 month prior to when energy began flowing for each month of the term. ComEd acquired
419 balancing energy, capacity and ancillary services through the relevant PJM markets.
420 ComEd tracked that the appropriate amounts were obtained, confirmed that invoiced
421 amounts were correct and then processed payment for these amounts.

422 Q. **Please describe how ComEd complied with the procurement of renewable energy**
423 **resources portion of the Plan.**

424 A. Several days after the ICC approved the winning bidders for the RECs, ComEd executed
425 the standard contract that the Procurement Administrator had developed with each
426 winning bidder for the amount and price approved by the ICC. During the terms of these

427 contracts, ComEd confirmed delivery of the appropriate amount of RECs from each
428 supplier through the use of the PJM Environmental Information System Generation
429 Attribute Tracking System (“EIS GATS”) or the MISO Midwest Renewable Energy
430 Tracking System (“M-RETS”) certification systems. After deliveries were made and
431 confirmed, ComEd made payments to the suppliers at the approved prices. ComEd also
432 validated that invoices from the renewable certification entities were correct and then
433 processed payments as reimbursement for those services.

434 **Q. Does that conclude your direct testimony?**

435 **A.** Yes, it does.