

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission)
On Its Own Motion)
vs.)
Commonwealth Edison Company)
Reconciliation of revenues collected under Rider EDA)
with actual costs associated with energy efficiency and)
demand response programs.)

Docket No. 11-0646

Revised Direct Testimony of

MICHAEL S. BRANDT

Manager, Energy Efficiency Planning & Measurement
Commonwealth Edison Company

OFFICIAL FILE

I.C.C. DOCKET NO. 11-0646
ComEd Exhibit No. 2.0REV

Witness _____

Date 6/12/13 Reporter KW

ComEd Ex. 2.0 REV

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1 I. **Introduction and Purpose**

2 A. **Identification of Witness**

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

4 A. Michael S. Brandt, Commonwealth Edison Company (“ComEd”), Three Lincoln Centre,
5 Oakbrook Terrace, Illinois 60181.

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

7 A. I am employed by ComEd as Manager of Energy Efficiency Planning and Measurement.

8 B. **Purpose of Testimony**

9 Q. **What are the purposes of your direct testimony?**

10 A. The purposes of my direct testimony are as follows:

- 11 (1) Provide an overview of ComEd’s 2008 – 2010 Energy Efficiency and Demand
12 Response Plan (“Plan”), which was approved by the Illinois Commerce
13 Commission (“ICC” or “Commission”) on February 6, 2008;
- 14 (2) Explain the various energy efficiency and demand response measures
15 (“measures”) ComEd implemented for the Plan Year beginning June 1, 2010 and
16 ending May 31, 2011 (“Plan Year 3” or “PY3”) and ComEd’s accounting for PY3
17 expenditures;
- 18 (3) Explain ComEd’s processes concerning selection and oversight of contractors to
19 ensure such costs are reasonable;
- 20 (4) Demonstrate that the PY3 measures and associated costs are reasonable and
21 prudent;
- 22 (5) Explain ComEd’s reconciliation of revenues collected under Rider EDA – Energy
23 Efficiency and Demand Response Adjustment (“Rider EDA”) with the actual
24 costs prudently incurred by ComEd associated with implementing the energy
25 efficiency and demand response measures approved in ComEd’s Plan, as recorded
26 in ComEd’s accounting records, for the period beginning June 1, 2010 and
27 extending through May 31, 2011; and

28 (6) Explain the start-up and implementation costs ComEd incurred during PY3
29 related to its Commission-approved On-Bill Financing (“OBF”) Program and
30 demonstrate the prudence and reasonableness of those costs.

31 **C. Summary of Conclusions**

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

33 A. As I explain in more detail below, ComEd acted prudently and reasonably in
34 implementing Commission-approved energy efficiency and demand response measures
35 and incurring the related incremental costs described in its Annual Report to the Illinois
36 Commerce Commission concerning the Operation of Rider EDA – Energy Efficiency and
37 Demand Response Adjustment for the period beginning June 1, 2010 and extending
38 through May 31, 2011 (“Annual Report”). ComEd Ex. 1.0. In fact, during PY3 ComEd
39 spent \$17.2 million less than projected while also exceeding the ComEd portion of the
40 energy efficiency savings goal by over 25%, based on ComEd’s own initial estimates.
41 ComEd also acted prudently and reasonably in incurring start-up and implementation
42 costs related to its OBF Program.

43 In addition to implementing the programs set forth in its Plan, ComEd worked
44 closely with the Stakeholder Advisory Group (“SAG”) throughout the Plan year on many
45 matters, including program evaluation issues, plan development and review, a net-to-
46 gross framework, portfolio and program status, and portfolio and program design
47 changes. ComEd also employed appropriate business standards to ensure that measures
48 were implemented according to the Commission-approved Plan while also minimizing
49 costs to customers. Such standards include a competitive bidding process for the hiring
50 of consultants and contractors, use of standardized documents and procedures for
51 contractors, and approval and ongoing monitoring, tracking and reviewing of consultant

52 and contractor work and invoices. ComEd's Annual Report therefore should be
53 approved.

54 **D. Identification of Exhibits**

55 **Q. What exhibits are attached to and incorporated in your direct testimony?**

56 A. I have attached the following exhibits to my testimony:

57 Exhibit 2.1: ComEd's "Tariff Charges Determined by Formula – Energy Efficiency and
58 Demand Response Adjustments ("EDAs")", submitted to the ICC on May 19, 2010,
59 applicable beginning with the June 2010 monthly billing period.

60 Exhibit 2.2: ComEd's "Tariff Charges Determined by Formula – Energy Efficiency and
61 Demand Response Adjustments ("EDAs")", submitted to the ICC on October 13, 2010,
62 applicable beginning with the November 2010 monthly billing period.

63 Exhibit 2.3: ComEd's "Tariff Charges Determined by Formula – Energy Efficiency and
64 Demand Response Adjustments ("EDAs")", submitted to the ICC on May 19, 2011,
65 applicable beginning with the June 2011 monthly billing period.

66 Exhibit 2.4: Report entitled "2011 ComEd Energy Efficiency & Demand Response
67 Adjustment – Cost Recovery Review" and Verification of Val R. Jensen.

68 **Q. Will ComEd be providing notice to the public concerning the filing of your
69 testimony and exhibits?**

70 A. Yes. Consistent with 83 Ill. Admin. Code Part 255 and any Initiating Order issued by the
71 Commission, ComEd will provide public notice concerning the filing of my testimony
72 and exhibits.

73 **E. Background and Experience**

74 **Q. Mr. Brandt, please summarize your duties and responsibilities in your current**
75 **position.**

76 A. Over the past five years, my responsibilities have included providing strategic oversight
77 of energy efficiency and demand-side management (“DSM”) initiatives, including
78 portfolio/program planning, design and evaluation. I also am responsible for all
79 reporting, accounting and budgeting functions associated with ComEd’s energy
80 efficiency and DSM programs and portfolio.

81 **Q. Mr. Brandt, please summarize your educational background and professional**
82 **experience.**

83 A. I graduated from the University of Chicago with a Bachelor of Arts in Economics, and
84 then received a Masters of Business Administration from the University of Chicago’s
85 Booth School of Business with a concentration in Statistics and Quantitative Analysis. I
86 have been employed by ComEd and Exelon for over 28 years in various positions,
87 including positions related to energy efficiency and demand response. From 1994
88 through 1997, I served as DSM Planning Supervisor, which involved the management of
89 a team of analysts who were responsible for the DSM planning process, which was a
90 major component of ComEd’s Least Cost Plan. Prior to that position, from 1991 through
91 1994, I was the DSM Program Supervisor for the Least Cost Planning process, and my
92 responsibilities included the implementation of ComEd’s first portfolio of energy
93 efficiency and demand response programs. I have also held numerous other positions
94 within Exelon and ComEd, including roles in the Information Technology, Marketing,
95 Market Research, Strategic Analysis, Payroll and Regulatory areas.

96 **II. Overview of ComEd’s Energy Efficiency and Demand Response Plan**

97 **Q. Please provide an overview of ComEd’s 2008 – 2010 Energy Efficiency and Demand**
98 **Response Plan.**

99 A. On November 15, 2007, ComEd filed its 2008 – 2010 Energy Efficiency and Demand
100 Response Plan pursuant to the requirements imposed by Section 8-103 of the Public
101 Utilities Act (“Act”). Although the Plan addressed a variety of issues, the core of
102 ComEd’s Plan was a portfolio of energy efficiency and demand response measures
103 designed to meet the statutory energy savings goals within the spending screens in each
104 of the three Plan years. For Plan Year 3, subsection (b) required that ComEd “implement
105 cost-effective energy efficiency measures” to achieve an annual energy savings goal of
106 0.6% of energy delivered during Plan Year 3 (220 ILCS 5/8-103(b)), and subsection (c)
107 mandated that ComEd “implement cost-effective demand-response measures to reduce
108 peak demand by 0.1% over the prior year for eligible retail customers, as defined in
109 Section 16-111.5 of this Act” (220 ILCS 5/8-103(c)).

110 Moreover, subsection (d) established a “spending screen,” which provided that,
111 for Plan Year 3, ComEd “reduce the amount of energy efficiency and demand-response
112 measures implemented ... by an amount necessary to limit the estimated average increase
113 in the amounts paid by retail customers in connection with electric service due to the cost
114 of those measures to ... the greater of an additional 0.5% of the amount paid per
115 kilowatthour by those customers during the year ending May 31, 2009 or 1.5% of the
116 amount paid per kilowatthour by those customers during the year ending May 31, 2007.”
117 220 ILCS 5/8-103(d). Applying these goals to Plan Year 3, ComEd’s Plan calculated a
118 statutory energy efficiency savings goal of 584,077 megawatt hours (“MWhs”), a

119 demand response savings goal of 10.0 megawatts (“MWs”), and a spending screen of
120 \$126.7 million.

121 Although the utility is responsible for implementing all of the demand response
122 measures in its Plan, Section 8-103(e) requires that the utility and the Department of
123 Commerce and Economic Opportunity (“DCEO” or “the Department”) share the duties
124 of implementing the energy efficiency measures. Specifically, the statute provides that
125 “[e]lectric utilities shall implement 75% of the energy efficiency measures approved by
126 the Commission The remaining 25% of those energy efficiency measures approved
127 by the Commission shall be implemented by the [Department], and must be designed in
128 conjunction with the utility and the filing process.” 220 ILCS 5/8-103(e). ComEd and
129 DCEO calculated the split by considering the nature of the programs and allocating the
130 amount under the statutory spending screen to correspond with the statutory percentage.
131 As a result, of the 584,077 MWh energy efficiency saving goal, ComEd was responsible
132 for 458,919 MWhs and DCEO was responsible for 125,158 MWhs.

133 In its February 6, 2008 Order approving ComEd’s Plan, the Commission
134 approved the calculations of the energy efficiency savings goals, the spending screen, and
135 the split with DCEO. *See Commonwealth Edison Co.*, Final Order, ICC Docket No. 07-
136 0540 (Feb. 6, 2008) (“Order”).

137 **Q. Did ComEd apply the Plan’s PY3 spending screen of \$126.7 million?**

138 A. No. Consistent with the Order, ComEd recalculated the spending screen to reflect the
139 average amount paid by retail customers and revised its forecast for energy to be
140 delivered. *See Order at 30.* This recalculation resulted in an adjusted spending screen of

141 \$120.7 million, which was \$6.0 million less than the spending screen originally
142 calculated in the Plan for PY3. *See* ComEd Ex. 2.1.

143 **Q. Please describe in more detail the measures ComEd implemented in Plan Year 3 to**
144 **achieve the energy savings goals.**

145 A. ComEd’s Plan organized the individual energy efficiency measures into an overall
146 portfolio consisting of a variety of programs. The basic building block of the portfolio is
147 an energy efficiency measure, which is an individual technology (*e.g.*, compact
148 fluorescent lamp (“CFL”)) or service (*e.g.*, air conditioner tune-up) that reduces the
149 amount of electricity used when installed or performed. An energy efficiency program or
150 program element consists of the bundling of one or more of these energy efficiency
151 measures into an entire program concept, which includes program delivery mechanisms,
152 incentive rebate levels, and marketing approaches. The measure is one component of the
153 program element. A program represents a bundle of program elements.

154 The portfolio was designed to blend together the program elements under two
155 broad solutions-based programs for Residential and Business customers – “Smart Ideas
156 for Your Home” and “Smart Ideas for Your Business,” respectively. Packaging the
157 individual program elements under these larger umbrella programs facilitates a one-stop
158 shopping experience and avoids customer confusion. ComEd’s final Plan Year 3
159 portfolio consisted of a set of energy efficiency program elements that included seven
160 residential program elements and three commercial and industrial (“C&I”) program
161 elements.

162 *“Smart Ideas for Your Home” – Residential Programs*

163 The residential program elements, grouped under the heading “Smart Ideas for Your
164 Home,” provided a variety of options for residential customers during Plan Year 3. The
165 elements that were rolled out during this first implementation cycle were technology-based
166 and focused on relatively simple customer actions. They also emphasized customer
167 education, with the goal of moving residential customers to more comprehensive “whole
168 home” solutions. The following program elements were available to residential customers
169 during PY3:

- 170 • Residential Lighting: The Residential Lighting program element was
171 offered under the banner “ENERGY STAR™ Lighting”, and offered
172 customers instant incentives when purchasing CFLs and qualifying
173 specialty lamps at participating retailers. By the end of PY3, over 700
174 retail stores in the ComEd service territory were participating. Over 11.1
175 million bulbs were sold through this program element in PY3, which,
176 based on ComEd’s initial estimates, resulted in approximately 233,000
177 MWhs saved. The program implementation was contracted to Applied
178 Proactive Technologies, Inc (“APT”).

- 179 • Appliance Recycling: This program element offered residential customers
180 the opportunity to receive financial incentives for turning in secondary
181 refrigerators and freezers and inefficient room air conditioners.
182 Participants received \$25 per refrigerator, freezer, or window air
183 conditioner, with a maximum incentive per household of \$75. In

184 November 2010, ComEd increased the incentives for refrigerators and
185 freezers to \$35, as well as increased the maximum incentive to \$95, in
186 order to promote participation. For Plan Year 3, over 40,000 appliances
187 were picked up and recycled through this program element, achieving an
188 estimated savings of 33,000 MWhs. The program implementation was
189 contracted to JACO Environmental.

190 • Residential Multi-Family “All-Electric” Sweep: This program element
191 ran under the banner “All-Electric Efficiency Upgrade”, and provided
192 direct installation of no-cost energy efficiency products to residential
193 customers in all-electric multi-family buildings. These measures included
194 CFLs, kitchen and bath faucet aerators and low-flow showerheads.
195 During Plan Year 3, 5,500 residential dwelling units were upgraded,
196 which ComEd estimates to have resulted in over 2,600 MWhs saved. The
197 program implementation was contracted to Honeywell Utility Solutions.
198 Also during PY3, ComEd along with Nicor and Integrys gas companies
199 developed and launched joint multi-family pilots for buildings with gas
200 water heating. Over 36,000 units were upgraded in these programs, which
201 generated an additional 6,000 MWh savings for a combined savings of
202 8,600 MWh. This joint program implementation was also contracted to
203 Honeywell Utility Solutions.

204 • Central Air Conditioner Energy Services (“CACES”): During Plan Year
205 3, ComEd offered two program elements under CACES – the Residential
206 Heating, Ventilation and Air Conditioning (“HVAC”) Diagnostics &

207 Tune-Up program element and the Residential New HVAC with Quality
208 Installation program element – under the name Central Air Conditioner
209 Energy Services (“CACES”). This program element had essentially two
210 components – one for repairs and tune-ups and one for replacements or
211 new installations. For the repair and tune-up component, participating
212 contractors use state-of-the-art computerized equipment to accurately
213 analyze the participant’s cooling system’s performance, and adjust the air
214 conditioner to optimize its energy efficiency. For the replacement or new
215 installation component, participating contractors complete a detailed
216 analysis of the participant’s cooling needs to ensure that the new unit is
217 sized to provide maximum comfort and efficiency and also utilize state-of-
218 the-art computerized diagnostic tools to ensure the new equipment is
219 installed according to manufacturer specifications. For Plan Year 3, over
220 14,500 air conditioners were tuned-up and over 1,600 new high efficiency
221 units were installed via this program element, which ComEd estimates to
222 have resulted in over 2,100 MWhs saved. The program implementation
223 was contracted to Honeywell Utility Solutions.

224 • Single Family Home Performance: This program element improves the
225 efficiency of all-electric single family homes by offering a comprehensive
226 package of low-cost retrofit measures and a walk-through survey with the
227 homeowner. The low-cost measures included CFLs, faucet aerators, low-
228 flow showerheads and water heater pipe insulation. During Plan Year 3,
229 over 470 residential homes were upgraded, which ComEd estimates to

230 have resulted in over 300 MWhs saved. The program implementation was
231 contracted to Honeywell Utility Solutions. ComEd also developed and
232 launched joint single family home pilot programs with Nicor and Integrys
233 gas companies for homes with gas water heating (and typically gas heat).
234 In total, over 7,800 homes were upgraded, generating over 1,600 MWh of
235 savings for a combined MWh savings of 1,900 MWh.

236 • Air Conditioning (“AC”) Cycling: The AC Cycling program element
237 represented the demand response portion of ComEd’s portfolio. For this
238 program element, participants agreed to allow ComEd to cycle off their
239 central air conditioner compressors during periods of high demand in
240 exchange for a credit on their utility bill. During Plan Year 3, ComEd
241 added over 10,000 new participants, resulting in an estimated additional
242 14.7 MWs of controllable load.

243 • Home Energy Reports: ComEd also continued to offer the Home Energy
244 Report (“HER”) pilot program that began in PY2, as well as incurred start-
245 up costs to expand the pilot into a program element to be offered during
246 Plan Year 4. Approximately 50,000 customers received HERs on a
247 regular basis in PY3, resulting in an expected savings of 9,600 MWhs.
248 The program implementation was contracted with OPOWER.

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“Smart Ideas for Your Business” - Business Programs

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The C&I program elements, grouped under the “Smart Ideas for Your Business” umbrella, offered a complementary set of energy efficiency options to C&I customers during Plan Year 3.

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- Prescriptive Incentive and Custom Incentive: For the first three Plan years, the Prescriptive Incentive program element and the Custom Incentive program element were administered together. The Prescriptive Incentive program element offered a menu of pre-approved lighting, motors, HVAC systems and chiller equipment at set rebate levels, and participants received the rebates from ComEd for the implementation of these technologies. In PY3, mid-stream incentives were added to provide discounted CFL bulbs to business customers through electrical distributors. The Custom Incentive program element allowed businesses to apply for incentives for more complex projects, such as improvements to industrial processes that would provide energy efficiency savings. Applications for the Custom Incentive program element had to show an estimate of proposed savings, and required a ComEd engineering review and approval. Over 4,400 prescriptive and custom applications were processed in Plan Year 3, which ComEd estimates resulted in nearly 220,000 MWhs saved. KEMA International was the implementation contractor for these programs.

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- 270 • Retrocommissioning: The Retrocommissioning program element, which
271 was designed to identify and implement low-cost tune-ups and
272 adjustments that improve the efficiency of existing buildings, focused on
273 building controls and HVAC systems. During Plan Year 3, this program
274 element had 34 participants and produced an estimated 19,000 MWhs of
275 savings. The implementation was contracted to Nexant, Inc.
- 276 • C&I New Construction: This program element provided technical
277 assistance and financial incentives to building designers, architects, and
278 building owners for surpassing standard new construction building
279 practices related to energy efficiency. In Plan Year 3, 37 projects were
280 completed, producing an estimated 6,200 MWhs of savings. This
281 program’s implementation was contracted to the Energy Center of
282 Wisconsin (“ECW”).

283 **Q. Are the estimated MWhs of savings identified above for each program element the**
284 **final MWhs of savings for PY3?**

285 A. No. The results I am presenting here are the *ex ante* results, which ComEd has calculated
286 based on the best information known at this time. Over the next several months, the
287 independent evaluation team, led by Navigant Consulting, will complete the PY3
288 evaluations. The results presented in these evaluations will be the *ex post* results, which
289 will be considered the final PY3 results. After receiving the final evaluation reports,
290 ComEd will prepare a PY3 Annual Report of Results, similar to the reports produced in
291 PY1 and PY2. ComEd will file this report by December 31, 2011 in the evaluation
292 docket opened by the Commission to evaluate the PY3 energy savings, assuming all

293 evaluation reports are finalized by December 1, 2011. If any evaluation reports are not
294 complete by that date, ComEd commits to producing this report within 30 days upon
295 receiving the final evaluation report.

296 **III. Plan Year 3 Energy Efficiency and Demand Response Measures**

297 **Q. Please provide an overview of the incremental costs ComEd incurred related to**
298 **implementing energy efficiency and demand response measures during Plan Year 3.**

299 A. The Plan Year 3 incremental costs included costs for (i) residential program elements, (ii)
300 C&I program elements, (iii) the demand response program element, (iv) education and
301 market transformation activities, (v) DCEO costs, and (vi) portfolio-level costs.

302 **Q. Please describe the incremental costs associated with each of the program elements**
303 **ComEd implemented during Plan Year 3.**

304 A. ComEd incurred the following incremental costs for programs during Plan Year 3:

- 305 • Residential Lighting: \$15,380,932.
- 306 • Appliance Recycling: \$5,945,189.
- 307 • Residential Multi-Family “All-Electric” Sweep: \$1,272,882.
- 308 • Residential HVAC Diagnostic & Tune-Up and Residential New HVAC with
309 Quality Installation: \$2,201,435.
- 310 • Single Family Home Performance: \$676,934.
- 311 • AC Cycling: \$1,083,330.
- 312 • Home Energy Reports: \$1,642,308.¹
- 313 • C&I Prescriptive/Custom: \$30,609,012.

¹ This amount includes only the start-up costs incurred by ComEd during PY3 to expand the pilot into a program element to be offered during Plan Year 4. ComEd also incurred costs of an additional \$447,000 during PY3 related to offering the pilot during PY3. These costs were split between the education and market transformation budget and research and development budget.

314 • C&I Retrocommissioning: \$3,192,735.

315 • C&I New Construction: \$1,307,184.

316 **Q. Please describe the incremental costs related to the education and market**
317 **transformation activities.**

318 A. The education and market transformation activities were designed to promote energy
319 efficiency education in general as well as awareness of individual programs. ComEd
320 undertook a variety of activities to achieve these objectives, including (i) providing
321 Energy Insights Online (“EIO”) and Energy Data Services for business customers, (ii)
322 participating in trade ally events to promote the programs, (iii) conducting general
323 marketing activities, and (iv) operating two pilot programs – ComEd Community Energy
324 Challenge and Home Energy Reports whose costs were split with the Research and
325 Development budget. The incremental costs associated with these activities during Plan
326 Year 3 were \$2,957,997.

327 **Q. How did ComEd account for the DCEO portion of the budget?**

328 A. As I described earlier, 25% of the energy efficiency measures that were approved by the
329 Commission as part of this Plan are to be implemented by DCEO. However, because
330 100% of the revenue is collected by ComEd, ComEd must reimburse DCEO for its
331 incremental costs. As a result, as DCEO executed grants or contracts for energy
332 efficiency measures during Plan Year 3, DCEO would forward to ComEd an invoice
333 including the necessary supporting documentation for these grants and contracts. ComEd
334 would review all the invoice documentation to ensure completeness and then release the
335 money to DCEO. This process provided the required oversight and ensured that the
336 money was being allocated towards the energy efficiency measures. ComEd reimbursed

337 DCEO its incremental costs associated with these activities during Plan Year 3, which
338 totaled \$28,659,011.

339 **Q. Please describe the Plan Year 3 portfolio-level costs.**

340 A. Portfolio-level costs included the overall operation and administration costs of the Plan,
341 and consisted of three categories – portfolio administration costs, measurement and
342 verification (“M&V”) costs, and research and development (“R&D”)/emerging
343 technologies costs. Each of these categories is described further below:

344 • Portfolio Administration Costs: These expenditures generally included costs
345 associated with (i) internal ComEd labor for new, incremental positions added to
346 implement ComEd’s Plan, (ii) market research and baseline studies across all
347 customer classes, (iii) tracking system expenses, and (iv) general portfolio
348 expenses. During Plan Year 3 the incremental costs were \$4,349,045.

349 • Measurement and Verification Costs: These costs related to expenses incurred in
350 retaining Navigant Consulting to conduct the required independent evaluation
351 function for the portfolio. The hiring of Navigant Consulting was also subject to
352 the Commission Staff’s approval. The incremental costs allowed during Plan
353 Year 3 for measurement and verification were \$3,621,029.

354 • Research and Development and Emerging Technologies: These expenditures can
355 be divided into three groups: (i) pilot programs (e.g., Home Energy Reports,
356 Small Business Direct Install Pilot, White Goods Pilot, Monitor-based
357 Commissioning Pilot), (ii) energy efficiency industry memberships (e.g., E-

358 Source, Consortium for Energy Efficiency), and (iii) technology research. During
359 Plan Year 3, the incremental costs were \$1,387,102.

360 **Q. In summary, what were the total actual expenditures for Plan Year 3?**

361 A. The actual incremental costs ComEd incurred related to implementing the Plan during
362 Plan Year 3 were \$104,286,124. The cost breakdown is as follows:

- 363 • Residential Program Costs: \$27,119,680.
- 364 • C&I Program Costs: \$35,108,931.
- 365 • Demand Response Program Costs: \$1,083,330.
- 366 • Education/Market Transformation: \$2,957,997.
- 367 • DCEO Costs: \$28,659,011.
- 368 • Portfolio-level Costs: \$9,357,176.

369 The Annual Report presents the costs associated with the Portfolio. *See* ComEd Ex. 1.0.

370 **Q. How does ComEd account for expenditures associated with the measures?**

371 A. Each program or activity is assigned a unique project number within ComEd's
372 accounting system, and costs are therefore tracked on a program element or activity basis.
373 *See* ComEd Ex. 1.0.

374 **Q. Please explain the difference between the forecasted and actual costs for Plan Year
375 3.**

376 A. As explained earlier, based on the updated PY3 spending screen the PY3 forecast was
377 \$120,700,951. *See* ComEd Ex. 1.0. Actual expenditures for PY3 were \$104,350,143.
378 The primary driver of the difference between the forecasted and actual expenditures is the
379 reduction in CACES expenditures during PY3.

380 **IV. Prudence and Reasonableness of PY3 Costs**

381 **A. Contractor Selection and Oversight**

382 **Q. Please describe the types of activities for which ComEd retains third-party**
383 **consultants and contractors.**

384 A. For the third year of its Plan, ComEd utilized consultants and contractors for several key
385 roles – (i) program implementation, (ii) program evaluation, (iii) market research, and
386 (iv) program tracking system development and implementation.

387 **Q. How does ComEd ensure that the consultant and contractor costs it incurs are**
388 **reasonable?**

389 A. To ensure reasonable and prudent costs, ComEd uses a standard competitive solicitation
390 process administered by its affiliate, Exelon Business Services Company (“BSC”), which
391 provides a variety of services to subsidiaries of Exelon Corporation such as ComEd.
392 ComEd, in conjunction with BSC, developed Request for Proposals (“RFPs”) documents
393 that detailed the requirements for the programs. A list of qualified vendors was created
394 for the various types of programs and projects based on numerous sources, including
395 industry sources, ComEd and BSC knowledge and experience, and unsolicited contacts.
396 The RFPs were then sent to the vendors for bid. For each RFP, ComEd and BSC put
397 together an internal team to review each bid based on specific qualifications, including
398 previous experience and cost. In all cases, contract negotiations were conducted by the
399 BSC procurement team and followed standard procurement procedures. In the case of
400 the evaluation contract, ICC Staff was also offered the opportunity to review all bids,
401 participate in any vendor interviews, and ultimately have sign-off on the vendor selection.

402 SAG members were also kept apprised of all steps in the process and had the opportunity
403 to comment on the process at any time.

404 In the contract implementation phase, ComEd's program managers review the
405 invoices submitted by the consultants and contractors to ensure the invoices reflect only
406 those charges that relate to work that has been authorized. To assist its review of
407 expenditures, ComEd requires that invoices include detailed backup documentation.

408 **Q. Please identify which consultants and contractors ComEd uses in conjunction with**
409 **implementing the measures.**

410 A. In addition to the implementation contractors that I identified above for each program,
411 ComEd has several other primary consultants and contractors that work on this project:

- 412 • Abt SRBI: Conducts the annual energy efficiency and demand response baseline
413 awareness, attitude and behavior study.
- 414 • Franklin Energy: Manages the Small Business Direct Install Pilot Program.
- 415 • Frontier Associates: Provides tracking system development and management.
- 416 • Navigant Consulting: Manages the independent evaluation function.
- 417 • Portland Energy Conservation: Manages Monitor-based Commissioning Pilot
418 Program.
- 419 • Shaw Environmental: Completed the Community Energy Challenge Pilot
420 Program.

421 **B. Incentive Compensation**

422 **Q. In its order in Docket No. 10-0570, the Commission concluded that “in ComEd’s**
423 **next reconciliation filing it should show how its current incentive compensation**
424 **relates to EE or how it has tailored its incentive compensation for these employees.**
425 **Naturally, the reasonableness and prudence must also be shown.” *Commonwealth***

426 *Edison Co., ICC Docket No. 10-0570, Final Order (Dec. 21, 2010) at 44. How is*
427 **ComEd making this showing in this docket?**

428 A. The incremental ComEd employees whose costs are recovered through Rider EDA
429 (“incremental employees”) are ComEd employees, and therefore they participate in the
430 ComEd Annual Incentive Program (“AIP”) along with all other ComEd employees. The
431 AIP, similar to paid vacation and certain healthcare related benefits, is a standard
432 component of compensation offered to all ComEd employees, and is necessary for
433 ComEd to remain competitive in the labor market with other utilities to attract qualified
434 managers and employees. The incremental employees ComEd has hired to implement its
435 energy efficiency plan (and whose costs are recovered through Rider EDA) provide the
436 benefits identified by the General Assembly in Section 8-103 of the Act: “Requiring
437 investment in cost-effective energy efficiency and demand-response measures will reduce
438 direct and indirect costs to consumers by decreasing environmental impacts and by
439 avoiding or delaying the need for new generation, transmission, and distribution
440 infrastructure.” 220 ILCS 5/8-103(a). These savings, as well as the energy savings
441 achieved under subsection (b) of Section 8-103 of the Act, are effected in part by the
442 employees, including the incremental employees, who implement the energy efficiency
443 plan, and who are compensated to do so.

444 Moreover, as explained in the AIP plan, one of the Funding Key Performance
445 Indicators (“KPI”) is the Focused Initiatives & Environmental Index, which includes a
446 measure of energy efficiency savings achieved through ComEd’s energy efficiency
447 programs offered pursuant to Section 8-103 of the Act, the incremental costs of which are

448 recovered through Rider EDA. The efforts and contributions of the employees, including
449 incremental employees, are critical to ensuring ComEd achieves this operational KPI.

450 Finally, because the expenses associated with these incremental employees,
451 including AIP plan expenses, are recovered through Rider EDA, these expenses are fully
452 removed from ComEd's revenue requirement. *See* ICC Docket No. 10-0467, ComEd Ex.
453 6.2, Schedules WPC-1a and WPC-1f. Thus, these are reasonable and prudent costs
454 which are incurred in furtherance of statutorily-imposed goals and which are not
455 recovered elsewhere.

456 **V. Operation of Rider EDA**

457 **A. Overview of Rider EDA**

458 **Q. Please generally describe Rider EDA.**

459 A. Rider EDA prescribes the method of computing the charges that reflect the recovery of
460 the incremental costs associated with energy efficiency and demand response measures.
461 The purpose and intent of Rider EDA is to pass through to retail customers the
462 incremental costs incurred by ComEd associated with the measures, without markup or
463 profit. Each May, ComEd files with the Commission an Informational Filing, which
464 includes its projected costs for measures to be implemented during the next Plan year and
465 the calculations necessary to determine the Rider EDA charges for the coming Plan year
466 for each of the three customer classes identified in the rider. Rider EDA also provides
467 that the Rider EDA charges may be revised by ComEd during a given Plan year if
468 ComEd determines that "a revised EDA results in a better match between EDA revenues
469 and applicable Incremental Costs." Ill. C. C. No. 10, Original Sheet No. 248.1.

470 A key component of the Rider EDA calculation is the Automatic Reconciliation
471 Factor (“ARF”), which Rider EDA defines as “equal to the cumulative over collection or
472 under collection from applicable retail customers, pursuant to plans approved by the ICC,
473 resulting from the application of then applicable EDAs through the end of the following
474 May monthly billing period.” Ill. C. C. No. 10, 1st Revised Sheet No. 248. Because the
475 PY3 ARF reflected an over collection of Plan Year 2 Rider EDA revenues by
476 approximately \$10.9 million, its application during PY3 decreased the amount that would
477 be recovered from retail customers by approximately \$10.9 million. *See* ComEd Ex. 1.0.

478 **Q. Please describe the incremental costs associated with the measures recoverable**
479 **through Rider EDA.**

480 A. The costs recoverable through Rider EDA include all incremental costs incurred by
481 ComEd in association with the measures. Rider EDA defines “Energy Efficiency and
482 Demand Response Measures (Measures)” as “activities and programs that are developed,
483 implemented, or administered by or for the Company, or the Department of Commerce
484 and Economic Opportunity (DCEO), that are related to energy efficiency and demand
485 response plans approved by the ICC.” Rider EDA, Ill. C. C. No. 10, 1st Revised Sheet
486 No. 245. The rider then defines “Incremental Costs” as follows:

487 Incremental Costs mean costs incurred after August 28, 2007 by
488 the Company or recovered on behalf of DCEO in association with
489 the Measures and include, but are not limited to (a) fees, charges,
490 billings, or assessments related to the Measures; (b) costs or
491 expenses associated with equipment, devices, or services that are
492 purchased, provided, installed, operated, maintained, or monitored
493 for the Measures; (c) the revenue requirement equivalent of the
494 return of and on a capital investment associated with a Measure,
495 based on the most recent rate of return approved by the ICC; and
496 (d) all legal and consultative costs associated with the Measures.

497 Incremental Costs also include incremental expenses for wages,
498 salaries, and benefits of Company employees, including direct and
499 indirect incremental costs associated with such Company
500 employees, who are hired for positions that are specifically related
501 to the Measures and that were created after August 28, 2007.
502 Incremental Costs may not include any expenses for wages,
503 salaries, and benefits of Company employees, employed either
504 before or after August 28, 2007, that are otherwise recovered under
505 other effective tariffs.

506 *Id.*

507 **B. Calculation of Rider EDA Charges**

508 **Q. How did ComEd calculate the Rider EDA charges for the June 2010 monthly billing**
509 **period and extending through the May 2011 monthly billing period?**

510 **A.** This information is provided in Exhibit Nos. 2.1 and 2.2 to my direct testimony. As I
511 explain below, ComEd filed its initial Rider EDA Adjustment in May 2010 as required
512 by the rider. ComEd revised the EDA Adjustment, effective with the November 2010
513 monthly billing period, to reflect the final true-up of actual expenses by customer class
514 for PY2.

515 • ComEd Exhibit 2.1 is ComEd's "Tariff Charges Determined by Formula – Energy
516 Efficiency and Demand Response Adjustments ("EDAs")", submitted to the
517 Commission on May 19, 2010, for charges to be effective beginning with the June
518 2010 monthly billing period. Pages one and two of ComEd Exhibit 2.1 are the
519 transmittal letter for the Rider EDA charges beginning with the June 2010
520 monthly billing period. Page three is the 3rd Revised Informational Sheet No. 9,
521 canceling the 2nd Information Sheet No. 9, which is part of ComEd's tariff. The
522 fourth page shows the calculations of the Rider EDA charges for Plan Year 3 for
523 each of the three customer classes. The last page is a table of projected portfolio

524 costs and the allocation of these costs across the three customer classes of
525 residential, small C&I and large C&I for Plan Year 3.

526 • ComEd Exhibit 2.2 is ComEd's "Tariff Charges Determined by Formula – Energy
527 Efficiency and Demand Response Adjustments ("EDAs")", submitted to the
528 Commission on October 13, 2010, for charges to be effective beginning with the
529 November 2010 monthly billing period. Pages one and two of ComEd Exhibit
530 2.2 are the transmittal letter for the Rider EDA charges beginning with the
531 November 2010 monthly billing period. Page three is the 4th Revised
532 Informational Sheet No. 9, canceling the 3rd Information Sheet No. 9, which is
533 part of ComEd's tariff. The fourth page shows the revised calculations of the
534 Rider EDA charges for Plan Year 3 for each of the three customer classes. The
535 last page shows the revised calculations of the Rider EDA charges for Plan Year 3
536 for each of the three customer classes.

537 **Q. With respect to ComEd Exhibit 2.1, what information is included on the page that**
538 **shows the calculations of the Rider EDA charge for Plan Year 3?**

539 A. For each of the three customer classes, the information that is relevant and included for
540 Plan Year 3 includes: (1) the PY3 projected incremental costs associated with the
541 measures, (2) the PY3 ARFs (over collection of PY2 Rider EDA revenues), (3) the Total
542 Dollar Amount to be recovered through the rider, (4) the Projected Energy to be
543 Delivered to each of the three classes of Retail Customers (in kWhs), (5) the
544 Uncollectible Factor, and (6) the Plan Year 3 Rider EDA Adjustments, rounded to the
545 nearest thousandth of a cent.

546 **Q. Does Rider EDA take into account any potential offsetting credits to the costs**
547 **associated with the measures?**

548 A. Yes. The methodology used to calculate the Rider EDA charges, described in Rider
549 EDA, takes into account the Reimbursements of Incremental Costs (“RIC”), which is
550 equal to reimbursement funds from any source other than the application of the Rider
551 EDA charges to the bills of retail customers. If the RIC is greater than zero, then the
552 amount of the RIC is subtracted from the projected incremental costs to obtain the total
553 amount to be charged through the rider.

554 **Q. What was the value of the RIC in setting the Rider EDA charges for PY3?**

555 A. The value of the RIC used to set the Rider EDA charges for PY3 was zero, as reflected in
556 ComEd Ex. 2.1.

557 **Q. How did ComEd determine the projected energy to be delivered in Plan Year 3 to**
558 **retail customers in the Rider EDA calculations?**

559 A. ComEd obtained a forecast of the projected energy to be delivered to its retail customers
560 in Plan Year 3 from its Load Forecasting Division, which is part of ComEd’s Financial
561 Planning and Analysis department.

562 **Q. How did ComEd determine the Uncollectible Factor?**

563 A. Consistent with the Commission’s order in Docket No. 09-0433, the Uncollectible Factor
564 is 1.0.

565 **Q. How were the Rider EDA charges determined?**

566 A. The Rider EDA charges for each customer group were determined by dividing the
567 projected incremental costs associated with the measures for Plan Year 3 for that

568 customer group (less the ARF) by the projected energy to be delivered to that customer
569 group in Plan Year 3, multiplying that figure by the Uncollectible Factor, and rounding to
570 the nearest thousandth of a cent. As shown in ComEd's "Tariff Charges Determined by
571 Formula – Energy Efficiency and Demand Response Adjustments ("EDAs")", submitted
572 to the Commission on May 19, 2010, the Rider EDA charges appearing on retail
573 customers' bills beginning with the June 2010 monthly billing period and extending
574 through the October 2011 monthly billing period were as follows:

- 575 • Residential (EDA-R) - 0.147 cents per kWh
- 576 • Small C&I (EDA-NS) - 0.127 cents per kWh
- 577 • Large C&I (EDA-NL) - 0.114 cents per kWh

578 ComEd Ex. 2.1. As shown in ComEd's "Tariff Charges Determined by Formula –
579 Energy Efficiency and Demand Response Adjustments ("EDAs")", submitted to the
580 Commission on October 13, 2010, the Rider EDA charges appearing on retail customers'
581 bills beginning with the November 2010 monthly billing period and extending through
582 the May 2011 monthly billing period were as follows:

- 583 • Residential (EDA-R) - 0.156 cents per kWh
- 584 • Small C&I (EDA-NS) - 0.112 cents per kWh
- 585 • Large C&I (EDA-NL) - 0.070 cents per kWh

586 ComEd Ex. 2.2.

587 **Q. How are the Rider EDA charges applied in billing ComEd's customers?**

588 A. The relevant Rider EDA charge was applied to each kWh of electricity delivered to
589 ComEd's retail customers. The total charge or credit applied in accordance with the

590 provisions of Rider EDA is separately stated on each retail customer's monthly bill as
591 "Energy Efficiency Programs."

592 **C. Description of Annual Report**

593 **Q. Is ComEd filing an annual report with the Commission, as required by Rider EDA?**

594 A. Yes. Rider EDA requires ComEd to file with the Commission an annual report
595 summarizing the operation of Rider EDA and comparing actual incremental cost
596 recovery from customers in PY3 with the incremental costs incurred in accordance with
597 the provisions of Rider EDA for PY3. ComEd's Annual Report is filed as ComEd
598 Exhibit 1.0.

599 **Q. Please briefly describe the Annual Report.**

600 A. The first page provides a summary of the PY3 incremental costs incurred and recovered
601 through Rider EDA. The second page shows a summary of revenue of (1) the amounts
602 recovered through rates by class of retail customers, to whose bills the Rider EDA
603 charges were applied in PY3 and (2) the Reimbursement of Incremental Costs ("RIC")
604 for PJM credits associated with the AC Cycling program. The third page details prior
605 period adjustments identified in PY3. Finally, the fourth page shows the incremental
606 costs incurred by ComEd and associated with the measures during PY3. These costs are
607 broken down by programs and activities, and then by customer group.

608 **Q. What are the prior period adjustments that ComEd identified during PY3?**

609 A. ComEd identified two adjustments that were required to the portfolio accounting to
610 ensure accuracy and consistency within the portfolio. The first adjustment (PY2
611 Adjustments – Light Bulb Incentives) reallocates costs for the Residential Lighting

612 Program from the residential customer class to the small C&I customer class. This is
613 based on findings in the Residential Lighting evaluation that approximately 10% of the
614 light bulbs were used in small C&I facilities. The second adjustment (PY2 Adjustments
615 – over-collection of evaluation costs) reflects a credit to all three customer classes
616 regarding the final evaluation costs for PY2.

617 **Q. Please describe the calculation of the ARFs related to the Plan Year 3 activity.**

618 A. For PY3, each ARF is equal to the amount of the under or over collection of incremental
619 costs resulting from the application of the Rider EDA adjustment to retail customers'
620 bills. As stated in the Annual Report, the difference between the incremental costs
621 incurred for each of the three customer classes and the amount recovered in rates from
622 each of the customer classes resulted in an over collection for the residential, small C&I
623 and large C&I classes of \$6,274,155, \$5,844,595 and \$5,087,760, respectively, for a total
624 of \$17,206,510. *See ComEd Ex. 1.0.*

625 **Q. Did ComEd make any changes to its Rider EDA charges for Plan Year 4?**

626 A. Yes. The changes were made based on two factors. First, under ComEd's Plan, both the
627 energy savings goal and spending screen increased substantially for Plan Year 4, with the
628 spending screen increasing to \$158.1 million. As a result, the Rider EDA charges had to
629 be recalculated for all three customer classes, using the same methodology employed
630 during PY3. *See ComEd Ex. 2.3.*

631 Second, as shown in ComEd's "Tariff Charges Determined by Formula – Energy
632 Efficiency and Demand Response Adjustments ("EDAs")", sent to the Commission on
633 May 19, 2011 for charges to be effective beginning with the June 2011 monthly billing

634 period and extending through the May 2012 monthly billing period, ComEd estimated an
635 over collection at that time for each of the three customer classes: \$4,787,341 for
636 Residential; \$4,905,118 for Small C&I; and \$3,720,136 for Large C&I. ComEd Ex. 2.3.
637 The total over collection was \$13,412,594. In addition, ComEd estimated \$1,179,291 for
638 projected PJM credits due to the AC Cycling program element. As such, the estimated
639 amount of over collection at that time and the estimated PJM credits were subtracted
640 from the estimated incremental costs for each customer class, as applicable, for Plan Year
641 4 to determine the total amount to be recovered through the rider from each class
642 beginning with the June 2011 monthly billing period.

643 **Q. How is ComEd returning to customers any remaining over collection from PY3?**

644 A. Following the May 19, 2011 filing and the close of PY3 on May 31, 2011, ComEd began
645 finalizing the PY3 figures, which resulted in a final over collection amount of
646 \$17,206,510. Because ComEd already reduced the incremental costs for PY4 by
647 \$13,412,594 based on the estimated over collection in May 2011 (ComEd Ex. 2.3),
648 ComEd is preparing a revised informational filing that will update the EDA charges, as
649 appropriate, to reflect the remaining \$3,793,916 over collection (= \$17,206,510 less
650 \$13,412,594), which ComEd anticipates filing in October 2011 with revised charges to
651 become effective beginning with the November 2011 monthly billing period. This over
652 collection amount also includes the PY3 adjustments I previously discussed and which
653 are shown on page 3 of the Annual Report.

654 **D. Results of Internal Audit**

655 **Q. Does the Annual Report include the results of an internal audit?**

656 A. Yes. As required by Rider EDA, the Annual Report includes “the results of an internal
657 audit verified by an officer of the Company.” *See* ComEd Ex. 2.4. Consistent with Rider
658 EDA, Exelon’s internal audit team performed testing to ensure that:

- 659 • Incremental costs recovered through Rider EDA were associated with the
660 programs and were not recovered through other approved tariffs;
- 661 • Retail customer bills accurately reflected the appropriate EDA rate;
- 662 • Billed Revenue collected through Rider EDA was correctly stated; and
- 663 • Funds from any source other than those collected through the Rider were
664 identified and reflected in the computation of the EDA and ARF.

665 As explained in ComEd Exhibit 2.4, the audit found that “the cost recovery
666 process performed by ComEd Accounting, Retail Rates, and Regulatory is in compliance
667 with the requirements of Rider EDA”, and no issues were discovered as a result of these
668 tests. ComEd Ex. 2.4.

669 **VI. On-Bill Financing Program Costs**

670 **Q. Does the Annual Report reflect the recovery of any other costs?**

671 A. Yes. In addition to the costs ComEd incurred related to the implementation of its Plan,
672 ComEd also incurred \$64,018 in expenses related to the start-up and implementation of
673 its On-Bill Financing (“OBF”) Program, which was approved by the Commission in ICC
674 Docket No. 10-0091. *See Commonwealth Edison Co.*, ICC Docket No. 10-0091, Final
675 Order (June 2, 2010) (“*OBF Order*”). In brief, ComEd’s OBF Program provides eligible
676 homeowners, duplex owners, condominium owners, and residential building owners with
677 four units or less, special financing for the purchase of approved high efficiency

678 ENERGY STAR® qualified refrigerators through participating Sears stores. Participating
679 customers are billed through a monthly loan installment that appears on their utility bill.

680 **Q. Can you please describe these costs in more detail?**

681 A. Yes. During Plan Year 3, ComEd incurred various start-up and implementation costs in
682 preparation for the launch of the OBF Program beginning in June 2011, including costs
683 associated with the preparation of marketing materials, consultative costs associated with
684 the Illinois Energy Association and the Energy Efficiency Finance Corporation, and legal
685 fees.

686 **Q. How does ComEd account for expenditures associated with the OBF Program?**

687 A. All costs related to the OBF Program are assigned a unique project number within
688 ComEd's accounting system, and costs are therefore tracked on a program or activity
689 basis.

690 **Q. Why are costs associated with the OBF Program recovered through Rider EDA?**

691 A. The statute that created the OBF Program requirement directs that OBF Program costs be
692 recovered through Rider EDA:

693 An electric utility shall recover all of the prudently incurred costs
694 of offering [an on-bill financing] program approved by the
695 Commission pursuant to this Section, including, but not limited to,
696 all start-up and administrative costs and the costs for program
697 evaluation. All prudently incurred costs under this Section shall be
698 recovered from the residential and small commercial retail
699 customer classes eligible to participate in the program through the
700 automatic adjustment clause tariff established pursuant to Section
701 8-103 of the Act.

702 220 ILCS 5/16-111.7(f). As a result, the *OBF Order* approved modifications to Rider
703 EDA to provide for the recovery of the costs ComEd incurs related to its OBF Program.

704 See *OBF Order* at 46-47. Specifically, Rider EDA includes the following incremental
705 costs associated with the OBF Program:

706 Incremental Costs also include costs incurred after July 10, 2009,
707 by the Company in association with on-bill financing programs
708 that are approved by the ICC and provided in accordance with the
709 provisions of Section 16.111.7 of the Act and include, but are not
710 limited to (a) all start-up and administrative costs associated with
711 any such program; (b) evaluation costs associated with any such
712 program; (c) the revenue requirement equivalent of the return of
713 and on a capital investment associated with any such program,
714 based on the most recent rate of return approved by the ICC; and
715 (d) all legal and consultative costs associated with any such
716 program. Such costs may not include bad debt expense related to
717 costs incurred by the Company as described in Section 16-
718 111.7(c)(6) of the Act.

719 Incremental Costs also include incremental expenses for wages,
720 salaries, and benefits of Company employees, including direct and
721 indirect incremental costs associated with such Company
722 employees, who are hired for positions that are specifically related
723 to any on-bill financing program approved by the ICC and
724 provided in accordance with the provisions of Section 16.111.7 of
725 the Act, and that were created after July 10, 2009. Incremental
726 Costs may not include any expenses for wages, salaries, and
727 benefits of Company employees in positions that are related to any
728 on-bill financing program approved by the ICC pursuant to Section
729 16.111.7 of the Act, employed either before or after July 10, 2009,
730 that are otherwise recovered under other effective tariffs.

731 Ill. C. C. No. 10, 1st Revised Sheet No. 246.

732 **Q. How does ComEd ensure that the incremental costs it incurs related to the OBF**
733 **Program are prudently incurred and reasonable in amount?**

734 A. ComEd, in conjunction with other Illinois utilities (*i.e.*, Ameren Illinois Utilities, Nicor
735 Gas, Integrys), completed a joint RFP to secure a financial institution that would provide
736 the loans to participants. The joint RFP process was designed to achieve a variety of
737 efficiencies, including the consolidation of four separate RFP processes into one and

738 aggregating the utilities' lending facilities to attract a broader range of financial
739 institutions. ComEd believes that this process ultimately ensured that the utilities
740 obtained the best loan terms for those customers who participate in the Program.
741 Finally, for other miscellaneous expenses (*e.g.*, marketing materials), ComEd was able to
742 leverage its current agreements with some of the Plan vendors where pricing has already
743 been negotiated.

744 **Q. Why were the incremental costs associated with the OBF Program recovered only**
745 **from residential customers?**

746 A. ComEd's Commission-approved OBF Program is only available to residential customers.
747 As a result, ComEd is only recovering Program costs from such customers through Rider
748 EDA.

749 **Q. Does this conclude your direct testimony?**

750 A. Yes.