

STATE OF ILLINOIS



ILLINOIS COMMERCE COMMISSION

October 24, 2013

Ms. Elizabeth Rolando
Chief Clerk
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, Illinois 62701

RE: Commonwealth Edison Company
Docket No. 13-0547

Dear Ms. Rolando:

Pursuant to the Illinois Commerce Commission's Rules of Practice (83 Ill. Admin. Code Part 200.180), the Finance Department of the Illinois Commerce Commission's Financial Analysis Division hereby files this Answer to Commonwealth Edison Company's Informational Statement in Docket No. 13-0547.

Sincerely,

Sheena Kight-Garlich
Senior Financial Analyst

Enclosures

cc: Administrative Law Judge
Service List

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY)
)
Application for authority pursuant to Section 6-)
102 of the Public Utilities Act: (1) to enter into)
one or more loan agreements with one or more)
banks or other lending institutions or authorities)
and to incur loans, borrowings, or extensions of)
credit thereunder, (2) to issue and sell First)
Mortgage Bonds in one or more series, (3) to)
issue and sell Notes in one or more series, (4))
to enter into, issue, or incur other evidences of)
indebtedness, (5) to issue evidences of)
indebtedness payable at periods of not more)
than twelve (12) months for an aggregated)
period of longer than two (2) years; all in an)
aggregate outstanding principal amount not to)
exceed \$1,000,000,000)
)
)

Docket No. 13-0547

STAFF'S ANSWER TO COMMONWEALTH EDISON COMPANY'S

VERIFIED PETITION

Now comes the Staff of the Illinois Commerce Commission ("Staff") in response to Commonwealth Edison Company's ("ComEd" or "Company") Verified Petition. On September 30, 2013, the Company filed its Verified Petition in this Docket pursuant to Section 6-102(b) of the Illinois Public Utilities Act (the "Act"). The Verified Petition explains the Company's proposed issuance and sale of various evidences of indebtedness (the "New Debt"), including requests to (i) enter into one or more credit or loan agreements (the "Loan Agreements") and to incur loans, borrowings, or extensions of credit on a one-time or from time to time revolving basis thereunder; (ii) issue and sell

First Mortgage Bonds (the “Bonds”) in one or more series; (iii) issue and sell notes (the “Notes”) in one or more series; (iv) enter into, issue, or incur other evidences of indebtedness, including capitalized lease obligations and other obligations classified as debt on the financial statements of ComEd (“Other Debt”); and (v) enter into, issue or incur other evidences of indebtedness, including but not limited to commercial paper, payable at periods of not more than 12 months for an aggregated period of longer than two years (“Rolling Debt”), all in an aggregate outstanding principal or stated amount not to exceed \$1,000,000,000. The proceeds from the issuance of the New Debt are to be used for utility expenditures in the normal course of business, which may include bridging the period between the maturity or redemption of outstanding indebtedness and its refunding or refinancing through the issuance of Bonds, Notes, or other evidences of indebtedness and financing for the Company’s increased capital expenditures from the Energy Infrastructure Modernization Act.¹ ComEd also requested Commission authority to enter into one or more interest rate swap contracts with respect to existing obligations or the obligations authorized herein. The Company requests that the Commission issue an Order on or before November 26, 2013, in conformance with Section 6-102(a) of the Act, authorizing the issuance of the proposed indebtedness.

The Company further requests that utilization of any authority granted in this proceeding be measured as: (a) in the case of Loan Agreements that are term loan arrangements where the loan is funded in full at inception and repaid more than twelve months thereafter, the amount of utilized authority will equal the principal amount of that loan. In the case of Loan Agreements that are revolving loan arrangements where loans may be made, repaid, and remade from time to time during the term of the Loan

¹ Direct Testimony of Shane Smith, p. 13.

Agreement, the amount of utilized authority will equal the principal amount of loans that have been actually outstanding for more than twelve months during the term of such Loan Agreement; (b) in the case of Bonds and Notes, the amount of utilized authority will equal the aggregate principal amount of Bonds and Notes issued pursuant to the authority sought herein; (c) in the case of Other Debt, the amount of utilized authority will equal the amount recorded at the time of incurrence or issuance as indebtedness in ComEd's books and records in accordance with generally accepted accounting principles; and (d) in the case of Rolling Debt, the amount of utilized authority will equal the principal amount of such indebtedness that has actually been outstanding longer than two years.

Each Loan Agreement will be entered into on or after January 1, 2014, but no later than the earlier of the term of such Loan Agreement (as it may be extended in accordance with its terms) or 5 years from the date of such Loan Agreement. Each series of Bonds will be entered into on or after January 1, 2014, but no later than January 1, 2017; currently, the Company contemplates issuing Bonds under its Amended Mortgage, for up to forty (40) year terms, with an interest rate not expected to exceed 12.0%. Each series of Notes will be entered into on or after January 1, 2014, but no later than January 1, 2017; currently, the Company contemplates issuing Notes under its Note Indenture for up to forty (40) year terms. The Other Debt will be entered into on or after January 1, 2014, but no later than January 1, 2017; currently, the Company contemplates issuing the Other Debt, which is expected to be unsecured, at terms of not more than forty (40) years. The Company contemplates issuing the Rolling Debt at terms of no more than twelve (12) months, but for an aggregate period of more

than two (2) years. The Rolling Debt and any interest rate swaps will be entered into no later than January 1, 2019.²

The precise terms of the indebtedness will be determined at the times of the offerings. The Company's indebtedness is expected to have a term to maturity of one to 40 years from the date of issue. In its response to Staff data request, ComEd explained that it does not expect the immediate issuance of the \$1,000,000,000. Instead, ComEd expects to issue \$233 million, \$465 million, and \$485 million in 2014, 2015, and 2016, respectively.³ The exact interest rate associated with the indebtedness will be a factor of the term of the issuance and market conditions at the time of sale. Recent market rates indicated the interest rate available to ComEd is 1% for a 3-year first mortgage bond and 5% for a 30-year first mortgage bond.⁴

Staff has reviewed the Company's Verified Petition, Testimony and Exhibits, supplemental information provided by the Company in support of its Verified Petition and Article VI of The Act and states as follows:

1. The Company's proposal is subject to Section 6-101, which requires the Commission to provide proper identification numbers on the proposed indebtedness when issued. The Company requests the issuance of fifteen (15) identification numbers.
2. The Company's proposal is subject to Section 6-102(a), which requires a Commission Order authorizing the issuance of the proposed indebtedness. The Order must also state the amount of the proceeds and purpose(s) to which they are to be applied, and that such application(s) is reasonably required.

² Company Response to Staff data request SK 1.02.

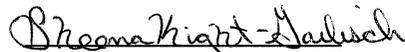
³ Company response to Staff data request SK 1.04.

⁴ Company response to Staff data request SK 1.04.

3. The Company's proposal is subject to Section 6-102(b), which provides that prior to the issuance of stocks, notes and other evidences of indebtedness payable at periods of more than 12 months the public utility shall first receive a Commission order authorizing the issue stating the amount and the purpose for the financing and that in the opinion of the Commission the money, property, or labor to be procured or paid for by such issue is reasonably required for the purpose or purposes specified in the order. \$1,000,000,000 is a significant amount of new debt, even for a company as large as ComEd. However, according to ComEd's financial forecast for the next five years, the Company will be able to maintain its current cash flow ratios. Thus in Staff's opinion, the proceeds of the borrowing are reasonably required by the Company for other utility expenditures in the normal course of business. Further, the issuance of the indebtedness is not contrary to the public interest and the public will be inconvenienced thereby.
4. Subject to Section 6-108, the Company shall pay an amount equal to 24 cents for every \$100 of the \$1,000,000,000 principal amount of indebtedness authorized by the Commission for which no fee has previously been paid. The required fee of \$2,400,000 is to be paid no later than 30 days after service of the Commission Order authorizing the issuance of the indebtedness. The fee was calculated as follows:
$$\$1,000,000,000 \times (\$0.24/\$100) = \$2,400,000 \text{ (fee to Commission)}$$
5. The Company's proposal is also subject to 83 Illinois Administrative Code Part 240, which requires petitioner to file reports relative to the issuance of indebtedness and application of the proceeds, unless the Commission Order provides otherwise (Section 240.30).

WHEREFORE, the Staff of the Illinois Commerce Commission recommends that the Commission issue an Order, pursuant to Sections 6-102(a) of the Act, authorizing Commonwealth Edison Company to issue up to \$1,000,000,000 aggregate amount of indebtedness. Staff further recommends that the Commission order the Company to pay a \$2,400,000 fee pursuant to Section 6-108 of the Act and to file reports relating to the issuance of the securities approved in this Order pursuant to 83 Ill. Adm. Code 240. Finally, Staff asks that the utility be specifically directed in the order authorizing the issuance that the payment and reporting requirements are mandatory and that failure to make the mandated payment and filings could result in an action against the utility seeking penalties for failure to comply with a Commission order, the requirements of statute, or the rules of the Commission.

Respectfully submitted,


Sheena Kight-Carlisch
Senior Financial Analyst
Finance Department
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, IL 62701
(217) 785-1406

October 24, 2013

VERIFICATION

I, Sheena Kight-Garlich, first being duly sworn upon oath, depose and say that I am a Senior Financial Analyst in the Finance Department of the Staff of the Illinois Commerce Commission; that I have read the above and foregoing Answer to Commonwealth Edison Company's Verified Petition in Docket No. 13-0547 by me subscribed and know the contents thereof; and that said contents are true in substance and in fact, except as to those matters stated upon information and belief, and as to those, I believe same to be true.

Sheena Kight-Garlich
Sheena Kight-Garlich
Senior Financial Analyst
Finance Department

Subscribed and sworn to before me

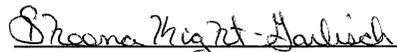
this 24th day of October, 2013.

Mary Ellen Ruffner
Notary Public, Illinois



CERTIFICATE OF SERVICE

I, Sheena Kight-Garlich, Senior Financial Analyst for the Finance Department, Financial Analysis Division, Illinois Commerce Commission, do hereby certify that on the 24th day of October, 2013, the Finance Department has delivered for filing with the Clerk of the Illinois Commerce Commission, the attached Answer to Commonwealth Edison Company's Verified Petition in Docket No. 13-0547, a copy of which is also hereby served upon the service list.


Sheena Kight-Garlich
Senior Financial Analyst
Finance Department