

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. :

AFFIDAVIT OF GERALD KOZEL

STATE OF ILLINOIS)
) ss.
COUNTY OF COOK)

I, Gerald Kozel, being first duly sworn, declare under oath as follows:

1. I am a Vice President and Controller of Commonwealth Edison Company ("ComEd").

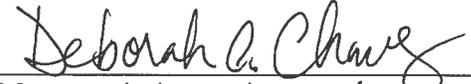
2. I provided Direct Testimony on behalf of ComEd, identified as ComEd Exhibits ("Ex.") 1.0, 1.1, 1.2, and 1.3. These documents were submitted to the Illinois Commerce Commission ("Commission") on June 4, 2013, they were prepared by me or under my direction and control, and I have personal knowledge of the facts stated therein. The facts stated in ComEd Exs. 1.0, 1.1, 1.2 and 1.3 are true and correct to the best of my knowledge and belief, and no corrections or revisions need be made to these Exhibits. If I were asked the same questions today under oath, my answers would be the same.

Under penalties as provided by law pursuant to Section 1-109 of the Illinois Code of Civil Procedure, the undersigned certifies that the statements set forth in this instrument are true and correct, except as to matters therein stated to be on information and belief and as to such matters the undersigned certifies as aforesaid that he verily believes the same to be true.

Affiant does not state further.


Gerald Kozel

Subscribed and sworn to before me
this 7th day of February, 2014


My commission expires: 5/19/2014

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

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

Direct Testimony of

GERALD J. KOZEL

Vice President and Controller
Commonwealth Edison Company

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
I. INTRODUCTION AND BACKGROUND	1
A. Identification of Witness	1
B. Purpose of Testimony	1
C. Summary of Conclusions	2
D. Itemized Attachments to Direct Testimony	3
E. Background and Experience	4
II. SUMMARY OF RELEVANT OPERATIONS UNDER RIDER PE AND RATE BESH	5

1 **I. INTRODUCTION AND BACKGROUND**

2 **A. Identification of Witness**

3 **Q. What is your name and business address?**

4 A. My name is Gerald J. Kozel. My business address is Commonwealth Edison Company
5 (“ComEd”), Three Lincoln Centre, Oakbrook Terrace, Illinois 60181.

6 **Q. By whom are you employed and what is your position?**

7 A. I am employed by ComEd as its Vice President and Controller.

8 **B. Purpose of Testimony**

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

10 A. The purpose of my testimony is to explain ComEd’s reconciliation of revenues during the
11 applicable period (the period involved in this proceeding under the applicable tariffs, *i.e.*,
12 June 1, 2010, through May 31, 2011) for: (1) its Purchased Electricity Adjustment
13 Factors (“PEAs”) under ComEd’s Rider PE – Purchased Electricity (“Rider PE”); and (2)
14 its Hourly Purchased Electricity Adjustment Factors (“HPEAs”) under ComEd’s Rate
15 BESH – Basic Electric Service Hourly Energy Pricing (“Rate BESH”).

16 **Q. What did the PEAs pertain to during the applicable period?**

17 A. The PEAs pertained to full requirements electric supply purchased by ComEd for
18 customers, as described in Rider PE, and for which the applicable period is June 1, 2010,
19 through May 31, 2011.

20 **Q. What did the HPEAs pertain to during the applicable period?**

21 A. The HPEAs, like the PEAs, pertained to electric power and energy directly procured by
22 ComEd for customers taking service under ComEd’s bundled service tariff with hourly
23 pricing. The applicable period for the HPEAs also is June 1, 2010, through May 31,
24 2011.

25 Q. **Is ComEd submitting any other direct testimony?**

26 A. Yes. ComEd is presenting:

27 ➤ Direct Testimony of Mr. William P. McNeil, ComEd Exhibit (“Ex.”) 2.0. That
28 testimony: (1) describes and supports the reasonableness of ComEd’s
29 administrative and operational costs associated with the procurement of electric
30 power and energy for retail customers served under Rider PE and under Rate
31 BESH for the period June 1, 2010, through May 31, 2011; and (2) explains how
32 ComEd complied during that period with the applicable procurement plan
33 approved by the Illinois Commerce Commission (“ICC” or “Commission”).

34 ➤ Direct Testimony of Mr. John Hengtgen, ComEd Ex. 3.0. That testimony
35 describes and supports the reasonableness of ComEd’s cash working capital
36 (“CWC”) costs associated with the procurement of electric power and energy for
37 retail customers served under Rider PE and under Rate BESH for the period June
38 1, 2010, through May 31, 2011. The June 1, 2010 through May 31, 2011
39 reconciliation period includes the first year that ComEd’s CWC costs will be
40 addressed.

41 C. **Summary of Conclusions**

42 Q. **Stated briefly, what are your conclusions?**

43 A. In brief, I conclude that: (1) ComEd correctly determined and recovered the applicable
44 costs through the PEAs during the applicable period and did not inappropriately recover
45 those costs through charges in any other tariffs; (2) ComEd correctly accounted for the
46 costs and revenues associated with the PEAs during the applicable period; (3) ComEd
47 correctly determined and recovered the applicable costs through the HPEAs during the

48 applicable period and did not inappropriately recover those costs through charges in any
49 other tariffs; and (4) ComEd correctly accounted for the costs and revenues associated
50 with the HPEAs during the applicable period.

51 Please note that, per the Supplemental Report Relating to the 2011 ComEd
52 Purchased Electricity Cost Recovery Review (described further below), ComEd has at
53 times identified appropriate adjustments during the course of preparing the monthly
54 filings for Rider PE and Rate BESH. As these items have been identified, they have been
55 corrected and filed in the next monthly filing made in accordance with the applicable
56 tariffs.

57 **D. Itemized Attachments to Direct Testimony**

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

59 **A.** Yes. Attached hereto are the following exhibits:

- 60 • ComEd Ex. 1.1 is the 2011 ComEd Purchased Electricity Cost Recovery Review
61 prepared by the Internal Audit (“IA”) department of Exelon Corporation
62 (“Exelon”), ComEd’s parent corporation, along with the accompanying cover
63 letter and Company Officer Verification, which ComEd filed with the
64 Commission on November 17, 2011.
- 65 • ComEd Ex. 1.2 is the Supplemental Report Relating to 2011 ComEd Purchased
66 Electricity Cost Recovery Review contemporaneously filed with the Commission
67 on November 17, 2011.
- 68 • ComEd Ex. 1.3 is a schedule of ComEd’s Cumulative Totals of Incremental
69 Expenses, Revenues and Recoveries under Rider PE and Rate BESH for the June
70 1, 2010, through May 31, 2011, determination period, which is an updated version

71 of Appendix I to ComEd Ex. 1.2.

72 **Q. Who prepared the internal audit report included in ComEd Ex. 1.1, and what**
73 **information does the report provide?**

74 A. The internal audit was conducted by Exelon's IA department, which is a separate and
75 independent function within Exelon. The report provides background information,
76 identifies the objective and scope of the internal audit, describes the results of the internal
77 audit, and sets forth in an appendix further information on the procedures performed as
78 part of the audit.

79 **Q. What is provided in the supplemental report included in ComEd Ex. 1.2?**

80 A. The supplemental report provides additional background information.

81 **Q. What information is provided in the schedule included in ComEd Ex. 1.3?**

82 A. This schedule provides the cumulative totals of incremental expenses, revenues and
83 recoveries under Rider PE and Rate BESH for the June 1, 2010, through May 31, 2011,
84 determination period and was prepared consistent with the Appendices to the
85 Commission's final Orders in Docket Nos. 10-0275 and 11-0357. The schedule reflects
86 an adjustment included by ComEd in its December 20, 2011, informational filing
87 (September 2011 determination period effective January 2012). The adjustment relates to
88 the change in characterization of the cost of energy purchased from a certain qualifying
89 facility during January 2010 through October 2011. This adjustment reflects a decrease
90 in purchased power expense of \$949,264 and a decrease in interest expense of \$4,643 for
91 the June 2010 through May 2011 determination period.

92 **E. Background and Experience**

93 **Q. What is your educational background and qualifications?**

94 A. I graduated from the University of Illinois at Urbana-Champaign in 1994 with a
95 Bachelor's degree in Accounting and Business Administration. I am a Certified Public
96 Accountant in the State of Illinois and a member of the American Institute of Certified
97 Public Accountants.

98 Q. **What is your past and present employment history?**

99 A. I began my career at Arthur Andersen, LLP in 1994 as a staff auditor in the audit practice
100 of the company's Chicago office. Over the next eight years, my responsibilities
101 increased and I was eventually promoted to Manager. In June 2002, I joined Deloitte &
102 Touche LLP, where I continued my career as an auditor and was promoted to Senior
103 Manager. During my time at both companies, a significant portion of my time was
104 focused on the energy and utility industries. In 2005, I joined Exelon and held roles as
105 Manager and Director. I was promoted to my current role as Vice President and
106 Controller in March 2013. As Controller for ComEd, I am responsible for ComEd's
107 accounting operations and associated internal controls as well as external financial
108 reporting requirements and associated filings with the Securities and Exchange
109 Commission, the Federal Energy Regulatory Commission and the ICC.

110 **II. SUMMARY OF RELEVANT OPERATIONS UNDER**
111 **RIDER PE AND RATE BESH**

112 Q. **Generally, how would you describe the operations relating to PEAs under Rider PE**
113 **and HPEAs under Rate BESH?**

114 A. In brief, the PEAs and HPEAs were designed as part of Rider PE and Rate BESH so that
115 the expenses that ComEd incurred for the procurement of full requirements electric
116 supply and directly procured electric power and energy, as applicable, required by retail
117 customers for which ComEd was providing such supply, would equal the revenues from

118 such retail customers for such supply based on changes in those customers' actual usage
119 and demands on ComEd's system. The expenses included in the PEAs and HPEAs also
120 include certain transmission expenses as well as certain supply administration costs
121 associated with the provision of service under Rider PE and Rate BESH, including cash
122 working capital costs. Those supply administrative and operational costs are addressed in
123 the direct testimony of ComEd's Vice President - Energy Acquisition, William P. McNeil
124 (ComEd Ex. 2.0). The cash working capital costs are addressed in the direct testimony of
125 John Hengtgen (ComEd Ex. 3.0). As provided in the tariff language of Rider PE and
126 Rate BESH, an internal audit was required to be conducted related to the PEAs and
127 HPEAs for the applicable period, and a report that summarized the results of that internal
128 audit was prepared and then submitted to the Commission as an informational filing. The
129 internal audit was conducted, and the report was prepared. ComEd Ex. 1.1 is a copy of
130 that required submission.

131 **Q. How did ComEd determine the underlying data and calculate PEAs and HPEAs**
132 **under Rider PE and Rate BESH during the applicable period?**

133 **A.** In brief, on a monthly basis, ComEd calculated the difference between revenues and
134 expenses recognized associated with each product. ComEd's general ledger contains the
135 revenue and expense data necessary to calculate the PEA and HPEA. ComEd's
136 wholesale procurement management system, payables system and retail billing system
137 are the sources of the information that support the general ledger. These sources were
138 used to validate the wholesale electric supply costs and accrued retail electric supply
139 revenue used in the calculations. At the direction of my predecessor, Kevin J. Waden,
140 the calculations and filings during the applicable period were prepared by accounting

141 staff and either Christine Brinkman, Director, Rates & Revenue Policy (formerly
142 Manager, Accounting), or Kevin J. Waden approved them prior to filing with the
143 Commission each month. Any amounts that were over/under recovered in a given period
144 were reflected in a subsequent period on our customers' bills, as applicable. Any
145 amounts that were credited to or recovered from customers were incorporated into the
146 next applicable monthly calculation of the PEAs and HPEAs. At the end of any
147 accounting period, ComEd recorded a cumulative regulatory asset (under-recovery) or
148 regulatory liability (over-recovery) for each product offering.

149 **Q. Did ComEd correctly determine and recover the applicable costs through the PEAs**
150 **and HPEAs during the applicable period?**

151 A. Yes. The internal audit report states in part: "The cost recovery process performed by
152 Revenue Accounting, including the controls there in such as the supporting GL (General
153 Ledger) reconciliation used to calculate PEA/HPEA, is consistent with the requirements
154 of Rider PE and Rate BESH. IA verified that each of the five requirements [under Rider
155 PE and Rate BESH] ... were met."

156 **Q. Did ComEd inappropriately also recover any of the same costs through charges in**
157 **any other tariffs?**

158 A. No. The accounting and the process related to the PEAs and HPEAs, as well as the tariff
159 provisions, prevented any such double-recovery, as the Internal Audit report confirms.

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

161 A. Yes.



An Exelon Company

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

www.comed.com

VIA OVERNIGHT DELIVERY

November 17, 2011

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

Subject: Rider PE and Rate BESH Annual Reconciliation

Dear Ms. Rolando:

Commonwealth Edison Company ("ComEd") submits for filing, for informational purposes, the Internal Audit Report as provided for in Rider PE – Purchased Electricity ("Rider PE") and Rate BESH – Basic Electric Service-Hourly Energy Pricing ("Rate BESH"), as well as a Supplemental Report that provides additional information related to the upcoming proceeding required under Rider PE and Rate BESH. ComEd notes that the cover page of the Internal Audit Report includes language relating to confidentiality. ComEd is not requesting confidential treatment of this Report.

In addition to this original transmittal letter, two copies of this transmittal letter are provided. One of the copies is provided for your convenience in acknowledging receipt of this letter and informational sheet, and may be returned to ComEd in the self-addressed, stamped envelope provided. The other copy is for your files.

Sincerely,

A handwritten signature in black ink that reads "Kevin J. Waden".

Kevin J. Waden, C.P.A.
Vice President & Controller
ComEd
(630) 437-2337

cc: Ms. Mary Selvaggio
Ms. Joy Nicdao-Cuyugan
Ms. Bonnie Pearce
Mr. Steve Knepler

2011 ComEd Purchased Electricity Cost Recovery Review

September 30, 2011

INTERNAL AUDIT

Executive Overview

Background

As of January 2007, Commonwealth Edison Company (ComEd or the Company) began procuring electric supply from wholesale suppliers under the provisions of the former tariffs, Rider CPP – Competitive Procurement Process (Rider CPP) and Rate BES-H - Basic Electric Services-Hourly Energy Pricing (Rate BES-H). Successor tariffs Rider PE - Purchased Electricity (Rider PE) and Rate BESH - Basic Electric Service Hourly Pricing (Rate BESH) replaced Rider AAF – Accuracy Assurance Factor and Rate BES-H, during June 2008 and January 2009, respectively. Under the provisions of Rider PE and Rate BESH, the recovery of ComEd procured electric supply and transmission costs occurs through the application of fixed price retail supply and transmission charges for customers served under Rate BES - Basic Electric Supply Service (Rate BES) and hourly priced retail supply and transmission charges for retail customers served under Rate BESH.

To ensure that the application of retail supply and transmission charges does not result in over or under recovery of ComEd's costs to procure electric supply for its retail customers due to changes in customer usage and demand patterns, a Purchased Electricity Adjustment Factor (PEA) and a Hourly Purchased Electricity Adjustment Factor (HPEA) are determined on a monthly basis and applied under the provisions of Rider PE and Rate BESH, respectively.

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

Objective and Scope

The objective of this review was to ensure that ComEd is in compliance with the requirements of Rider PE and Rate BESH. Specifically Internal Audit (IA) verified:

- Costs recovered pursuant to such tariffs are recovered only through these tariffs and are not being recovered inappropriately through charges imposed under other tariffs,
- Charges and adjustments determined pursuant to Rate BES, Rider PE, and Rate BESH that are included in retail customers' bills for electric service provided under such tariffs are properly applied,
- Revenues resulting from the application of such tariffs are correctly stated,
- Company's costs of implementing or complying with the procurement plan approved by the ICC, including any fees assessed by the Illinois Power Agency (IPA), costs associated with load balancing, and contingency plan costs are appropriately included, and
- Company's internal administrative and operational costs associated with the procurement of electric power and energy for retail customers served under such tariffs are reasonable.

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

IA performed this review using the Company's GL and documents provided by ComEd Revenue Accounting and Energy Acquisition personnel. IA also used source system data from ComEd's

wholesale procurement management system (Retail Office), ComEd's retail billing system (Customer Information and Marketing System, CIMS) and ComEd's revenue data warehouse database (Revenue Net Fuel, RNF). These sources were used to validate the wholesale electric supply purchases (costs) and retail electric supply revenue (recoveries) used in the PEA/HPEA calculations.

Results

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

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

For a summary of IA's procedures performed, please see Appendix A.

We appreciate the assistance of Revenue Accounting, Energy Acquisition, and Information Technology personnel in the completion of this review.

Tricia Arrington, Manager
Internal Audit

Report Distribution

To: Kevin J. Waden, Vice President and Controller, ComEd
Christine M. Brinkman, Manager Accounting, ComEd

cc: Eugene Bernstein
Bradley L. Bjerning
Duane M. DesParte
Robert Garcia
Toni Garza
Ross Hemphill
James F. Johnson
Stephen L. Lesniak
Mary E. Ludford

William P. McNeil
Anastasia M. O'Brien
Thomas S. O'Neill
John P. Ratnaswamy
Thomas J. Russell
Daniel E. Thone
Joseph R. Trpik, Jr.
Barry J. Ukrin
David R. Zahakaylo

Appendix A – Procedures Performed

Summary of Procedures Performed

Wholesale Electric Supply, Transmission and Supply Administration Costs

To validate the wholesale electric supply cost amounts from Revenue Accounting's PEA/HPEA calculations for the period under review, IA obtained a sample of Supplier Forward Contract invoices, RFP Contract invoices, Renewable Energy Credit confirmations, and PJM reconciliation spreadsheets to extract purchase amounts for fixed energy supply and the PJM reconciliation spreadsheets for hourly energy supply. Each file in the PJM reconciliation spreadsheets contains charges for supply and transmission directly procured from PJM for fixed and hourly customers, as well as charges for transmission expenses used in the analysis. To assess the reasonableness of supply administration costs, IA obtained and reviewed a sample of 2010-2011 legal invoices and 2005-2006 rate case expense schedules. The 2005-2006 expense schedules included costs approved by the ICC to be recovered in PEA/HPEA calculations over a five year period, including June 2010 - May 2011. IA also estimated energy procurement related labor costs based upon budgeted salaries and an allocation of salaries for energy procurement related functions. IA compared these estimates of labor costs to actual labor costs included in PEA and HPEA calculations for reasonableness.

Retail Electric Supply, Transmission and Supply Administration Revenue

To validate the retail electric supply, transmission and supply administration revenue amounts from Revenue Accounting's PEA/HPEA calculations for the period under review, IA reviewed a sample of CIMS reports to extract billed revenue amounts for fixed and hourly energy supply and transmission related charges. The monthly billed amounts were calculated by summing the appropriate tariff rates in the CIMS report. These amounts were validated against the GL. IA noted immaterial differences between the CIMS reports and the GL.

Partial free service for retail electric supply charges is included in the CIMS report for fixed and hourly energy supply; however, revenue recorded in the GL does not include these amounts. As such, we subtracted free service charges from CIMS reports to validate total revenue. To determine the partial free service amounts related to retail electric supply charges, IA obtained RNF free service queries that showed the partial free service amounts by customer accounts. These queries were tested for completeness and accuracy in a prior year, and no new queries were used in this year's review.

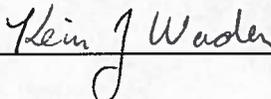
Commonwealth Edison Company
Three Lincoln Centre
Oakbrook Terrace, IL 60181-4260

www.comed.com

COMPANY OFFICER VERIFICATION

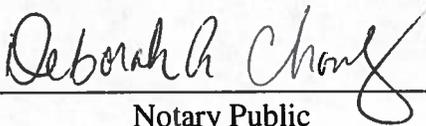
The undersigned officer certifies that:

I have examined the 2011 ComEd Purchased Electricity Cost Recovery Review report, dated September 30, 2011, from Exelon Corporation Internal Audit Services, and to the best of my knowledge, information, and belief all statements of fact contained in the report are correct statements.



Kevin J. Waden
Vice President & Controller
ComEd

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


Notary Public





Supplemental Report Relating to 2011 ComEd Purchased Electricity Cost Recovery Review

November 17, 2011

COMMONWEALTH EDISON COMPANY

INTRODUCTION

This Supplemental Report is submitted by Commonwealth Edison Company ("ComEd") to the Illinois Commerce Commission (the "Commission" or "ICC") as a voluntary supplemental informational filing. This Supplemental Report serves three purposes:

- This Supplemental Report provides additional information relating to the subject matter of the internal audit report entitled "2011 ComEd Purchased Electricity Cost Recovery Review" dated September 30, 2011, that has been prepared by Internal Audit Services ("IAS") of Exelon Corporation and that is being submitted simultaneously herewith by ComEd to the Commission as a required informational filing under provisions of two ComEd tariffs approved by the Commission, *i.e.*, Rider PE – Purchased Electricity, Original Sheet No. 311, *et seq.*, Ill. C. C. No. 10 ("Rider PE"); and Rate BESH – Basic Electric Service Hourly Pricing, 2nd Revised Sheet No. 29, *et seq.*, Ill. C. C. No. 10 ("Rate BESH").
- This Supplemental Report summarizes the monthly process that ComEd followed in order to implement the applicable provisions of those tariffs, and includes a

schedule showing cumulative totals of incremental expenses, revenues, and recoveries associated with Rider PE and Rate BESH relating to the period June 1, 2010, through May 31, 2011 (referred to below as the “current audit period” or the “current reconciliation period”), as explained further below.

- This Supplemental Report provides information regarding ComEd’s understanding of, and recommendations relating to, the appropriate scope and nature of the related Commission proceedings provided for in those two tariffs.

LEGAL AND STATUTORY REQUIREMENTS

Legal Authority

Section 16-111.5 of the Illinois Public Utilities Act, 220 ILCS 5/16-111.5, entitled “Provisions relating to procurement”, sets forth a number of provisions relating to the procurement of electric power and energy and the recovery of the costs of that procurement. Section 16-111.5(l) states in part:

The tariffs [providing for the recovery of costs of procuring electric power and energy under Section 16-111.5] shall include a formula rate or charge designed to pass through both the costs incurred by the utility in procuring a supply of electric power and energy for the applicable customer classes with no mark-up or return on the price paid by the utility for that supply, plus any just and reasonable costs that the utility incurs in arranging and providing for the supply of electric power and energy. The formula rate or charge shall also contain provisions that ensure that its application does not result in over or under recovery due to changes in customer usage and demand patterns, and that provide for the correction, on at least an annual basis, of any accounting errors that may occur. **** All such costs shall be deemed to have been prudently incurred. ****

(emphasis added.)

Rider PE – Scope of Proceeding

In accordance with Section 16-111.5(l) of the Act, 1st Revised Sheet No. 329 of Rider PE provides for a Commission proceeding relating to the Purchased Electricity Adjustments (“PEAs”) as to the current reconciliation period stating in part as follows:

Each year beginning in 2009, no earlier than ninety (90) calendar days after the end of the effective period associated with the May determination period of such year, a proceeding must commence in accordance with Section 16-111.5(l) of the Act to “provide for the correction, on at least an

annual basis, of any accounting errors that may occur” in the application of the provisions of this rider.

(Emphasis added.) The Act does not provide for review of the prudence of the PEAs.

However, like with the PEAs, the tariff (also on 1st Revised Sheet No. 329) permits the Commission, if it wishes, to review the reasonableness of ComEd’s applicable internal administrative and operational costs stating in part as follows:

Such proceeding may also provide for the determination of the reasonableness of the Company's internal administrative and operational costs associated with the procurement of electric power and energy pursuant to Section 16-111.5 of the Act and other costs of implementing or complying with the procurement plan approved by the ICC to the extent that they are properly reviewable in such proceeding pursuant to Section 16-111.5(l) of the Act.

Rate BESH – Scope of Proceeding

Similarly, although the language is not identical, 1st Revised Sheet No. 46.1 of Rate BESH provides for a Commission proceeding relating to the Hourly Purchased Electricity Adjustments (“HPEAs”) as to the current reconciliation period stating in part as follows:

Thereafter, each year beginning in 2009, no earlier than ninety (90) calendar days after the end of the effective period associated with the May determination period of a PJM Planning Year, a proceeding must commence to provide for the correction of any errors that may have occurred in the application of the provisions of this tariff. Any correction of any such error is determined and applied in accordance with lawful orders issued by the ICC in such proceeding.

Again however, unlike with the HPEAs, the tariff (also on 1st Revised Sheet No. 46.1) permits the Commission, if it wishes, to review the reasonableness of ComEd’s applicable internal administrative and operational costs stating in part as follows:

Any proceeding described in the previous (2) paragraphs may also provide for the determination of the reasonableness of the Company's internal administrative and operational costs associated with the procurement of electric power and energy for retail customers served hereunder.

Internal Audit – Scope of Proceedings

The IAS report, as described further therein, relates to two sets of charges/credits: (1) PEAs charged/credited to applicable customers under Rider PE as applicable to service provided from June 1, 2010, through May 31, 2011; and (2) HPEAs charged/credited to applicable customers under Rate BESH as applicable to service provided from June 1, 2010, through May 31, 2011.

PEAs under Rider PE were designed and applied to service provided in the current reconciliation period to ensure that ComEd neither over- nor under-recovered its costs of procuring full requirements electric supply for retail customers for whom it procures such supply. See Original Sheet No. 326 of Rider PE.

1st Revised Sheet No. 329 of Rider PE, as specified in further detail therein, required that ComEd conduct and submit to the Commission a report on an internal audit relating to the PEAs for the current reconciliation period. That tariff sheet lists five areas of inquiry.

Similarly, HPEAs under Rate BESH were designed and applied to service provided in the current reconciliation period to ensure that ComEd neither over- nor under-recovered its costs of procuring full requirements electric supply for retail customers for whom it procures such supply. See 1st Revised Sheet No. 37 of Rate BESH.

4th Revised Sheet No. 46 of Rate BESH, as specified in further detail therein, required that ComEd conduct and submit to the Commission a report on an internal audit relating to the HPEAs for the current reconciliation period. That tariff sheet lists four areas of inquiry.

ComEd's Revenue Accounting ("RA") function developed and implemented processes for the calculation and application of PEAs and HPEAs for the current reconciliation period. The processes were tested and then put into effect, and they have been reviewed over time.

The IAS report, as set forth in more detail therein, reports on IAS' independent review of ComEd's PEAs and HPEAs and the underlying processes. In accordance with the two tariffs, the IAS report is being submitted with verification from an officer of ComEd, Kevin J. Waden, ComEd Vice President and Controller.

Summary of Recommended Proceedings

ComEd understands and agrees that the Commission is required to open proceedings, preferably consolidated proceedings, for Rider PE and Rate BESH regarding whether there were any accounting errors in the calculation and application of the PEAs and the HPEAs as to the current reconciliation period. ComEd also understands and agrees that the Commission is not required, but may, under the two tariffs, include in such

proceedings a review of the reasonableness of ComEd's applicable internal administrative and operational costs. ComEd also believes that the proceedings should be conducted in an efficient manner that does not result in unnecessary burdens on the Commission, Staff, ComEd, or any other person or entity.

ComEd respectfully submits that the submission of the verified IAS report, standing alone, appropriately and reasonably supports Commission findings that the PEAs and HPEAs as to the current reconciliation period did not incorporate or reflect any accounting errors and, if the Commission wishes to address the subject, that ComEd's applicable internal administrative and operational costs were reasonable. ComEd understands that the Commission's Staff may wish to serve appropriate discovery or conduct other appropriate inquiry of ComEd to verify whether the PEAs and HPEAs as to the current reconciliation period suffered from any accounting errors. ComEd looks forward to cooperating with Staff's review.

ComEd believes that the above recommendations as to the scope of the proceedings are consistent with the Commission's Order Commencing Reconciliation Proceedings in ICC Docket No. 10-0275 (April 7, 2010) and Docket No. 11-0357 (April 15, 2011).

THE INTERNAL AUDIT REPORT

The IAS report (on page 2, *et seq.*) reflects the areas of inquiry provided for in the two tariffs on 1st Revised Sheet No. 329 and 4th Revised Sheet No. 46.

In brief, while the IAS report speaks for itself, the IAS report provides independent confirmation of the correctness of the PEAs and HPEAs applied as to the current reconciliation period. It should be noted that the IAS procedures employed in conducting the analysis summarized in the IAS report include comparing non-general ledger data and computations based therein with general ledger ("GL") data and computations based thereon. ComEd's general ledger is its official books and records. The validation processes and, in particular, the immaterial differences (referenced on page 3 of the IAS report) between the PEA/HPEA calculations performed by IAS and those reported in the general ledger are not intended to, and should not be understood to, mean or suggest that the general ledger data, or ComEd's PEAs and HPEAs as to the current reconciliation period in particular, were incorrect. That is not the case. As the IAS report (at page 3) states in part:

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

It should be noted that IAS' review included review of the reasonableness of ComEd's applicable internal administrative and operational costs, as indicated on page 2 and in Appendix A to the IAS report.

OPERATION OF THE TARIFFS

ComEd notes that it has submitted monthly informational filings to the Commission regarding the activity in its PEAs and HPEAs for the duration of the current reconciliation period. Those monthly filings demonstrate how the tariffs have been implemented.

Included as Appendix I to this Supplemental Report is a summary schedule showing cumulative totals of incremental expenses, revenues and recoveries associated with Rider PE and Rate BESH as to the period June 1, 2010, through May 31, 2011.

As noted in Appendix I, as of May 31, 2011, ComEd had total accrued expenses of \$3,404,055,831, total accrued revenues of \$3,370,321,412; total net recoveries of \$33,734,419; and total interest of \$(85,862). These totals are separated into Fixed and Hourly segments in Appendix I. The end result is a regulatory asset on ComEd's general ledger of \$85,163,883 as of May 31, 2011.

APPENDIX I

COMMONWEALTH EDISON COMPANY

Rider PE and Rate BESH
Cumulative Totals of Incremental Expenses, Revenues, and Recoveries
June 1, 2010, Through May 31, 2011

	<u>Fixed</u>	<u>Hourly</u>	<u>Total</u>
Total Reg Asset (Liability) – May 31, 2010	\$63,102,788	\$275,883	\$63,378,671
Accrued Expenses	3,079,955,036	324,100,795	3,404,055,831
Accrued Revenues	3,026,786,588	343,534,824	3,370,321,412
Net (Over) Under Recovery	53,168,448	(19,434,029)	33,734,419
Regulatory Asset (Liability)	116,271,236	(19,158,146)	97,113,090
Recoveries (Refunds)	23,134,672	(11,271,327)	11,863,345
Interest	(81,783)	(4,079)	(85,862)
Total Reg. Asset (Liability) – May 31, 2011	\$93,054,781	(\$7,890,898)	\$85,163,883

Notes:

- For the June 2010 through the May 2011 determination period, customers in the Fixed segment were (a) residential retail customers, (b) lighting retail customers, and (c)

nonresidential retail customers in the Watt-Hour and the Small Load Customer Groups, taking service under the then effective Rate BES - Basic Electric Service.

- For the June 2010 through the May 2011 determination period, customers in the Hourly segment were (a) nonresidential retail customers in the Self-Generation and the Competitively Declared Customer Groups not taking service under Rate RDS – Retail Delivery Service with electric power and energy provided by Retail Electric Suppliers (RESs) and (b) retail customers in other customer supply groups that elected to take service under Rate BESH – Basic Electric Service Hourly Pricing.
- For the June 2010 through the May 2011 determination period, there were no adjustments included in the monthly information filings to the Commission.

COMMONWEALTH EDISON COMPANY

Rider PE and Rate BESH
Cumulative Totals of Incremental Expenses, Revenues and Recoveries:
June 1, 2010 Through May 31, 2011

Line No.	Source	Fixed	Hourly	Total
1	Total Regulatory Asset – May 31, 2010	(A) (B) \$ 63,102,788	\$ 275,883	\$ 63,378,671
2	Adjustment Reflected in December 20, 2011 Filing	(A) (C) -	(348,375)	(348,375)
3	Adjustment - Interest Related to December 20, 2011 Filing	(A) (C) -	(2,942)	(2,942)
4	Adjusted Regulatory Asset (Liability) - May 31, 2010	(A), L1+L2+L3 \$ 63,102,788	\$ (75,434)	\$ 63,027,354
5	Accrued Expenses	(B) 3,079,955,036	324,100,795	3,404,055,831
6	Accrued Revenues	(B) 3,026,786,588	343,534,824	3,370,321,412
7	Net (Over) Under Recovery	(B), L5 - L6 53,168,448	(19,434,029)	33,734,419
8	Regulatory Asset (Liability)	L4 + L7 116,271,236	(19,509,463)	96,761,773
9	Recoveries (Refunds)	(B) 23,134,672	(11,271,327)	11,863,345
10	Interest	(B) (81,783)	(4,079)	(85,862)
11	Total Regulatory Asset (Liability) – May 31, 2011	L8 - L9 + L10 \$ 93,054,781	\$ (8,242,215)	\$ 84,812,566
12	Adjustment Reflected in December 20, 2011 Filing	(C) -	(949,264)	(949,264)
13	Adjustment - Interest related to December 20, 2011 Filing	(C) -	(4,643)	(4,643)
14	Adjusted Regulatory Asset/(Liability) - May 31, 2011	(D), L11+L12+L13 \$ 93,054,781	\$ (9,196,122)	\$ 83,858,659

See Notes on Page 2 of 2.

COMMONWEALTH EDISON COMPANY

Rider PE and Rate BESH
Cumulative Totals of Incremental Expenses, Revenues and Recoveries:
June 1, 2010 Through May 31, 2011

Notes:

- (A) Agrees to the Appendix in the Illinois Commerce Commission Order in Docket No. 11-0357
- (B) Agrees to the Appendix in ComEd's Supplemental Report filed November 17, 2011
- (C) For the June 2010 through May 2011 determination period, there was an adjustment included in the monthly information filings to the Commission as described below:

The monthly HPEA filing dated December 20, 2011 includes an adjustment that relates to the change in characterization of the cost of energy purchased from a certain qualifying facility during January 2010 through October 2011. The following are the adjustment amounts per reconciliation period.

	<u>Adjustment</u>	<u>Interest</u>	<u>Total</u>
June 2009 - May 2010	\$ (348,375)	\$ (2,942)	\$ (351,317)
June 2010 - May 2011	(949,264)	(4,643)	(953,907)
June 2011 - May 2012	(402,504)	(531)	(403,035)
	<u>\$ (1,700,143)</u>	<u>\$ (8,116)</u>	<u>\$ (1,708,259)</u>

- (D) Agrees to the Appendix in ComEd's Supplemental Report filed November 20, 2011

Additional Notes:

For the June 2010 through May 2011 determination period, customers in the Fixed segment were (a) residential retail customers, (b) lighting retail customers, and (c) nonresidential retail customers in the Watt-Hour and the Small Load Customer Groups, taking service under the then effective Rate BES - Basic Electric Service.

For the June 2010 through the May 2011 determination period, customers in the Hourly segment were (a) nonresidential retail customers in the Self-Generation and the Competitively Declared Customer Groups not taking service under Rate RDS - Retail Delivery Service with electric power and energy provided by Retail Electric Suppliers (RESs) and (b) retail customers in other customer supply groups that elected to take service under Rate BESH - Basic Electric Service Hourly Pricing.