

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY :
 : Docket No. 14-
Petition to Approve, on Less Than 45 Days' :
Notice and Without Suspension, A Revision :
To ComEd's Rider PE – Purchased Electricity :

**VERIFIED PETITION TO APPROVE, ON LESS THAN 45 DAYS'
NOTICE AND WITHOUT SUSPENSION, REVISIONS TO
COMED'S RIDER PE – PURCHASED ELECTRICITY**

To the Illinois Commerce Commission:

Commonwealth Edison Company (“ComEd”) petitions the Illinois Commerce Commission (the “Commission” or “ICC”) under Section 9-201 of the Illinois Public Utilities Act (“PUA”), 220 ILCS 5/9-201, to approve, on less than 45 days’ notice, revisions to ComEd’s Rider PE – Purchased Electricity (“Rider PE”). ComEd proposes that the monthly electricity price adjustments paid by ComEd’s fixed price bundled service customers currently calculated on an indefinitely rolling basis instead be annually reset to zero, with any balance spread over the next year’s charges. This change has been vetted with the Commission’s Staff and stakeholders, and will benefit both customers and the market. So that these revisions can be incorporated into the prices for the 2014-15 procurement year that begins June 1, ComEd respectfully requests that the Commission permit the tariff sheets attached as Appendix A to be filed without suspension and with an effective date of May 1, 2014.

In support of this Petition, ComEd states:

Background

1. ComEd is a corporation organized and existing under the laws of Illinois, with its principal office in Chicago, Illinois. ComEd provides retail delivery services, including standard

metering service, to approximately 3.8 million customers in northern Illinois. ComEd is a public utility as defined in Section 3-105 of the Act, 220 ILCS 5/3-105, and an electric utility within the meaning of Section 16-102 of the Act, 220 ILCS 5/16-102.

2. As required by the PUA and ComEd's filed tariffs, ComEd offers bundled electric service (including both delivery and supply components) to millions of retail customers in Illinois. ComEd offers fixed price bundled electric service under its Rate BES – Basic Electric Service.¹ Providing bundled electric service requires:²

the procurement of all the component services [ComEd] requires to meet retail customer instantaneous electric power and energy requirements at any given time under [ComEd's] tariffs, applicable tariffs on file with the Federal Energy Regulatory Commission (FERC), and other applicable law, including, without limitation, all required electric energy, energy to satisfy losses, electric generation capacity, volumetric risk management, transmission services, ancillary transmission services, renewable energy resources, administrative services, and other necessary services procured by [ComEd].

Rider PE allows ComEd to recover its costs of procuring the required power and energy, as provided by Section 16-111.5 of the PUA.³

3. Rider PE's charges are calculated to exactly recover ComEd's recoverable costs, and energy charges are largely set through the procurement process managed by the Illinois Power Agency under the Commission's review.⁴ However, the total recoverable costs ComEd will incur cannot be predicted with certainty in advance, in large part because changes in customer usage and demand cannot be predicted with certainty, and the number of customers

¹ Rate BES – Basic Electric Service, ILL C.C. No. 10, 2nd Rev. Sheet No. 19 *et seq.*

² ILL C.C. No. 10, Rider PE, Orig. Sheet No. 311.

³ *Id.*; 220 ILCS 5/16-111.5(l).

⁴ See PUA Section 16-111.5, 220 ILCS 5/16-111.5; Illinois Power Agency Act, Section 1-75(a), (b), 20 ILCS 3855/1-75(a), (b).

electing to take ComEd's fixed price bundled electric service varies. Illinois law addresses this by requiring that cost recovery tariffs such as Rider PE contain adjustment "provisions that ensure that its application does not result in over or under recovery due to changes in customer usage and demand patterns"⁵

4. Rider PE accomplishes this through a Purchased Electricity Adjustment ("PEA") that is effectively added to – or, when a negative number, effectively subtracted from -- the applicable base Purchased Electricity Charges ("PEC") that are calculated based on the outcome of the procurement processes and other recoverable costs. By capturing and offsetting these differences over time, the PEA "equalizes the revenues from retail customers" taking bundled service under Rate BES with the "expenses incurred by [ComEd] related to the procurement of such electric power and energy."⁶

5. Under Rider PE, the PEA is recalculated for each monthly billing period in which one applies.⁷ This monthly recalculation was designed to maximize accuracy. However, because the difference between anticipated and actual expenses can fluctuate month to month, the PEA formula was adjusted to allow for the amortization of costs so as to smooth out the rate impact of any sharp change in customer usage or demand and minimize large swings in prices on customers' bills. While this approach serves its intended purpose, it also means that each monthly PEA depends to a large extent on the cumulative result of prior month's calculations

⁵ 220 ILCS 5/16-111.5(l).

⁶ ILL C.C. No. 10, Rider PE, Orig. Sheet No. 326.

⁷ ILL C.C. No. 10, Rider PE, Orig. Sheet No. 328.

plus only a fractional effect of the most recent difference. Currently, this “rolling” adjustment process extends into perpetuity; the running total balance is never reset.⁸

The Proposed Revision Should be Approved

6. While spreading the effect of cost-revenue difference over time helps reduce sharp swings in the adjustment, ComEd and others have learned that an unintended consequence is that adjustment balances, whether positive or negative balances, can accumulate to significant levels. This accumulation, if not periodically “reset” can cause persistent adjustments which may become material to customers’ decision making, and can cause the prices for electricity being paid by bundled service customers under Rider BES to deviate from the market prices of energy reflected in the procurement process and posted as the charges under Rate BES. This is particularly true at the start of a new procurement period when many customers are making supply decisions and accumulated adjustments from prior periods will apply to the upcoming procurement year. This effect can distort price signals being sent to customers, reduce price transparency, and complicate comparisons between ComEd’s bundled service rate and the charges of competitive suppliers.

7. The revised tariff sheets attached as Appendix A revise Rider PE to limit this distortion while preserving the function of the PEA. By continuing to recover differences over several months, sharp month-to-month swings continue to be moderated. By resetting the PEA balance to zero each year when new PECs are computed for the next procurement year, the proposal also limits the accumulation of balances and minimizes the impact the adjustment can

⁸ The formula is included in the tariff at ILL C.C. No. 10, Orig. Sheet No. 326 and 1st Rev. Sheet No. 327.

have on the market. In particular, the degree to which adjustments relating to any procurement year “bleed over” and affect decisions for the next procurement year will be reduced.

8. To assist the Commission in reviewing the proposed revisions, a version of the tariff sheets showing the changes in legislative “redline” format is provided in Appendix B.

9. ComEd has reviewed the proposed revision with stakeholders and the Policy Division, Rate Department, Accounting Department, and Office of Retail Market Development of the Commission’s Staff, as well as the Retail Energy Suppliers Association (“RESA”) and the Illinois Competitive Energy Association (“ICEA”). ComEd has also previewed the specific tariff language proposed with the Rate Department of Staff. None of these parties has expressed an objection to the proposed change.

Special Permission is Warranted

10. The annual procurement cycle runs from June 1 to May 31, and the Commission is expected to approve the results of the upcoming procurement process for this year on May 2, 2014. Under Rider PE, ComEd must calculate and file the applicable PECs with the Commission within two business days of that approval.⁹ That informational filing is expected to occur in the first week of May 2014. For this revision to be effective for the 2014-15 procurement year, and for ComEd to make the required calculations and filing under the revised tariff, the revised tariff sheets must be effective by May 1, 2014.

11. No party will be prejudiced by the allowance of special permission. The revisions to Rider PE do not change ComEd’s energy cost or the portion of that cost allocated to any

⁹ ILL C.C. No. 10, 1st Rev. Sheet No. 319.

customer. By preventing the potentially indefinite accumulation of monthly adjustments, the revision benefits customers and the competitive market.

WHEREFORE, Commonwealth Edison Company respectfully requests that the Illinois Commerce Commission grant ComEd permission under Section 9-201 of the PUA to place the tariff sheets attached hereto as Appendix A on file without suspension and with an effective date of May 1, 2014.

Dated: March 28, 2014

Respectfully submitted,

COMMONWEALTH EDISON COMPANY

By: 
One of the attorneys for
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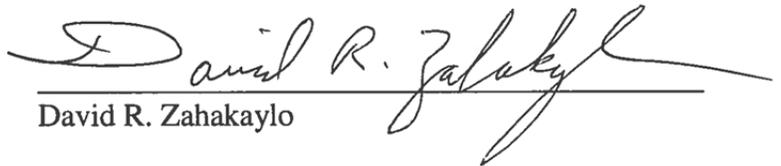
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VERIFICATION

STATE OF ILLINOIS)
)
COUNTY OF DuPAGE) ss.

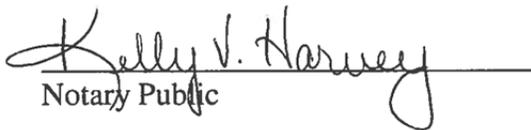
I, David R. Zahakaylo being first duly sworn, state that I am Director, Energy Acquisition, for Commonwealth Edison Company, that I have read the foregoing Petition to the Illinois Commerce Commission, that I am knowledgeable of the facts stated therein, and those facts are true and correct to the best of my information and belief.



David R. Zahakaylo

SUBSCRIBED AND SWORN to
Before me on this 27th day of
March, 2014.





Notary Public