

ICC Docket No. 14-0312**Commonwealth Edison Company's Response to
Illinois Commerce Commission ("STAFF") Data Requests****TEE 4.01 – 4.10****Date Received: April 30, 2014****Date Served: May 19, 2014****REQUEST NO. TEE 4.09:**

Referring to ComEd Ex. 3.03, Schedule B-9 please specifically explain for each of the following why the Allocator is "Non DST":

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| Line 18 | Charitable Contributions |
| Line 30 | Deferred on Unamortized ITC |
| Line 46 | Charitable Contribution on Land |
| Line 57 | AFUDC Plant & Equip Equity |
| Line 65 | CIAC with Tax Gross Up |
| Line 66 | Revaluation of Property |
| Line 88 | Prepaid Pension contribution (shareholder-funded) |
| Line 93 | State Income Taxes – Temporary |
| Line 95 | Regulatory (Asset)/Liab: Distribution Rate Case Matter |
| Line 97 | Regulatory (Asset)/Liab: AMP – other costs |
| Line 98 | Regulatory (Asset)/Liab: Distribution Formula Rate |
| Line 100 | Regulatory (Asset)/Liab: ASC 740 2011 IL State Tax |

RESPONSE:

The following are deferred tax assets (DTAs) identified on Schedule B-9. If allocated to jurisdictional activities, these balances would increase rate base:

Line 18 – Charitable Contributions: Due to taxable income limitations, ComEd's charitable contribution deductions were limited on its 2012 and 2013 tax returns. As such, ComEd was unable to take full advantage of the tax deduction, resulting in the related DTA. ComEd does not capitalize its charitable contributions, thus there is no underlying asset included in rate base related to charitable contributions. Further, ComEd does not have an associated deferred tax liability (DTL). Thus, ComEd has chosen to not include the DTA in rate base. This decision is consistent with the treatment given to charitable contribution DTAs in previous rate cases.

Line 30 – Deferred on Unamortized ITC: This DTA relates to the unamortized investment tax credit (ITC) that has not yet been fully realized for book purposes. ComEd has not capitalized the ITC, thus there is no underlying asset included in rate base related to the ITC. Further ComEd does not have an associated DTL, thus ComEd has chosen to not include the DTA in rate base. This decision is consistent with the treatment given to Deferred on Unamortized ITC DTAs in previous rate cases.

Line 46 – Charitable Contribution on Land: This DTA relates to an adjustment to the value of a parcel of undeveloped land donated in a prior year and the associated timing difference between the recorded book versus tax deduction. ComEd applies the Non-DST allocator as the contribution of the land was not related to delivery service operations, thus not included in distribution rate base. This decision is consistent with the treatment given to charitable contribution DTAs in previous rate cases.

Line 65 – CIAC with Tax Gross Up: CIAC (Contribution in Aid of Construction) tax gross-up amounts are billed to and collected from the individual customers requesting a non-standard service. For income tax purposes, the amounts collected from individual customers are recognized as revenue and are taxed in the current year. However, the depreciation deduction related to the asset is taken over a period of years dependent on the MACRS depreciation schedule. This timing difference between the taxation of the revenues and deduction for depreciation creates a DTA. ComEd began grossing up taxable CIAC in 2009 to recover the cost of this timing difference from the cost causing customers. Accordingly, the CIAC with Tax Gross Up DTA has not been included in rate base as ComEd is already recovering this cost from the cost causers. This decision is consistent with the treatment given to CIAC with Tax Gross Up DTAs in previous rate cases.

Line 66 – Revaluation of Property: This DTA relates to the revaluation of property for book purposes in 2000 due to the merger of Unicom Corporation and PECO. For tax purposes, ComEd was required to continue to use historical cost. The difference between the book treatment and tax treatment at historical cost created a DTA. As the reevaluation is a book adjustment and does not create a cash benefit or detriment to ComEd, the related DTA has been excluded from rate base. This decision is consistent with the treatment given to Revaluation of Property DTAs in previous rate cases.

The following are deferred tax liabilities (DTLs) identified on Schedule B-9. If allocated to jurisdictional activities, these balances would decrease rate base:

Line 57 – AFUDC Plant & Equip Equity: Allowance for Funds Used During Construction (AFUDC) is a book accounting method, which capitalizes interest on borrowed funds and the cost of equity funds used during construction. ComEd capitalizes AFUDC equity resulting in an increase to the book basis of the property. AFUDC equity is not recognized as a part of the tax basis of the property and thus does not impact ComEd's cash tax liability. As no cash impact is realized on AFUDC – Equity, the associated DTL is not included in rate base.

Line 88 – Prepaid Pension contribution (shareholder-funded): This deferred tax liability (DTL) is included in the Associated ADIT amount netted from the Prepaid Pension Asset (*see* ComEd Ex. 3.01, Page 12, Line 2) for the calculation of the return on the (net) pension asset. As such, ComEd applies a Non-DST jurisdictional allocator to avoid double counting this DTL. This decision is consistent with the treatment given to Prepaid Pension contribution DTL in previous rate cases.

Line 93 – State Income Taxes – Temporary: This DTL relates to accounting recognition (accrual) of federal income taxes related to state income taxes that remain contingent or not finally quantified and have not been paid. As the state tax refund has not yet occurred, and an increase to federal taxable income has not yet occurred, ComEd has not yet taken the federal tax deduction and is therefore excluding the DTL from rate base by applying the Non-DST allocator.

Line 95 – Regulatory (Asset)/Liab: Distribution Rate Case Matter: This DTL relates to two (2) underlying regulatory assets: Merger Costs – Transmission Formula (see WP 5, page 1, line 33) and Costs of the initial (2011) Formula Rate Filing (see WP 5, page 1, line 23). As these underlying regulatory assets are not included in rate base and there is no associated DTA, the associated DTL has also not been included in rate base. This decision is consistent with the treatment given to Regulatory (Asset)/Liab Distribution Rate Case Matter DTLs in previous rate cases.

Line 97 – Regulatory (Asset)/Liab: AMP – other costs: This DTL relates to the AMI Pilot – Other Program Costs regulatory asset. The Commission’s Order in ICC Docket No. 10-0467, allowed ComEd to defer certain AMI Pilot O&M costs for future recovery through its delivery service rates (see balance on Ex 3.02, WP 5, page 1, line 21, column C). ComEd does not include the underlying unamortized balance of these deferred O&M costs in rate base, and therefore does not include the DTL in rate base. This decision is consistent with the treatment given to Regulatory (Asset)/Liab: AMP – other costs DTL in previous rate cases.

Line 98 – Regulatory (Asset)/Liab: Distribution Formula Rate: This DTL relates to the underlying regulatory asset related to the formula rate reconciliations for prior years. As this transaction is a book adjustment and does not create a cash benefit or detriment to ComEd, and does not change the amount collected from or refunded to customers, the related DTL has been excluded from rate base. This decision is consistent with the Orders in ICC Docket Nos. 11-0721, 12-0321, 13-0386, 13-0553 and 13-0318.

Line 100 – Regulatory (Asset)/Liab: ASC 740 2011 IL State Tax Rate Change: This DTL relates to a regulatory asset established as a result of the 2011 Illinois State Income Tax increase (see Future Settlement of Income Tax Liabilities on WP 5, page 1, line 7). ASC 740 required deferred taxes to be established on the balance sheet for all tax timing differences, with the offsetting amount recorded to a regulatory asset or liability account. This underlying regulatory asset related to the settlement of future income tax liabilities has been excluded from rate base in previous filings as well as the current filing. Therefore, ComEd has not included the DTL in rate base. This decision is consistent with the treatment given to Regulatory (Asset)/Liab: ASC 740 2011 IL State Tax Rate Change DTL in previous rate cases.