

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY :
: Docket No. 13-0528
Reconciliation of revenues collected under :
power procurement riders with actual costs :
associated with power procurement :
expenditures. :

Direct Testimony of

GERALD J. KOZEL

Vice President and Controller
Commonwealth Edison Company

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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, 2011, through May 31, 2012) for: (1) its Purchased Electricity Adjustment
13 Factors (“PEAs”) under ComEd’s Rider PE – Purchased Electricity (“Rider PE”); and
14 (2) its Hourly Purchased Electricity Adjustment Factors (“HPEAs”) under ComEd’s
15 Rate 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, 2011,
19 through May 31, 2012.

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 HPEAs also is June 1, 2011, through May 31, 2012.

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

25 A. Yes. ComEd is presenting:

- 26 • Direct Testimony of Scott A. Vogt, ComEd Exhibit ("Ex.") 2.0. That testimony:
27 (1) describes and supports the reasonableness and allocation of ComEd's
28 administrative and operational costs associated with the procurement of electric
29 power and energy for retail customers served under Rider PE and under
30 Rate BESH for the period June 1, 2011, through May 31, 2012; and (2) explains
31 how ComEd complied during that period with the applicable procurement plan
32 approved by the Illinois Commerce Commission ("ICC" or "Commission") and
33 provides certain additional related information.
- 34 • Direct Testimony of John Hengtgen, ComEd Ex. 3.0. That testimony describes
35 and supports the reasonableness of ComEd's cash working capital ("CWC") costs
36 associated with the procurement of electric power and energy for retail customers
37 served under Rider PE and under Rate BESH for the period June 1, 2011, through
38 May 31, 2012.

39 C. **Summary of Conclusions**

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

41 A. In brief, I conclude that: (1) ComEd correctly determined and recovered the applicable
42 costs through the PEAs during the applicable period and did not inappropriately recover

43 those costs through charges in any other tariffs; (2) ComEd correctly accounted for the
44 costs and revenues associated with the PEAs during the applicable period; (3) ComEd
45 correctly determined and recovered the applicable costs through the HPEAs during the
46 applicable period and did not inappropriately recover those costs through charges in any
47 other tariffs; and (4) ComEd correctly accounted for costs and revenues associated with
48 the HPEAs during the applicable period.

49 Please note that, per the Supplemental Report Relating to the 2012 ComEd
50 Purchased Electricity Cost Recovery Review (described further below), ComEd has at
51 times identified appropriate adjustments during the course of preparing the monthly
52 filings for Rider PE and Rate BESH. As these items have been identified, they have been
53 corrected and filed in the next monthly filing made in accordance with the applicable
54 tariffs.

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

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

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

- 58 • ComEd Ex. 1.1 is the 2012 ComEd Purchased Electricity Cost Recovery Review
59 prepared by the Internal Audit (“IA”) department of Exelon Corporation
60 (“Exelon”), ComEd’s parent corporation, along with the accompanying cover
61 letter and Company Officer Verification, which ComEd filed with the
62 Commission on November 21, 2012.
- 63 • ComEd Ex. 1.2 is the Supplemental Report Relating to 2012 ComEd Purchased
64 Electricity Cost Recovery Review contemporaneously filed with the Commission
65 on November 21, 2012.

66 • ComEd Ex. 1.3 is a schedule of ComEd's Cumulative Totals of Incremental
67 Expenses, Revenues and Recoveries under Rider PE and Rate BESH for the
68 June 1, 2011, through May 31, 2012, determination period, which is an updated
69 version of Appendix I to ComEd Ex. 1.2.

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

72 A. The internal audit was conducted by Exelon's IA department, which is a separate and
73 independent function within Exelon. The report provides background information,
74 identifies the objective and scope of the internal audit, and describes the results of the
75 internal audit.

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

77 A. The supplemental report provides additional background information.

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

79 A. This schedule provides the cumulative totals of incremental expenses, revenues and
80 recoveries under Rider PE and Rate BESH for the June 1, 2011, through May 31, 2012,
81 determination period and was prepared consistent with the Appendix to the
82 Commission's final Order in Docket No. 12-0549, dated April 16, 2014. The schedule
83 reflects an adjustment included by ComEd in its December 20, 2011 informational filing
84 (September 2011 determination period effective January 2012). The adjustment relates to
85 the change in characterization of the cost of energy purchased from a certain qualifying
86 facility during January 2010 through October 2011. This adjustment reflects a decrease
87 in purchased power expense of \$402,504 and a decrease in interest expense of \$531 for

88 the June 2011 through May 2012 determination period. The schedule also includes the
89 following adjustments to the May 31, 2011, balance consistent with the appendix in the
90 final Order in ICC Docket No. 12-0549 applicable to the determination period
91 June 1, 2010, through May 31, 2011: (1) a decrease to purchased power expense of
92 \$949,264 and a decrease to interest expense of \$4,643 associated with the December
93 2011 adjustment described above, and (2) a decrease to cash working capital costs of
94 \$2,863,338 and a decrease to related interest expense of \$41,860.

95 **E. Background and Experience**

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

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

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

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

110 reporting requirements and associated filings with the Securities and Exchange
111 Commission, the Federal Energy Regulatory Commission and the ICC.

112 **II. SUMMARY OF RELEVANT OPERATIONS UNDER RIDER PE AND RATE**
113 **BESH**

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

116 A. In brief, the PEAs and HPEAs were designed as part of Rider PE and Rate BESH so that
117 the expenses that ComEd incurred for the procurement of full requirements electric
118 supply and directly procured electric power and energy, as applicable, required by retail
119 customers for which ComEd was providing such supply, would equal revenues from such
120 retail customers for such retail customers for such supply based on changes in those
121 customers' actual usage and demands on ComEd's system. The expenses included in the
122 PEAs and HPEAs also include certain transmission expenses as well as certain supply
123 administration costs associated with the provision of service under Rider PE and
124 Rate BESH, including cash working capital costs. Those supply administrative and
125 operational costs are addressed in the direct testimony of ComEd's Vice
126 President – Energy Acquisition, Scott A. Vogt (ComEd Ex. 2.0). The cash working
127 capital costs are addressed in the direct testimony of John Hengtgen (ComEd Ex. 3.0).
128 As provided in the tariff language of Rider PE and Rate BESH, an internal audit was
129 required to be conducted related to the PEAs and HPEAs for the applicable period, and a
130 report that summarized the results of that internal audit was prepared and then submitted
131 to the Commission as an informational filing. The internal audit was conducted, and the
132 report was prepared. ComEd Ex. 1.1 is a copy of that required submission.

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

135 A. In brief, on a monthly basis, ComEd calculated the difference between revenues and
136 expenses recognized associated with each product. ComEd's general ledger contains the
137 revenue and expense data necessary to calculate the PEA and HPEA. ComEd's
138 wholesale procurement management system, payables system and retail billing system
139 are the sources of the information that support the general ledger. These sources were
140 used to validate the wholesale electric supply costs and accrued retail electric supply
141 revenue used in the calculations. At the direction of my predecessor, Kevin J. Waden,
142 the calculations and filings during the applicable period were prepared by accounting
143 staff and either John Bobek (Manager, Accounting) or Christine Brinkman, Director,
144 Rates and Revenue Policy (formerly Manager, Accounting) approved them prior to filing
145 with the Commission each month. Any amounts that were over/under recovered in a
146 given period were reflected in a subsequent period on our customers' bills, as applicable.
147 Any amounts that were credited to or recovered from customers were incorporated into
148 the next applicable monthly calculation of the PEAs and HPEAs. At the end of any
149 accounting period, ComEd recorded a cumulative regulatory asset (under-recovery) or
150 regulatory liability (over-recovery) for each product offering.

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

153 A. Yes. Their internal audit report states in part: "... (t)he cost recovery process performed
154 by ComEd is in compliance with the requirements of Rider PE and Rate BESH...."

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

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

159 **III. CONCLUSION**

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

161 A. Yes.