

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

SCOTT A. VOGT

Vice President,
Energy Acquisition
Commonwealth Edison Company

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1 **I. INTRODUCTION AND BACKGROUND**

2 **A. Identification of Witness**

3 **Q. Please state your name and business address.**

4 A. My name is Scott A. Vogt. My business address is Commonwealth Edison Company,
5 1919 Swift Drive, Oakbrook, Illinois 60521.

6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed by Commonwealth Edison Company (the “Company” or “ComEd”) as
8 Vice President – Energy Acquisition.

9 **B. Purpose of Testimony and Summary of Conclusions**

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

11 A. The purpose of my testimony is to describe and support the reasonableness of ComEd’s
12 administrative and operational costs associated with the procurement of electric power
13 and energy for retail customers served under Rider PE - Purchased Electricity
14 (“Rider PE”) and under Rate BESH - Basic Electric Service Hourly (“Rate BESH”) for
15 the period June 1, 2011, through May 31, 2012. In addition, I shall explain how ComEd
16 complied with the applicable procurement plan approved by the Illinois Commerce
17 Commission (“ICC” or “Commission”).

18 More specifically, in my testimony, I: (1) provide a description of the types of
19 administrative and operational costs that were recovered from retail customers under the
20 provisions of Rider PE and Rate BESH; (2) explain how ComEd’s administrative and
21 operational costs associated with procuring electric power and energy were allocated to
22 retail customers served under those two tariffs; (3) explain why it was reasonable for
23 ComEd to incur these costs to procure electric power and energy for those retail

24 customers; and (4) discuss compliance with the ICC-approved procurement plan,
25 including citation to specific provisions of the plan and processes for dealing with
26 counter-parties.

27 **Q. Please summarize the conclusions of your direct testimony.**

28 A. The methodology that ComEd employed to allocate costs for recovery under both
29 Rider PE and Rate BESH was reasonable. The amount of administrative and operational
30 costs that ComEd incurred in procuring electric power and energy for retail customers
31 served under Rider PE or Rate BESH was also reasonable. Last, ComEd fully complied
32 with the applicable Commission-approved procurement plan.

33 **C. Itemized Attachments to Testimony**

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

35 A. Yes, I am sponsoring the attached ComEd Exhibit (“Ex.”) 2.1, which is discussed later in
36 my testimony.

37 **D. Background and Experience**

38 **Q. What is your current position with ComEd?**

39 A. I am Vice President of Energy Acquisition for ComEd. In that capacity, I manage the
40 department that is responsible for procurement of wholesale electric supply, “PJM” (PJM
41 Interconnection, LLC) wholesale market settlements, and Retail Choice functions for
42 ComEd. This includes overseeing the administrative and operational processes that are
43 used to procure electric power and energy. I have held this position since May 2014.

44 **Q. Please describe your educational experience and business background.**

45 A. I have a Bachelor of Science degree in Business Analysis from Indiana University, from
46 which I graduated in 1990. I worked in three finance-related positions at the University
47 of Chicago Hospitals from 1990 to 1998. I have been employed by ComEd and Exelon
48 Corporation (“Exelon”) since 1998 in various positions, including, in sequence, Senior
49 Financial Analyst (ComEd), Executive Assistant (ComEd), Assistant Treasurer (ComEd),
50 Director of Project Evaluation (Exelon Enterprises), Director of Financial Planning &
51 Analysis (ComEd), Director of Corporate Financial Planning & Analysis (Exelon),
52 Director of Finance (Exelon Nuclear), Vice President of Regulatory Projects (ComEd),
53 and my current position as Vice President of Energy Acquisition (ComEd).

54 **II. DESCRIPTION OF COMED’S ADMINISTRATIVE AND OPERATIONAL**
55 **COSTS FOR PROCURING ELECTRIC POWER AND ENERGY FOR RIDER**
56 **PE AND RATE BESH CUSTOMERS**

57 **Q. Are you familiar with the administrative and operational costs associated with the**
58 **procurement of electric power and energy for retail customers served under**
59 **Rider PE and Rate BESH for the period June 1, 2011, through May 31, 2012?**

60 A. Yes, I am.

61 **Q. Could you generally describe what those administrative and operational costs**
62 **consist of?**

63 A. Yes, these costs consist of two types. First are the internal costs related to the
64 procurement-related functions of ComEd’s Energy Acquisition Department. Second are
65 the costs that are external to the Energy Acquisition Department that were incurred to
66 obtain products or services needed by the Energy Acquisition Department to perform its
67 procurement-related functions. A summary schedule of these costs is presented in

68 ComEd Ex. 2.1. While the Commission’s Order commencing this proceeding required
69 only that ComEd address in testimony its internal administrative and operational costs, in
70 past reconciliation proceedings the Commission Staff (“Staff”) has inquired about other
71 types of administrative and operational costs. Accordingly, I discuss those other costs in
72 my testimony as well.

73 **A. Internal Administrative and Operational Costs**

74 **Q. Could you describe the organization of ComEd’s Energy Acquisition Department?**

75 A. Yes, during the relevant period the department consisted of five functional groups:
76 Procurement Planning and Strategy; Wholesale Billing and Credit; Wholesale Supplier
77 Operations; Wholesale Markets and Development; and Electric Supplier Services.

78 **Q. What functions are performed by the Procurement Planning and Strategy group?**

79 A. The Procurement Planning and Strategy group is responsible for developing and
80 advocating ComEd’s position in the annual procurement proceedings, fulfilling ComEd’s
81 responsibilities in Illinois Power Agency (“IPA”) procurement events and managing the
82 nomination of Auction Revenue Rights (“ARRs”) in PJM.

83 **Q. What functions are performed by the Wholesale Billing and Credit group?**

84 A. The Wholesale Billing and Credit group validates PJM’s invoiced charges to ComEd and
85 initiates payments to PJM for confirmed services. They also validate charges to ComEd
86 from our wholesale suppliers and initiate payments for those deliveries. During the time
87 frame of June 2011 through May 2012, they also managed all wholesale supplier
88 contracts, including the Master Power Purchase and Sale Agreements from the annual
89 procurement events, the financial swap agreement with ExGen, and the Master

90 Renewable Energy Purchase and Sale Agreements, also from the annual procurement
91 events. Finally, they monitor the credit ratings of ComEd's wholesale suppliers and
92 administer daily credit processes, including the determination of mark-to-market
93 collateral requirements and the processing of collateral payments or instruments.

94 **Q. How are the Procurement Planning and Strategy and the Wholesale Billing and**
95 **Credit groups organized and staffed?**

96 A. During the period in question (June 1, 2011, through May 31, 2012), both groups
97 reported to a Director who oversaw the work of one and one-half full-time equivalent
98 ("FTE") analysts in the Procurement Planning and Strategy group, and three and one-half
99 FTE analysts in addition to the Manager of the Wholesale Billing and Credit group.

100 **Q. What are the costs associated with operating the Procurement Planning and**
101 **Strategy and Wholesale Billing and Credit groups?**

102 A. The costs consist primarily of labor, including benefits. Other costs include office space,
103 computer and telephone equipment, training expenses and data services such as
104 brokerage quotes and credit rating agency reports.

105 **Q. What functions are performed by the Wholesale Supplier Operations group?**

106 A. The Wholesale Supplier Operations group performs a number of daily processes. They
107 validate individual retail customer enrollments for each Retail Electric Supplier ("RES")
108 to assure that the daily load responsibilities of each RES are accurate. They calculate
109 individual retail customer Capacity Peak Load Contributions and Network Service Peak
110 Load Contributions, aggregate them by the responsible RES and submit to PJM so that
111 PJM properly bills each RES for generation capacity and transmission service. They

112 submit daily load bids for the retail load served by ComEd into the PJM Day-Ahead
113 energy market. They forecast RES hourly energy load serving responsibilities and
114 monitor the hourly load serving responsibilities submitted by each RES to PJM to ensure
115 good-faith scheduling. They forecast and submit to PJM hourly load serving
116 responsibility estimates for the load supplied by ComEd. They confirm scheduled
117 physical deliveries by ComEd's wholesale suppliers. Finally, they perform the
118 reconciliation of actual versus estimated supplier load responsibilities with PJM.

119 **Q. How is the Wholesale Supplier Operations group organized and staffed?**

120 A. During the period in question (June 1, 2011, through May 31, 2012), there were six
121 full-time equivalent FTE persons performing the aforementioned processes. Five
122 analysts reported to the Manager of the Wholesale Supplier Operations group.

123 **Q. What are the costs associated with operating the Wholesale Supplier Operations**
124 **group?**

125 A. The costs consist primarily of labor, including benefits. Other costs include office space,
126 computer and telephone equipment, training expenses, and the maintenance and support
127 of the Retail Office ("RO") software and other back office systems that store and analyze
128 customer and supplier data and are used to submit this data to PJM.

129 **Q. What functions are performed by the Wholesale Markets and Development group?**

130 A. The primary role of the Wholesale Markets and Development group is to calculate the
131 hourly load of the ComEd Zone on a daily basis. This calculation is the starting point for
132 the allocation of load responsibilities to ComEd and each RES in the ComEd Zone. This
133 calculation is done by obtaining hourly meter values for all generation meters (excluding

134 “behind-the-meter” generation) and all transmission tie-line meters associated with the
135 ComEd Zone. The hourly zonal load is calculated by taking the sum of all generation
136 within the zone, adding simultaneous imports, and subtracting simultaneous exports. In
137 addition, this group ensures compliance with certain North American Electric Reliability
138 Corporation (“NERC”) and Reliability First Corporation standards.

139 Q. **How is the Wholesale Markets and Development group organized and staffed?**

140 A. During the period in question (June 1, 2011 through May 31, 2012), the group consisted
141 of three FTE’s consisting of two analysts and a Manager.

142 Q. **What are the costs associated with operating the Wholesale Markets and
143 Development group?**

144 A. The costs consist primarily of labor, including benefits. Other costs include office space,
145 computer and telephone equipment and training expenses. It is important to recognize
146 that the functions of this group are required solely for the purposes of fulfilling ComEd’s
147 obligations to PJM as an Electric Distribution Utility (“EDC”), and all of these functions
148 are required whether or not ComEd provides supply services to any customer. There is
149 no incremental work required in this group because of ComEd’s supply responsibilities to
150 its retail customers. Therefore, none of the costs of this group have been allocated to the
151 costs flowing to customers served under Rider PE and Rate BESH.

152 Q. **What functions are performed by the Electric Supplier Services group?**

153 A. The primary responsibility of the Electric Supplier Services group is to serve as the
154 primary point of contact with RESs, including certifying new RESs and addressing RES
155 issues. The group processes customer enrollments with RESs and also processes

156 customer enrollments to ComEd's hourly service. The group also provides historical
157 customer usage data to market participants who have customer authorization to release
158 the data.

159 **Q. How is the Electric Supplier Services group organized and staffed?**

160 A. During the relevant period in question, there was a Manager who supervised a staff of
161 seven and one-half FTE employees.

162 **Q. What are the costs associated with the Electric Supplier Services group?**

163 A. The costs consist primarily of labor, including benefits. Other costs include computer
164 and telephone equipment, training expenses and hosting meetings and training for RESs.

165 **Q. How are the Wholesale Markets Development, Wholesale Supplier Operations, and**
166 **Electric Supplier Services groups organized within the Energy Acquisition**
167 **Department?**

168 A. These three groups report to a Director who oversees the work performed within the
169 groups.

170 **Q. Are there any other departmental overhead costs in Energy Acquisition that are**
171 **related to procurement administrative costs?**

172 A. Yes. As Vice President of Energy Acquisition, I spend a portion of my time working on
173 procurement-related activities. My Administrative Assistant also performs some
174 procurement related activities.

175 **B. Other Administrative and Operational Costs**

176 **Q. What are other administrative and operational costs in this context?**

177 A. In general, these are the costs, other than the internal costs of ComEd's Energy
178 Acquisition Department, and other than the direct costs of the electric supply itself, e.g.,
179 energy, capacity, ancillary services, transmission, that ComEd's Energy Acquisition
180 Department incurs in procuring electric power and energy to serve ComEd's customers.

181 Q. **Can you provide a general description and breakdown of the various categories of**
182 **administrative and operational costs that ComEd incurred in procuring electric**
183 **power and energy during the relevant period?**

184 A. Yes, that description and breakdown is included in ComEd Ex. 2.1.

185 Q. **Referring to ComEd Ex. 2.1, what are the Energy Acquisition Department Internal**
186 **Costs?**

187 A. These are the internal costs, primarily consisting of labor, office space and equipment,
188 which are incurred by ComEd's Energy Acquisition Department. These are the costs that
189 I have described above.

190 Q. **What are the Information Technology Systems Costs?**

191 A. These are the costs incurred to maintain and support the RO software that is used by the
192 Energy Acquisition Department's Wholesale Supplier Operations. RO is a standard
193 industry wholesale settlements program that assists in the determination of the amount of
194 load served by ComEd pursuant to Rider PE and Rate BESH. PJM requires that ComEd
195 report this information on a daily basis. The function of the Wholesale Supplier
196 Operations group and of the RO software was addressed earlier in this testimony. A
197 portion of the RO costs that were flowed through Rider PE and Rate BESH for this
198 period had been previously approved by the Commission in ICC Docket No. 05-0597. In

199 that proceeding, the Commission approved \$1,381,800 of RO-related costs and approved
200 the amortization and recovery of those costs over a five-year period.¹ For the period
201 under review in this proceeding, ComEd recovered \$211,911 of those previously
202 approved costs. Since that proceeding, ComEd has needed to revise RO in response to
203 various PJM rule changes. Consistent with the approval given in ICC Docket
204 No. 05-0597, and consistent with standard accounting practice, ComEd capitalized those
205 costs and has been amortizing them over a five-year period.

206 **Q. What are the PJM Credit Costs?**

207 **A.** PJM credit costs represent the credit facility costs for the posting of PJM-required credit.
208 PJM requires collateral of all of its members as insurance for payment of services
209 rendered to serve the load. The Procurement Plan (see pages 49-50)² requires ComEd to
210 procure the electric supply to balance the load of its fixed-price customers directly from
211 the PJM spot markets. Similarly, the Public Utilities Act (“PUA”) requires ComEd to
212 procure the electric supply to serve the full load of its hourly customers from the
213 “applicable market”, i.e., PJM, as well. In addition, ComEd procures capacity, ancillary
214 services and transmission to serve both its fixed-price and hourly customers from PJM.³
215 Thus, ComEd must post collateral for this load. PJM requires all of its members who are
216 in a net buyer position to post collateral in order to cover PJM’s exposure to possible
217 payment default. Because ComEd has no generation of its own, it will typically be in a
218 position that requires it to buy from the market and therefore be required to post

¹ See ComEd Ex. 10.7 in ICC Docket No. 05-0597.

² Illinois Power Agency Draft Power Procurement Plan, dated September 29, 2010, in ICC Docket No. 10-0563 (“Procurement Plan”).

³ See Procurement Plan, pp. 51-52.

219 collateral. Since the contracts for the block energy products, which are most of the
220 energy that ComEd procures, require the suppliers to physically deliver this supply,
221 ComEd is not required to post collateral for this portion of its load. This requirement,
222 which ComEd has consistently supported, serves to minimize the amount of PJM credit
223 costs that ComEd must incur.

224 **Q. What are the Renewable Energy Credits (“RECs”) Costs?**

225 A. These costs are associated with the certification and tracking services that were used to
226 manage the REC contracts. As set out in the Procurement Plan (see page 55), three
227 services were used during this reconciliation period to track RECs. They were the PJM
228 Environmental Information Services Generation Tracking System (“EIS GATS”), the
229 MISO Midwest Renewable Energy Tracking System (“M-RETS”) and the North
230 American Renewables Registry (“NARR”). These costs included annual fees and
231 separate volume-based fees charged for RECs delivered and retired using the systems.

232 **Q. What are the IPA Fees and Procurement Monitor Costs?**

233 A. IPA fees are billed to ComEd, as provided for in the IPA Act, to pay for consultants
234 engaged by the IPA to help in the development of the procurement plan. The
235 Procurement Monitor Costs were costs directly associated with the payment of bills by
236 ComEd for the professional services of a Procurement Monitor who was employed by
237 Staff for the purposes of monitoring the fixed-price procurement process. The amount of
238 costs shown on ComEd Ex. 2.1 for IPA fees and Procurement Monitor Costs include the
239 costs related to the fifth procurement plan proceedings, ICC Docket No. 10-0563, which

240 were incurred and passed through to customers during the period covered by this
241 proceeding.

242 **Q. What are the Procurement Plan and Reconciliation Proceedings Costs?**

243 A. These are primarily the costs incurred in developing, obtaining approval for and
244 implementing the fifth procurement event, covering the period June 2011 through May
245 2016, which was approved by the Commission in ICC Docket No. 10-0563. Also
246 included are procurement-related costs that were incurred during this period and
247 generally relate to issues that arose in administering existing electric supply and
248 renewables contracts and to the reconciliation process and proceedings. These costs were
249 incurred over the period involved in this matter, i.e., June 2011 through May 2012, and
250 were passed through to customers as they were incurred. These costs consist primarily of
251 legal services from counsel external to ComEd, as well as expert witnesses and
252 consulting charges.

253 **Q. What are Supply related Costs Identified by the ICC?**

254 A. In ICC Docket No. 11-0721, the ICC determined that a certain portion of ComEd's
255 Administrative costs filed in its Distribution costs were more appropriately classified as
256 Supply related costs. Those expenses identified by the Commission as Supply related in
257 ICC Docket No. 11-0721 are now included in ComEd's Supply related Administrative
258 and Operational Costs as shown in ComEd Exhibit 2.1.

259 **Q. What are Merger Related Costs?**

260 A. These are costs to achieve incurred in the merger with Baltimore Gas and Electric which
261 were allocated to the ComEd supply function. These are similar to the merger related
262 costs approved by the Commission in ICC Docket No. 13-0318.4

263 **III. ALLOCATION METHODOLOGY**

264 **Q. Does the ComEd Energy Acquisition Department procure electric power and energy**
265 **for ComEd's fixed-price customers as well as ComEd's hourly-price customers?**

266 A. Yes, it does.

267 **Q. How did ComEd allocate the internal administrative and operational costs that you**
268 **describe above between Rider PE and Rate BESH?**

269 A. For each group (other than the Wholesale Markets and Development group), we first
270 identified the primary work activities performed by the group and the portion of the total
271 time spent on each activity by the employees within the group. We then made an
272 assessment of whether or not each activity was related to ComEd's procurement
273 responsibilities. In making that assessment, we considered whether the activity was
274 necessary solely because of ComEd's load-serving responsibilities, or alternatively, if the
275 function would have been required regardless of our load serving obligation. It was
276 determined that most activities are a combination of these responsibilities. That is, some
277 amount of that activity was deemed necessary to fulfill ComEd's electric distribution
278 company responsibilities to PJM. This work activity would have been required whether
279 or not ComEd supplied any energy to retail customers. However, the fact that ComEd
280 was also a load-serving entity expanded the amount of time and resources needed to

⁴ See final Order in ICC Docket No. 13-0318, p. 22

281 perform most activities. Therefore, an estimate of the time spent on each activity was
282 made based on the incremental procurement related work. This allocation of time to the
283 procurement function was then further split between how much of the activity related to
284 serving ComEd's fixed-price load versus the hourly load. Again, this split was made on a
285 time-based assessment. For this reconciliation period, the time-weighted allocations were
286 then rolled to the department level and used to allocate both labor and non-labor costs
287 across the entire department. The average weighted percentage that was applied to the
288 department was approximately 40%.

289 **Q. Can you describe the allocations that were made for each of the groups?**

290 A. Yes, I can. With respect to the Wholesale Supplier Operations group, 40% of the overall
291 labor was determined to be procurement related. The procurement-related activities
292 include validation of customer usage and enrollment information, calculation and
293 submission of peak load contributions to PJM, forecasting, submitting Day-Ahead
294 demand bids and submitting load serving responsibility estimates to PJM for load
295 supplied by ComEd, confirming scheduled physical deliveries by ComEd suppliers and
296 reconciliation of actual vs. estimated load serving responsibilities for load supplied by
297 ComEd. 59% percent of these procurement related activities were deemed to be
298 associated with fixed-price customers and 41% with hourly-price customers, based on the
299 relative amount of time spent supporting each customer segment.

300 With respect to the Wholesale Billing and Credit group, 85% of the overall labor
301 was determined to be procurement related. The procurement-related activities include the
302 accrual and processing of PJM and supplier statements, administration of supplier
303 agreements, monitoring supplier credit ratings and performing mark-to-market activities.

304 81% percent of the procurement related activities were deemed to be associated with
305 fixed-price customers and 19% with hourly-price customers.

306 With respect to the Electric Supplier Services group, 4% of the overall labor was
307 determined to be procurement related. The procurement related activities include
308 processing and validating hourly customer enrollments and return-to-ComEd supply
309 enrollments. 5% of the procurement related activities were deemed to be associated with
310 fixed-price customers and 95% with hourly-price customers.

311 The Director who oversees the Wholesale Supplier Operations, Wholesale
312 Markets & Development and Electric Supplier Services groups and the Vice President of
313 Energy Acquisition spent 38% of their time managing procurement-related activities.
314 90% of that time was deemed to be associated with fixed-price customers and 10% with
315 hourly-price customers. The Procurement Planning and Strategy group spent
316 approximately 90% of their time managing procurement-related activities, 86% of which
317 was associated with fixed-price customers and 14% with hourly-price customers.

318 **Q. How did ComEd allocate the other administrative and operational costs that you**
319 **describe above between Rider PE and Rate BESH?**

320 **A.** The Renewable Energy Costs, IPA fees, Procurement Monitor Costs and the
321 Procurement Plan Proceedings Costs were all directly allocated to the fixed-price
322 customers as these were costs incurred procuring supply for these customers. The
323 Information Technology System Costs were allocated 81% to fixed-price and 19% to
324 hourly price customers. Approximately 77% of the PJM Credit Costs were allocated to
325 the fixed-price customers and 23% were allocated to the hourly-price customers. These
326 costs were proportionately allocated based on PJM billings to each service type

327 (fixed-price or hourly-price). Reconciliation Proceedings costs were allocated 95% to
328 fixed-price customers and 5% to hourly-priced customers. Supply Related costs
329 identified by the ICC and Merger related costs were allocated 81% to fixed-price
330 customers and 19% to hourly-priced customers.

331 **IV. REASONABLENESS OF THE ADMINISTRATIVE AND OPERATIONAL**
332 **COSTS**

333 **Q. Are the internal administrative and operational costs that ComEd incurred**
334 **associated with the procurement of electric power and energy for retail customers**
335 **served under Rider PE and Rate BESH for the period June 1, 2011, through**
336 **May 31, 2012, reasonable?**

337 **A.** Yes, they are. As described above, all of these costs relate to the operations of ComEd's
338 Energy Acquisition Department. The functions performed by the Energy Acquisition
339 Department were all necessary to procure the electric power and energy to serve Rider PE
340 and Rate BESH customers. The staff that the Energy Acquisition Department employed
341 was needed to perform these procurement functions. The salaries of the staff are set on a
342 competitive basis and utilize the same salary structure that is used throughout ComEd,
343 and they are reasonable in amount. The administrative costs associated with operating
344 the department are also reasonable in amount. The methodology that ComEd employed
345 to allocate these costs for recovery between Rider PE and Rate BESH is a fair and
346 reasonable method.

347 **Q. Are the other administrative and operational costs described above reasonable and**
348 **recoverable?**

349 A. Yes, they are. The other administrative and operational costs, described above, all fall
350 within one of two categories: (1) costs incurred in procuring power and energy for
351 fixed-price customers under the provisions of Rate BES, including the costs to develop,
352 implement and comply with any relevant procurement plan, as described in Rider PE; and
353 (2) costs incurred in procuring electric power and energy for hourly price customers
354 under the provisions of Rate BESH. While I am not a lawyer, I am advised by ComEd's
355 counsel that it is ComEd's legal position that the PUA specifically provides that a utility
356 shall recover its costs of procuring electric power and energy, including the costs incurred
357 by the utility in procuring a supply of electric power and energy, any just and reasonable
358 costs that the utility incurs in arranging and providing for the supply of electric power
359 and energy, all reasonable costs incurred to implement and comply with any procurement
360 plan, any fees assessed by the IPA, any costs associated with balancing load and the full
361 costs of all auction-related activities. Similarly, Rider PE and Rate BESH implement the
362 PUA and further authorize the recovery of these costs.⁵ As is evident from the
363 description of the costs that I have provided above, all the costs that were recovered from
364 retail customers during this period were necessary to procure the electric power and
365 energy to serve ComEd's fixed-price and hourly price customers consistent with the
366 PUA, the Procurement Plan, and ComEd's tariffs. As I noted above, it is ComEd's
367 position that these costs are conclusively classified as prudent and reasonable, and are

⁵ See Rider PE, Original Sheet No. 311, section on Purpose; Original Sheet Nos. 313 and 314, section on Procurement Obligations; 3rd Revised Sheet No. 317, section on Purchased Electricity Price; Rate BESH, 6th Revised Sheet No. 36 and 2nd Revised Sheet No. 37, section on Miscellaneous Procurement Components Charge; 2nd Revised Sheet No. 37, 3rd Revised Sheet No. 38 and Original Sheet No. 39, section on Hourly Purchased Electricity Adjustment Factor; and 5th Revised Sheet No. 46 and 2nd Revised Sheet No. 46.1, section on Miscellaneous General Provisions.

368 fully recoverable. Last, all the costs incurred and listed on ComEd Ex. 2.1 are reasonable
369 in amount.

370 **Q. Is the amount of administrative and operational costs that ComEd recovered from**
371 **customers during this reconciliation period similar to the amount that was**
372 **recovered in the prior period of June 2010 through May 2011?**

373 A. Yes, in the prior period, ComEd recovered approximately \$5.1 million in administrative
374 and operational costs. In the period examined in this docket (June 2011 through May
375 2012) the amount recovered from customers was approximately \$5.2 million which
376 excludes approximately \$2.2 million in additional supply related costs primarily reflected
377 in the Salaries and Wages Allocator adopted in the final Order in ICC Docket
378 No. 11-07216.

379 **V. COMPLIANCE WITH THE PROCUREMENT PLAN**

380 **Q. What are the key components of the Procurement Plan?**

381 A. The key components of the Plan are: (1) the identification of pre-existing contracts for
382 supply; (2) the determination of the amounts and method for procuring the residual
383 requirements of energy, capacity and ancillary services for the eligible retail customers;
384 and (3) the procurement of renewable energy resources.

385 **Q. Please describe the pre-existing contracts for supply.**

386 A. Pre-existing contracts are contracts for energy, capacity or ancillary services that ComEd
387 entered into outside of the context of a procurement plan pursuant to either an ICC order

⁶ See final Order in ICC Docket No. 11-0721, pp. 27-29.

388 or a provision of law. The PUA provides that the utility is entitled to full cost recovery
389 for all supply procured under pre-existing contracts (see 220 ILCS 5/16-111.5(k) & (l)).
390 During this reconciliation period, there was one pre-existing contract. Pursuant to
391 Section 16-111.5(k) of the PUA, ComEd entered into a five-year financial swap contract
392 with ExGen. During this reconciliation period, that agreement provided price certainty
393 for 3,000 MW of around-the-clock (“ATC”) energy that ComEd procured through the
394 PJM spot markets.

395 **Q. Please describe what the Plan provided for the procurement of energy, capacity and**
396 **ancillary services.**

397 A. The PUA requires that the portion of the utility’s load not supplied by pre-existing
398 contracts is to be served pursuant to the procurement of standard wholesale products. To
399 meet this requirement, the Plan proposed the procurement of block energy-only products
400 that varied monthly and by on-peak and off-peak time periods. To balance the portion of
401 the load served by these block energy products, the Plan proposed for ComEd to
402 passively procure and sell energy in the PJM administered spot markets. Similarly, the
403 Plan proposed for ComEd to procure capacity and ancillary services from the relevant
404 PJM administered markets.

405 **Q. Please describe how the Plan proposed to procure renewable energy resources.**

406 A. The Plan proposed to procure the required amounts of renewable energy resources, as
407 stipulated in the PUA, for this reconciliation period through the procurement of RECs.

408 **Q. Please describe how ComEd complied with the pre-existing contracts portion of the**
409 **Plan.**

410 A. This portion of the Plan required that ComEd track compliance with the terms of the
411 swap agreement. Pursuant to the swap agreement, ComEd procured and paid for energy
412 from the PJM spot market and then reconciled, on a monthly basis, with ExGen for the
413 difference between the day-ahead spot prices and the contract prices.

414 Q. **Please describe how ComEd complied with the procurement of energy, capacity and**
415 **ancillary services portion of the Plan.**

416 A. Several days after the ICC approved the winning bidders for the block energy products,
417 ComEd executed the standard contract that the Procurement Administrator had developed
418 with each winning bidder for the amount and price approved by the ICC. During the
419 terms of these contracts, ComEd tracked that the appropriate amounts of energy were
420 delivered by each supplier, and then paid the approved price to the supplier for this
421 product. ComEd confirmed delivery through the PJM scheduling process at least one
422 month prior to when energy began flowing for each month of the term. ComEd acquired
423 balancing energy, capacity and ancillary services through the relevant PJM markets.
424 ComEd tracked that the appropriate amounts were obtained, confirmed that invoiced
425 amounts were correct and then processed payment for these amounts.

426 Q. **Please describe how ComEd complied with the procurement of renewable energy**
427 **resources portion of the Plan.**

428 A. Several days after the ICC approved the winning bidders for the RECs, ComEd executed
429 the standard contract that the Procurement Administrator had developed with each
430 winning bidder for the amount and price approved by the ICC. During the terms of these
431 contracts, ComEd confirmed delivery of the appropriate amount of RECs from each

432 supplier through the use of the EIS GATS or the M-RETS certification systems. After
433 deliveries were made and confirmed, ComEd made payments to the suppliers at the
434 approved prices. ComEd also validated that invoices from the renewable certification
435 entities were correct and then processed payments as reimbursement for those services.

436 **Q. With respect to the reconciliation period involved in the current Docket,**
437 **June 1, 2011, through May 31, 2012, can you cite the relevant portions of the ICC-**
438 **approved IPA procurement plan that support ComEd’s actions, including the**
439 **contracts ComEd entered into that are consistent with the ICC-approved IPA**
440 **procurement event?**

441 **A.** Yes. For the period June 1, 2011, through May 31, 2012, ComEd complied with the
442 Procurement Plan approved by the Commission in ICC Docket No. 10-0563.
443 Specifically, there were two procurement events held for ComEd supplied load in
444 accordance with the IPA procurement plan:

445 **Renewable Energy and RECs Procurements**

Procurement Event	Description	Docket 10-0563 Approved Amount	ComEd Procured Amount	References
Short Term RECs	One year REC contracts for the period June 1, 2011 through May 31, 2012	2,117,054 RECs	2,117,054 RECs	IPA Procurement Plan dated 9/30/2010, Table U on page 54

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Standard Products RFP Energy Procurement

Month	ComEd Procured Amount		IPA Plan ⁽¹⁾		Difference	
	On Peak MW	Off Peak MW	On Peak MW	Off Peak MW	On Peak MW	Off Peak MW
Jun-11	1,550	1,200	1,550	1,200	-	-
Jul-11	1,450	1,500	1,450	1,500	-	-
Aug-11	1,350	1,350	1,350	1,350	-	-
Sep-11	1,350	750	1,350	750	-	-
Oct-11	850	250	850	250	-	-
Nov-11	1,300	700	1,300	700	-	-
Dec-11	1,500	1,250	1,500	1,250	-	-
Jan-12	1,500	1,300	1,500	1,300	-	-
Feb-12	1,400	1,150	1,400	1,150	-	-
Mar-12	1,200	700	1,200	700	-	-
Apr-12	750	250	750	250	-	-
May-12	900	250	900	250	-	-
Jun-12	600	-	600	-	-	-
Jul-12	1,500	600	1,500	600	-	-
Aug-12	1,150	300	1,150	300	-	-
Sep-12	-	-	-	-	-	-
Oct-12	-	-	-	-	-	-
Nov-12	-	-	-	-	-	-
Dec-12	-	-	-	-	-	-
Jan-13	-	-	-	-	-	-
Feb-13	-	-	-	-	-	-
Mar-13	-	-	-	-	-	-
Apr-13	-	-	-	-	-	-
May-13	-	-	-	-	-	-

Notes:

(1) IPA's September 29, 2010 Plan (Attachment H), as modified to not reflect 110% of peak load in July and August of 2011 per the Final Order in Docket No. 10-0563 pp. 96-97 and the revised forecasted load provided the IPA and ICC Staff on April 13, 2011

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Several days after the ICC approved the nine winning bidders for the block energy products and the twelve winning bidders for short term RECs, ComEd executed the standard contracts that the Procurement Administrator had developed with each winning bidder for the amount and price approved by the ICC.

453 Q. **With respect to the reconciliation period involved in the current Docket,**
454 **June 1, 2011, through May 31, 2012, can you describe the process in which ComEd**
455 **made and received payments to and from contractual counter-parties consistent**
456 **with the above-referenced contracts, that ComEd made and received payments to**
457 **and from PJM for purchases and sales consistent with the ICC-approved IPA**
458 **procurement plan, and where relevant, to document ComEd's receiving and using**
459 **goods and services consistent with the transactions referenced above and the ICC-**
460 **approve IPA procurement plan, including receipt and/or retirement of RECs**
461 **consistent with the approved contracts?**

462 A. Yes. For the contracts under which deliveries were required, ComEd confirmed delivery
463 through the PJM scheduling process at least one month prior to when energy began
464 flowing for each month of the term. ComEd acquired balancing energy, capacity and
465 ancillary services through the relevant PJM markets. ComEd tracked that the appropriate
466 amounts were obtained, confirmed that invoiced amounts correctly reflected the prices
467 and quantities in the Commission-approved contracts and then processed payment for
468 these amounts.

469 With respect to RECs delivered under ICC-approved contracts, ComEd confirmed
470 delivery from each supplier through the use of the EIS GATS or the M-RETS
471 certification systems. After deliveries were made, renewable energy credits were
472 transferred and retired, and invoices were validated, ComEd made payments to the
473 suppliers at the approved prices.

474 ComEd also validated that invoices from EIS GATS and M-RETS for REC
475 registry fees were correct and then processed payments as reimbursement for those
476 services.

477 Q. **Does that conclude your direct testimony?**

478 A. Yes, it does.