

Docket No: 14-0312
R.O.M.: 11/25/14
Deadline: 12/12/14

MEMORANDUM

TO: The Commission

FROM: Leslie Haynes and Sonya Teague Kingsley,
Administrative Law Judges

DATE: November 19, 2014

SUBJECT: Commonwealth Edison Company

Annual formula rate update and revenue requirement reconciliation under Section 16-108.5 of the Public Utilities Act.

RECOMMENDATION: Enter Order Approving Reconciliation and Delivery Service Rate Increase.

This proceeding involves Commonwealth Edison Company's Verified Petition to Initiate Annual Formula Rate Update and Revenue Requirement Reconciliation under Section 16-108.5 of the Public Utilities Act. The deadline for Commission action in this docket is December 12, 2014.

Some of the controversial issues are the Annual Incentive Program ("AIP"), Customer Care Costs, and the Exelon Business Services Company General Services Agreement ("GSA").

The AIP was ComEd's incentive compensation program during 2013. It rewarded employees for meeting operational metrics that benefit ratepayers. It also included an Earnings per Share ("EPS") limiter that reduced the amount paid to employees if Exelon's shares underperformed. The attached Order finds the EPS limiter to be prohibited by EIMA, but adopts Staff's alternative which caps the amount paid to employees to 102.9%, rather than adopting the AG's proposal which removed all of ComEd's AIP expense from recovery. The AIP is a hybrid in that it contains EIMA approved operational metrics, but also an EIMA prohibited EPS component. The 102.9% cap attempts to balance recovery of incentive compensation that rewards performance on the operational metrics with prohibiting the EPS limiter.

Customer Care Costs have been addressed many times by the Commission. The attached Order directs ComEd to remove approximately \$11 million from recovery through delivery services charges. The Order's allocation represents approximately \$.001 per KWH to supply customers at current switching levels. The Order rejects ComEd's and Staff's position that all customer care costs are distribution related.

Finally, the GSA has not been updated since 2001 despite changes in applicable law. The attached Order adopts Staff's recommendation that ComEd update the GSA to comply with current applicable laws and regulations. The Order concurs with Staff's position that the GSA contains numerous obsolete references and must be updated to ensure that it remains valid and enforceable. The Order directs ComEd to file an updated GSA for Commission approval within 90 days of the date of the Order.

The Administrative Law Judges will update the appendix to match the Commission's decision in Docket 14-0316, ComEd's docket making Housekeeping Revisions to its Formula Rate, which is also before the Commission at today's bench. Accordingly, the ALJs recommend that the Commission adopt the attached Order.

LH/STK;jt