

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	:	
On Its Own Motion	:	
-vs-	:	
Commonwealth Edison Company	:	13-0528
	:	
Reconciliation of revenues	:	
collected under power	:	
procurement riders with actual	:	
costs associated with power	:	
procurement expenditures.	:	

JOINT DRAFT PROPOSED ORDER

[Please note that the Joint Draft Proposed Order is based on the final Orders of the Illinois Commerce Commission in the prior Commonwealth Edison Company supply and supply administration cost reconciliation cases, in particular the April 16, 2014, final Order in ICC Docket No. 12-0549, revised and updated to reflect the record in the instant case.]

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JOINT DRAFT PROPOSED ORDER

By the Commission:

The Illinois Commerce Commission (“Commission”) entered an Order (“Initiating Order”) commencing the instant reconciliation proceeding. Among other things, the Initiating Order found that Commonwealth Edison Company (“ComEd”) “shall reconcile revenue collected under each of the ... tariffs [named therein], or under successive tariffs authorizing the recovery of power supply costs for the reconciliation period [of June 1, 2011, through May 31, 2012], with costs incurred in connection with procurement activities as defined in the tariffs of each utility.”

Appearances were entered by respective counsel for ComEd and the Commission Staff (“Staff”). Evidence was presented by ComEd and Staff through Affidavits. An “agreed to” draft order was filed by ComEd, following a review by Staff.

Background

As explained in the Initiating Order, the final Order entered on January 24, 2006 in Docket No. 05-0159 approved, with modifications, the initial series of tariffs under which ComEd would purchase and deliver electricity to its customers following the January 1, 2007, expiration of the mandatory rate freeze.

Among the approved tariffs were Rider CPP, Competitive Procurement Process; Rider PPO-MVM, Power Purchase Option (Market Value Methodology); and Rider TS-CPP, Transmission Services (Competitive Procurement Process). The retail charges computed in accordance with these three riders applied to service provided on and after January 2, 2007, and all three riders required annual reconciliation proceedings, as provided for in the January 24, 2006 Order.

The three riders were later superseded, in part, by Rider AAF—Accuracy Assurance Factor, and through revisions to Rate BES-H—Basic Electric Service-Hourly Energy Pricing, which were approved by the Commission in an order entered on December 19, 2007, in Docket Nos. 07-0528 and 07-0531 (Cons.).

Rider AAF took effect on February 13, 2008, and was applicable to full-requirements electric supply procurement through May 31, 2008. The revisions to Rate BES-H also took effect on February 13, 2008. In accordance with those revisions, ComEd began including transmission and supply administration costs and revenues in the calculation of the Hourly Purchased Electricity Adjustment Factor (“HPEA”) for the November 2007 determination period, which were reflected in the bills for hourly customers beginning with the March 2008 billing period. Rider AAF and Rate BES-H similarly provided for annual reconciliation proceedings.

The Initiating Order further explained that Rider AAF was superseded by Rider PE beginning with the June 2008 determination period, as reflected in the bills for October 2008. Rider PE calculates one Purchased Electricity Adjustment (“PEA”) Factor, applicable to all customers served under Rate BES—Basic Electric Service. Rider PE also requires a yearly reconciliation. Effective January 15, 2009, Rate BESH, Basic Electric Service Hourly Pricing, replaced Rate BES-H.

Prior Reconciliation Cases

The initial reconciliation of revenues collected under power procurement riders with actual costs associated with power procurement expenditures, which covered the period of January 2, 2007 through May 31, 2008, and the period of November 1, 2007 through May 31, 2008, was the subject of a reconciliation proceeding in Docket No. 09-0080. An Order in that proceeding was entered December 2, 2010.

The second reconciliation of revenues collected under power procurement riders with actual costs associated with power procurement expenditures, which covered the period of June 1, 2008, through May 31, 2009, was the subject of a reconciliation proceeding in Docket No. 10-0275. An Order in that proceeding was entered December 21, 2011.

The third reconciliation of revenues collected under power procurement riders with actual costs associated with power procurement expenditures, which covered the period of June 1, 2009, through May 31, 2010, was the subject of a reconciliation proceeding in Docket No. 11-0357. An Order in that proceeding was entered March 20, 2013.

The fourth reconciliation of revenues collected under power procurement riders with actual costs associated with power procurement expenditures, which covered the period of June 1, 2010, through May 31, 2011, was the subject of a reconciliation

proceeding in Docket No. 12-0549. An Order in that proceeding was entered April 16, 2014.

Instant Proceeding

In the instant case, Docket No. 13-0528, the Initiating Order directed ComEd “to present evidence to show the reconciliation of revenues collected under the respective tariffs with costs incurred in connection with proper procurement activities as defined in the tariffs of each utility, as is more fully described hereinabove” for the reconciliation period of June 1, 2011 through May 31, 2012. Additionally, ComEd was ordered to include a schedule presenting cumulative totals of incremental costs and cumulative totals of recoveries, by wholesale product, to the extent such information was reasonably available.

ComEd was also ordered to provide for the correction of any accounting errors that might have occurred in the application of the provisions of Rider PE and Rate BESH.

Rider PE and Rate BESH

As explained by ComEd witness Mr. Kozel, ComEd presented a reconciliation of revenues during the reconciliation period for: (i) its Purchased Electricity Adjustment Factors (“PEAs”) under ComEd’s Rider PE – Purchased Electricity (“Rider PE”) and (ii) its Hourly Purchased Electricity Adjustment Factors (“HPEAs”) under Rate BESH – Basic Electric Service – Hourly Energy Pricing (“Rate BESH”). (ComEd Exs. 1.0, 1.1, 1.2, and 1.3)

The PEAs pertained to full-requirements electric supply purchased by ComEd for customers in the “Fixed” segment, as described in Rider PE, and for which the applicable period is June 1, 2011, through May 31, 2012. The HPEAs pertained to electric power and energy directly procured by ComEd for customers taking service under ComEd’s bundled service tariff with hourly pricing for the period June 1, 2011, through May 31, 2012. (ComEd Ex. 1.0 at 1-2)

As indicated in the Appendix to this Order, customers in the Fixed segment were residential retail customers; lighting retail customers; and nonresidential retail customers in the Watt-Hour and the Small Load Customer Groups, taking service under the then effective Rate BES - Basic Electric Service.

Customers in the Hourly segment were nonresidential retail customers in the Self-Generation and the Competitively Declared Customer Groups not taking service under Rate RDS – Retail Delivery Service with electric power and energy provided by Retail Electric Suppliers (“RESs”); and retail customers in other customer supply groups that elected to take service under Rate BESH – Basic Electric Service Hourly Pricing.

Mr. Kozel described the operations relating to PEAs under Rider PE and HPEAs under Rate BESH. The PEAs and HPEAs were designed as part of Rider PE and Rate

BESH so that the expenses ComEd incurred for the procurement of full requirements electric supply and directly procured electric power and energy, as required by retail customers for which ComEd was providing such supply, would equal the revenues from those retail customers for such supply based on changes in those customers' actual usage and demands on ComEd's system. (ComEd Ex. 1.0 at 6)

As provided in the tariff language of Rider PE and Rate BESH, an internal audit was conducted and a report that summarized the results of the audit was prepared and submitted to the Commission. (ComEd Ex. 1.0 at 6) The report was attached to Mr. Kozel's testimony as ComEd Ex. 1.1, as was ComEd Ex. 1.2, which is the Supplemental Report Relating to the 2012 ComEd Purchased Electricity Cost Recovery Review. ComEd submitted a revised version of ComEd Ex. 1.2, Appendix I, as ComEd Ex. 1.3, which reflects one revision as discussed below. These schedules were provided for purposes of complying with the Initiating Order's directive that ComEd shall "include a schedule presenting cumulative totals of incremental costs and cumulative totals of recoveries, by wholesale product." A copy of ICC Staff Ex. 1.0 (R), Schedule 1.01 is attached as the Appendix to this Order.

To calculate PEAs and HPEAs under Rider PE and Rate BESH, ComEd calculated the difference between revenues and expenses associated with each product on a monthly basis. Any amounts that were over/under recovered in a given period were reflected in a subsequent period on customers' bills, as applicable, and any amounts that were credited to or recovered from customers were incorporated into the next applicable monthly calculation of the PEAs and HPEAs. At the end of any accounting period, ComEd recorded a cumulative regulatory asset (under-recovery) or regulatory liability (over-recovery) for each product offering. (ComEd Ex. 1.0 at 7)

Mr. Kozel testified that ComEd did not inappropriately recover any of the same costs through charges in any other tariffs. According to the witness, the accounting and the process related to the PEAs and HPEAs, as well as the tariff provisions, prevented any such double recovery. (ComEd Ex. 1.0 at 8)

ComEd witness Mr. Hengtgen testified that the Cash Working Capital ("CWC") costs incurred by ComEd in connection with the procurement of electric power and energy for retail customers served under Rider PE and Rate BESH are reasonable (in relation to the interim CWC methodology provided for in the tariffs at the time). Mr. Hengtgen explained that ComEd performed, and Navigant Consulting reviewed, a lead-lag study in which it determined the leads and lag to be applied to the various components of the supply costs and therefore calculate the cash working capital amounts that should be included in ComEd's costs incurred under Rider PE and Rate BESH. Mr. Hengtgen stated that the methodology used by ComEd appears reasonable and consistent with other lead-lag studies. In addition, he indicated that the internal audit department reviewed the cost recovery process performed by Revenue Accounting and determined that it is consistent with the requirements of Rider PE and Rate BESH. (ComEd Ex. 3.0)

Staff witness Ms. Pearce proposed an adjustment to correct a double count in ComEd's proposed reconciliation schedule, attached to the testimony of Mr. Kozel as ComEd Ex. 1.3. Ms. Pearce stated that ComEd had provided sufficient information concerning the Company's compliance with the procurement plan, and recommended that, in the future, the Company continue to provide detailed information in testimony to support power procurement reconciliations in subsequent years. Staff further recommended that ComEd provide, in rebuttal testimony, information to support the recovery of reallocated costs from delivery services function to the supply function in Rider PE. The revised version of ComEd Ex. 1.3 was attached to Ms. Pearce's testimony, ICC Staff Ex. 1.0(R), Att. A, pp. 4-5.

Section 16-115.5(l) – Implementation of or Compliance with Procurement Plan

The Initiating Order directed that ComEd "address in testimony specifically how it complied with the applicable procurement plan approved by the Commission for the period under review."

Section 16-111.5(l) of the Public Utilities Act ("Act") provides, in part, "A utility shall recover through the tariff all reasonable costs incurred to implement or comply with any procurement plan that is developed and put into effect pursuant to Section 1-75 of the Illinois Power Agency Act and this Section, including any fees assessed by the Illinois Power Agency ("IPA"), costs associated with load balancing, and contingency plan costs. The electric utility shall also recover its full costs of procuring electric supply for which it contracted before the effective date of this Section in conjunction with the provision of full requirements service under fixed-price bundled service tariffs subsequent to December 31, 2006. All such costs shall be deemed to have been prudently incurred."

ComEd witness Mr. Vogt addressed how ComEd complied with the applicable procurement plan approved by the Commission ("Plan" or Procurement Plan"). (ComEd Ex. 2.0)

Mr. Vogt stated that the key components of the Plan are (1) the identification of pre-existing contracts for supply, (2) the determination of the amounts and method for procuring the residual requirements of energy, capacity and ancillary services for the eligible retail customers, and (3) the procurement of renewable energy resources. (ComEd Ex. 2.0) He also testified as to how ComEd purportedly complied with each component of the Plan.

As to the first component of the Plan, Mr. Vogt testified that during the relevant time period, there was one pre-existing contract. Pursuant to Section 16-111.5(k) of the Act, ComEd entered into a five-year financial swap contract with Exelon Generation, LLC ("ExGen"). During this reconciliation period, that agreement provided price certainty for 3,000 MW of around-the-clock energy that ComEd procured through the spot markets administered by PJM Interconnection, L.L.C. ("PJM"). (ComEd Ex. 2.0)

Mr. Vogt testified that ComEd complied with the pre-existing contracts portion of the Plan, which required that ComEd track compliance with the terms of the swap agreement, by procuring and paying for energy from the PJM spot market and then settling up, on a monthly basis, with ExGen for the difference between the day ahead spot prices and the contract prices. (ComEd Ex. 2.0)

With regard to the second component of the Plan, Mr. Vogt testified that the Plan called for the procurement of block energy-only products, which varied monthly and by on-peak and off-peak time periods. To balance the portion of the load served by these block energy products, he said the Plan called for ComEd to passively procure and sell energy in the PJM-administered spot markets, and similarly, to procure capacity and ancillary services from the relevant PJM-administered markets. (ComEd Ex. 2.0)

Mr. Vogt testified that ComEd complied with the procurement of the electricity supply portion of the Plan by executing the standard contract that the Procurement Administrator had developed with each winning bidder for the amount and price approved by the Commission. During the terms of these contracts, ComEd tracked that the appropriate amounts of energy were delivered by each supplier, and then paid the approved price to the supplier for this product. ComEd confirmed delivery through the PJM scheduling process at least one month prior to when energy began flowing for each month of the term. ComEd acquired balancing energy, capacity and ancillary services through the relevant PJM markets. ComEd tracked that the appropriate amounts were obtained, confirmed that invoiced amounts were correct, and then processed payment for these amounts. (ComEd Ex. 2.0)

As to the third component of the Plan, Mr. Vogt testified that the Plan called for procurement of the required amounts of renewable energy resources through the procurement of renewable energy credits ("RECs"). (ComEd Ex. 2.0)

Mr. Vogt testified that ComEd complied with the procurement of renewable energy resources portion of the Plan by executing the standard contract that the Procurement Administrator had developed with each winning bidder for the RECs for the amount and price approved by the Commission. During the terms of these contracts, ComEd confirmed delivery of the appropriate amount of RECs from each supplier through the use of the PJM Environmental Information System Generation Attribute Tracking System ("EIS GATS") or the MISO Midwest Renewable Energy Tracking System ("M-RETS") certification systems. After deliveries were made and confirmed, ComEd made payments to the suppliers at the approved prices. ComEd also validated that invoices from the renewable certification entities were correct and then processed payments as reimbursement for those services. (ComEd Ex. 2.0)

Recovery of Supply-Related Costs

Mr. Vogt explained that, in Docket No. 11-0721, the Commission approved Staff's recommended change to the calculation of the Wages & Salaries ("W&S") allocator applicable to delivery service charge. This change resulted in a portion of the

costs historically allocated to Delivery Service through the use of the W&S allocator to now be allocated to Supply. As a result, ComEd included these allocated supply costs (ComEd Ex. 4.0).

ComEd noted that the net effect of the Commission's ruling in Docket No. 11-0721, as applied to costs incurred in the period from January 2011 through May 2012, was to classify as supply-related costs an additional \$2,596,750 that ComEd had proposed to treat as distribution costs, and thus which ComEd had not recovered through PEAs or HPEAs, or through any other method, in any period. ComEd further explained that of the total \$2,596,750, approximately \$763,750 of the costs were incurred in the period of January 2011 through May 2011, while the remaining \$1,833,000 were incurred in the period of June 2011 through May 2012. ComEd included the entire amount \$2,596,750 in the calculation of the final PEAs and HPEAs for the May 2012 determination period, and thus these costs were reflected in the August 2012 filing and charged to customers in the September 2012 monthly billing period.

Mr. Kozel stated that the internal audit agreed with ComEd's reconciliation as reflected in ComEd Ex. 1.2 attached to the Supplemental Report, and that ComEd did not recover the costs in question through any other means. Further, ComEd notes that Staff supports ComEd's inclusion of these costs in the PEAs and HPEAs; that is, after making the adjustment detailed in ICC Staff Ex. 1.0(R), Schedule 1.01, attached as the Appendix hereto, which reflects the corrected regulatory asset of \$122,077,547 at May 31, 2012.

ComEd asserts that the Commission should approve the reconciliation, both as a whole and as to the supply-related costs of \$2,596,750 as reclassified from the delivery function to the supply function in Docket No. 11-0721. ComEd emphasizes that its application of the supply-related costs at issue are consistent with the Act, the applicable tariffs, the rulings of the Commission, and is supported by Staff's and ComEd's evidence. ComEd states that Section 16-111.5(l) of the Act provides for the accurate and complete recovery of applicable costs, which, pursuant to the Commission's decision in Docket No. 11-0721, include supply-related costs. Further, ComEd notes that Rider PE and Rider BESH contain detailed formulae for calculation of the PEAs and HPEAs, including (1) the incorporation of data for the month (determination period) as such plus (2) data for adjustments of errors associated with the determination of prior PEAs and HPEAs and predecessor adjustment factors. ComEd explains that in Rider PE, with respect to prior PEAs and predecessor adjustment factors, the formula includes a Factor "A". The definition of Factor A states:

A = Adjustment, in \$, equal to an amount (a) ordered by the ICC, or (b) determined by the Company, that is to be refunded to or collected from retail customers to correct for errors associated with the computation of previously applied PEA Factors or applicable Accuracy

Assurance Factors (AAFs) computed in accordance with the previously effective Rider CPP - Competitive Procurement Process (Rider CPP) or Rider AAF - Accuracy Assurance Factors (Rider AAF). Such amount includes interest at the rate established by the ICC in accordance with 83 Illinois Administrative Code Section 280.70(e)(1). Such interest is calculated for the period of time beginning on the first day of the effective period during which such PEA or AAF was applied and extending through the day prior to the start of the effective period in which the A is applied. Such amount may be amortized over multiple effective periods with interest.

Rider PE, 1st Revised Sheet No. 327.¹ Other language in the formula provides that if amortization is not necessary, then there is no amortization period.

Similarly, ComEd notes that in Rate BESH, with respect to prior HPEAs and predecessor adjustment factors, the formula includes a Factor "A". The definition of Factor A states:

A = Adjustment, in \$, equal to an amount (a) ordered by the ICC, or (b) determined by the Company, that is to be refunded to or collected from retail customers receiving electric service with hourly pricing to correct for errors associated with the computation of a previously applied HPEA in accordance with this tariff or a previously applied Competitive Procurement Process-Hourly Accuracy Assurance Factor (CPP-H AAF) in accordance with the then effective Rider CPP - Competitive Procurement Process (Rider CPP). Such amount includes interest at the rate established by the ICC in accordance with 83 Illinois Administrative Code Section 280.70(e)(1). Such interest is calculated for the period of time beginning on the first day of the effective period during which such HPEA or CPP-H AAF was applied and extending through the day prior to the start of the effective period in which the A is applied. Such amount may be amortized over multiple effective periods with interest.

¹ This language now is found on Rider PE, 2nd Revised Sheet No. 327. This language has not changed.

Rate BESH, 3rd Revised Sheet No. 38. Here, again, other language in the formula provides that if amortization is not necessary, then there is no amortization period.

ComEd asserts that Factor “A” in each of the formulae for calculating PEAs and HPEAs expressly provides for the adjustment of errors associated with the determination of prior PEAs and HPEAs and predecessor adjustment factors, such that the incorporation of the supply-related costs in question falls within that tariff language. ComEd further notes that the Factor “A” language does not limit or restrict adjustments to matters within a reconciliation year, but instead expressly provides for adjustments going back as far as the AAFs, which last were billed in the May 2008 monthly billing period. In addition, ComEd explains that although the Commission did not rule on whether the supply-related costs were to be recovered under Rider PE, as noted earlier, the determination there that the question was not within the scope of that Docket in no way precludes or militates against the approval of the reconciliation here.

The application of these costs is consistent with the Commission’s January 28, 2015, Order in a recent Ameren Illinois Co. reconciliation, ICC Docket No. 13-0527.

Consistent with Staff’s recommendation, ComEd proposed language to be included in the Commission’s final Order to address costs allocated to Supply from the Energy Infrastructure Modernization Act (“EIMA”) formula rate calculations:

The Commission approves the inclusion of costs in the energy procurement reconciliation period June 2011 through May 2012 that were allocated to the Supply function (“Supply”) from the Delivery Services function (“Delivery Service”) through the EIMA formula rate calculations as approved in the final Order in ICC Docket No. 11-0721 and subsequently approved in the final Orders in ICC Docket Nos. 12-0321 and 13-0318. Such allocated costs included in this energy procurement reconciliation for the period June 2011 through May 2012 were for the 17-month period of January 2011 through May 2012.

The first Delivery Services reconciliation period resulting in a prior year true-up to be recovered/refunded in prospective delivery services rates, determined in accordance with the EIMA formula rates calculation, was for the calendar year 2011 (ICC Docket No. 12-0321). All retail customer billings under Rider PE and Rate BESH for the energy reconciliation period June 2010 through May 2011 were completed prior to the issuance of the final Orders in ICC Docket Nos. 11-0721 and 12-0321. As such, ComEd correctly reflected the estimated W&S allocation to Supply for the five (5) months ended May 31, 2011 of \$763,750 ($\$1,833,000/12*5$) and the twelve (12) months ended May 31, 2012 of \$1,833,000 to the energy procurement reconciliation period of June 2011 through May 2012. The resulting estimated W&S allocation to Supply of \$2,596,750 was adjusted to actual amounts in subsequent

Rider PE and Rate BESH energy procurement determination periods upon the issuance of the final Orders in ICC Docket Nos. 12-0321 (issued December 2012) and 13-0318 (issued December 2013).

On a prospective basis, ComEd shall “true-up” actual costs that are allocated to Supply from calendar year Delivery Service formula rate final Orders to estimated amounts reflected in energy procurement reconciliations for a fiscal year June 1st through May 31st in the month a new Delivery Services rate Order is issued.

Administrative and Operational Functions and Costs - Overview

The Initiating Order stated, “Additionally, each utility shall include a summary schedule detailing the internal administrative and operational costs associated with the procurement of electric power and energy for retail customers during the period under review. Moreover, each utility shall provide in testimony a conclusion about the reasonableness of these costs and the basis for that conclusion.”

Mr. Vogt stated that administrative and operational costs consist of two types. First, there are internal costs related to the procurement related functions of ComEd’s Energy Acquisition Department. Second, there are the costs that are external to the Energy Acquisition Department that were incurred to obtain products or services needed by that department to perform its procurement-related functions. A summary schedule detailing both types of such costs is presented in ComEd Ex. 2.1.

Administrative and Operational Costs of Energy Acquisition Department

During the reconciliation period, ComEd’s Energy Acquisition Department consisted of five groups: Procurement Planning and Strategy; Wholesale Billing and Credit; Wholesale Supplier Operations; Wholesale Markets and Development; and Electric Supplier Services. (ComEd Ex. 2.0)

The Procurement Planning and Strategy group is responsible for developing and advocating ComEd’s position in the annual procurement proceedings and fulfilling ComEd’s responsibilities in IPA procurement events and managing the nomination of Auction Revenue Rights in PJM.

The Wholesale Billing and Credit group performed three primary functions: (1) validate PJM invoiced charges to ComEd and initiate payments to PJM for confirmed services; (2) validate charges to ComEd from its wholesale suppliers, initiate payments for those deliveries, and manage all wholesale contracts; and (3) monitor the credit ratings of ComEd’s wholesale suppliers and administer daily credit processes, including the determination of market-to-market collateral requirements and the processing of collateral payments or instruments. (ComEd Ex. 2.0)

The Wholesale Supplier Operations group performs a number of daily functions, such as (1) validating individual retail customer enrollments for each RES to assure that the daily load responsibilities of each RES are accurate; (2) calculating individual retail customer Peak Load Contributions and Network Service Peak Loads and aggregating them by the responsible RES so that PJM can properly bill each RES; (3) submitting daily load bids for the retail load served by ComEd into the PJM day-ahead energy market; (4) forecasting RES hourly energy load serving responsibilities and monitoring RES estimates submitted to PJM to ensure good faith scheduling; (5) confirming scheduled physical deliveries by ComEd's wholesale suppliers; and (6) performing the reconciliation of actual versus estimated supplier load responsibilities with PJM. (ComEd Ex. 2.0)

In the Wholesale Markets and Development group, the primary responsibility is to calculate the hourly load of the ComEd Zone on a daily basis, which is the starting point for the allocation of load responsibility for the load-serving entities in the ComEd Zone. (ComEd Ex. 2.0). As explained below, no incremental administrative and operational costs associated with this group were collected from retail customers through Rider PE or Rate BESH.

The main responsibility of the Electric Supplier Services group is to serve as the primary point of contact with RESs, including certifying new RESs and addressing RES issues. Additionally, the group processes customer enrollments with RESs as well as customer enrollments to ComEd's hourly service; and provides historical customer usage data to market participants that have customer authorization to release data. (ComEd Ex. 2.0)

The Wholesale Markets Development, Wholesale Supplier Operations, and Electric Supplier Services groups report to a Director who oversees the work performed within these groups. Other departmental overhead costs in Energy Acquisition that relate to procurement administrative costs are those associated with activities performed by the Vice President of Energy Acquisition and his Administrative Assistant, as they spend a portion of their time working on procurement-related activities. (ComEd Ex. 2.0)

Other Administrative and Operational Costs

Mr. Vogt also provided a description and breakdown of the various categories of administrative and operational costs other than costs that are internal to ComEd's Energy Acquisition Department and other than the direct costs of the supply itself (e.g., energy, capacity, ancillary services, transmission), that ComEd incurred in procuring power and energy during the relevant period as reflected in cost summary in ComEd Ex. 2.1. These "other" administrative and operational costs are associated with both internal and external activities. They are described below, and are listed by category, along with the costs expended for each category, in ComEd Ex. 2.1.

Mr. Vogt stated that the Information Technology System Costs are the costs incurred to maintain and support the Retail Office (“RO”) software that is used by the Energy Acquisition Department’s Wholesale Supplier Operations, which is a standard industry wholesale settlements program that assists in the determination of the amount of load served by ComEd pursuant to Rider PE and Rate BESH. A portion of the RO costs that were flowed through Rider PE and Rate BESH for this period (\$211,911) were previously approved in ICC Docket No. 05-0597 where the Commission approved \$1,381,800 of RO-related costs and approved the amortization and recovery of those costs over a five-year period. (See ComEd Ex. 10.7 in Docket No. 05-0597). Since that proceeding, ComEd has needed to revise RO in response to various PJM rule changes. Mr. Vogt stated that, consistent with the approval in Docket No. 05-0597 and with standard accounting practice, ComEd capitalized those costs and has been amortizing them over a five-year period. (ComEd Ex. 2.0)

PJM Credit Costs represent the credit facility costs for the posting of PJM-required collateral for the load ComEd procures from PJM. Mr. Vogt said the Procurement Plan in Docket No. 09-0373 requires ComEd to procure the supply to balance the load of its fixed-price customers directly from the PJM spot markets, and that ComEd also procures capacity, ancillary services and transmission to serve both its fixed-price and hourly customers from PJM pursuant to the Procurement Plan. He stated that ComEd is not required to post collateral for the portion of its load related to the contracts for the block energy products, which are most of the energy that ComEd procures. (ComEd Ex. 2.0)

RECs costs are associated with the certification and tracking services that were used to manage the REC contracts, and included a fixed annual membership fee and a separate volume-based fee charged for each RECs delivered and retired using the systems. The witness stated that as set forth in the Procurement Plan, two services were used during this period to track RECs—the EIS GATS and the MRETS. (ComEd Ex. 2.0)

IPA fees are billed to ComEd, pursuant to the IPA Act, in order to pay for consultants engaged by the IPA to help in the development of the procurement plan. Procurement Monitor Costs are costs directly associated with the payment of bills by ComEd for the professional services of a Procurement Monitor who was employed by Staff for the purposes of monitoring the fixed-price procurement process. The amount of costs shown on ComEd Ex. 2.1 for IPA fees and Procurement Monitor Costs include the costs related to the fifth procurement plan proceeding, Docket No. 10-0563. (ComEd Ex. 2.0)

Mr. Vogt stated that the Procurement Plan and Reconciliation Proceedings Costs are primarily the costs incurred in developing, obtaining approval for and implementing the fifth procurement event, covering the period June 2011 through May 2016, which was approved by the Commission in Docket No. 10-0563. Also included are procurement-related costs that were incurred during this period and generally relate to issues that arose in administering existing supply and renewables contracts and to the

reconciliation process and proceedings. These costs were incurred over the period involved in this matter, i.e., June 2011 through May 2012, were passed through to customers as they were incurred, and consisted primarily of legal services from counsel external to ComEd, as well as expert witnesses and consulting charges. (ComEd Ex. 2.0)

Mr. Vogt explained that, in Docket No. 11-0721, the Commission determined that a certain portion of ComEd's Administrative costs filed in its Distribution costs were more appropriately classified as Supply related costs. ComEd reflects the expenses identified by the Commission as Supply-related in its Supply-related Administrative and Operational Costs, shown on ComEd Ex. 2.1. (ComEd Ex. 2.0).

Mr. Vogt stated that merger related costs are costs that were incurred in the merger with Baltimore Gas and Electric, which were allocated to the ComEd supply function. These are similar to the merger-related costs approved by the Commission in Docket No. 13-0318. (ComEd Ex. 2.0)

Allocation of Administrative and Operational Costs

Mr. Vogt described the process used (i) to allocate internal administrative and operational costs to the Energy Acquisition Department function, and (ii) to apportion or split those allocated costs between the fixed-price load served under Rider PE and the hourly load served under Rider BESH.

For each group in the Energy Acquisition Department—other than the Wholesale Markets and Development group which imposes no incremental administrative costs on retail customers—ComEd first identified the primary work activities performed by the group and the portion of the total time spent on each activity by the employees within the group. ComEd then made an assessment of whether or not each activity was related to ComEd's procurement responsibilities. In making that assessment, ComEd considered whether the activity was necessary solely because of ComEd's load-serving responsibilities, or alternatively, if the function would have been required regardless of our load serving obligation.

It was determined that most activities are a combination of these responsibilities. That is, some amount of that activity was deemed necessary to fulfill ComEd's electric distribution company responsibilities to PJM. This work activity would have been required whether or not ComEd supplied any energy to retail customers; however, the fact that ComEd was also a load-serving entity expanded the amount of time and resources needed to perform most activities. Therefore, an estimate of the time spent on each activity was made based on the incremental procurement-related work.

This allocation of time to the procurement function was then further split between how much of the activity related to serving the fixed-price load in Rider PE versus the hourly load in Rate BESH. This split was made on a time-based assessment. (ComEd Ex. 2.0)

The resulting allocation percentages for each group in the Energy Acquisition Department were described by Mr. Vogt. (ComEd Ex. 2.0)

Mr. Vogt also explained the methodology used to allocate the “Other Administrative and Operational Costs” described above between Rider PE and Rate BESH. The REC Costs, IPA fees, the Procurement Monitor Costs, and the Procurement Plan Proceedings Costs were all directly allocated to the fixed-price customers as these were costs incurred procuring supply for these customers. The Information Technology System Costs were allocated 81% to fixed-price and 19% to hourly price customers. Approximately 77% of the PJM Credit Costs were allocated to the fixed-price customers and 23% were allocated to the hourly price customers as these costs were proportionately allocated based on PJM billings to each service type. Reconciliation Proceedings costs were allocated 95% to fixed-price customers and 5% to hourly customers. Supply-related costs identified by the Commission and merger-related costs were allocated 81% to fixed-price customers and 19% to hourly priced customers. (ComEd Ex. 2.0)

ComEd Ex. 2.1 identifies the amounts allocated to Rider PE and to Rate BESH for the Energy Acquisition Department and for the remaining seven categories in the “Other Administrative and Operational Costs.”

Total administrative and operational costs incurred in procuring energy and power were \$8,676,618, of which \$2,396,227 were incurred by the Energy Acquisition Department. Of the \$8,676,618 total, the amount allocated to Rider PE was \$7,336,175. (ComEd Ex. 2.1)

Commission’s Conclusions, Findings and Ordering Paragraphs

The Initiating Order directed ComEd to present a “reconciliation of revenues collected under the respective tariffs with costs incurred in connection with proper procurement activities as defined in the tariffs.” Based on the evidence presented, including the internal audit and supplemental report, the Commission finds that for the reconciliation period of June 1, 2011 through May 31, 2012, the reconciliation of revenues collected under the above-referenced procurement tariffs with actual costs incurred in connection with proper procurement activities as defined therein, as shown in the Appendix hereto, is accurate, and is hereby approved. The correct tariffs were applied, and, subject to the adjustment that was made as described by Staff Witness Ms. Pearce, the charges were accurately calculated and collected.

With regard to the internal administrative and operational costs associated with the procurement of electric power and energy for retail customers serviced under Rider PE and Rate BESH for the period June 1, 2011 through May 31, 2012, the Commission finds that such activities and costs were reasonable.

The Commission approves the inclusion of costs in the energy procurement reconciliation period June 2011 through May 2012 that were allocated to the Supply function (“Supply”) from the Delivery Services function (“Delivery Service”) through the EIMA formula rate calculations as approved in the final Order in ICC Docket No. 11-0721 and subsequently approved in the final Orders in ICC Docket Nos. 12-0321 and 13-0318. Such allocated costs included in this energy procurement reconciliation for the period June 2011 through May 2012 were for the 17-month period of January 2011 through May 2012.

The first Delivery Services reconciliation period resulting in a prior year true-up to be recovered/refunded in prospective delivery services rates, determined in accordance with the EIMA formula rates calculation, was for the calendar year 2011 (ICC Docket No. 12-0321). All retail customer billings under Rider PE and Rate BESH for the energy reconciliation period June 2010 through May 2011 were completed prior to the issuance of the final Orders in ICC Docket Nos. 11-0721 and 12-0321. As such, ComEd correctly reflected the estimated W&S allocation to Supply for the five (5) months ended May 31, 2011 of \$763,750 ($\$1,833,000/12*5$) and the twelve (12) months ended May 31, 2012 of \$1,833,000 to the energy procurement reconciliation period of June 2011 through May 2012. The resulting estimated W&S allocation to Supply of \$2,596,750 was adjusted to actual amounts in subsequent Rider PE and Rate BESH energy procurement determination periods upon the issuance of the final Orders in ICC Docket Nos. 12-0321 (issued December 2012) and 13-0318 (issued December 2013).

The application of these costs is consistent with the Commission’s January 28, 2015, Order in a recent Ameren Illinois Co. reconciliation, ICC Docket No. 13-0527.

On a prospective basis, ComEd shall “true-up” actual costs that are allocated to Supply from calendar year Delivery Service formula rate final Orders to estimated amounts reflected in energy procurement reconciliations for a fiscal year June 1st through May 31st in the month a new Delivery Services rate Order is issued. For the reconciliation period, accrued expenses were \$2,592,647,088 for the fixed segment and \$229,442,427 for the hourly segment, totaling \$2,822,089,515. Accrued revenues were \$2,427,153,608 for the fixed segment and \$229,880,818 for the hourly segment, totaling \$2,657,034,426. After reflecting recoveries and other adjustments, the total cumulative under-recovery is \$122,077,547, as reflected on line 15, column (d) of the Appendix hereto.

The Commission, having considered the entire record, is of the opinion and finds that:

- (1) Commonwealth Edison Company is an Illinois corporation engaged in the transmission, sale and distribution of electricity to the public in Illinois, and is a public utility as defined in Section 3-105 of the Public Utilities Act;
- (2) the Commission has jurisdiction over the parties and the subject matter of this proceeding;

- (3) the facts stated and conclusions reached in the prefatory portion of this Order are supported by the record and are hereby adopted as findings;
- (4) for the reconciliation period of June 1, 2011 through May 31, 2012, the reconciliation of revenues collected under the above-referenced procurement tariffs with actual costs incurred in connection with procurement activities as defined therein, as shown in ComEd Exhibits 1.1, 1.2, and 1.3 and in the Appendix hereto, after revision to reflect the adjustment proposed by Staff witness Ms. Pearce, is accurate, and is hereby approved.

IT IS THEREFORE ORDERED that for the reconciliation period of June 1, 2011 through May 31, 2011, the reconciliation of revenues collected under the above-referenced procurement tariffs with actual costs incurred in connection with procurement activities as defined therein, as shown in ComEd Exhibits 1.1, 1.2, and 1.3, and as adjusted by Staff witness Ms. Pearce as shown in the Appendix attached hereto, is hereby approved.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By order of the Commission this ___ day of _____, 2015.

(SIGNED) BRIEN J. SHEAHAN

Chairman