

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY :  
:  
Annual formula rate update and revenue :  
requirement reconciliation under Section :  
16-108.5 of the Public Utilities Act :

No. 15-0287

ILLINOIS COMMERCE  
COMMISSION  
2015 APR 15 A 10:30  
CHIEF CLERK STATE

**VERIFIED PETITION TO INITIATE ANNUAL FORMULA RATE  
UPDATE AND REVENUE REQUIREMENT RECONCILIATION  
UNDER SECTION 16-108.5 OF THE PUBLIC UTILITIES ACT**

Commonwealth Edison Company (“ComEd”) hereby petitions the Illinois Commerce Commission (the “Commission” or “ICC”), pursuant to Section 16-108.5 of the Illinois Public Utilities Act (“PUA”) (220 ILCS 5/16-108) and by direction of the Commission’s final Order in Docket No. 11-0721, to approve its Annual Formula Rate Update and Revenue Requirement Reconciliation for Rate Year 2016, to make a finding fixing the original cost of ComEd’s electric utility plant in service as of December 31, 2014, and to authorize and direct ComEd to make the compliance filings necessary to place into effect the resulting charges, which will apply beginning with ComEd’s first billing period of 2016. In support thereof, ComEd states:

1. ComEd provides electric delivery services to approximately 3.8 million customers in the northern portion of Illinois. ComEd is a corporation organized and existing under the laws of the State of Illinois with its principal business office in Chicago, Illinois, and management offices in DuPage and Will Counties, Illinois. ComEd is a public utility within the meaning of Section 3-105 of the PUA (220 ILCS 5/3-105), and an electric utility within the meaning of Article XVI of the PUA (see 220 ILCS 5/16-102). ComEd is also a “participating utility” as defined in Section 16-108.5(b) of the PUA, 220 ILCS 5/16-108.5(b).

2. ComEd provides delivery services under performance based formula rates established pursuant to the Energy Infrastructure Modernization Act (“EIMA”).<sup>1</sup> ComEd’s rate formula and the tariffs and other filings that implement that formula were first approved by the Commission’s final Order dated May 30, 2012 in *Commonwealth Edison Co.*, ICC Docket No. 11-0721. In that Docket, ComEd also presented data to initially populate its formula rate. The Commission’s final Order in ICC Docket No. 11-0721 approved inputs to the rate formula and approved delivery services charges that went into effect on June 20, 2012.

3. ComEd timely filed its first Annual Formula Rate Update and Revenue Requirement Reconciliation, also as provided by EIMA, on April 30, 2012. This proceeding, *Commonwealth Edison Co.*, ICC Docket No. 12-0321, principally concerned updated costs of service and other rate formula inputs, and established charges for Rate Year 2013. Rates approved by the Commission in ICC Docket No. 12-0321 went into effect as of the first monthly billing period of 2013.

4. ComEd timely filed its second Annual Formula Rate Update and Revenue Requirement Reconciliation as provided by EIMA, on April 29, 2013. That proceeding, *Commonwealth Edison Co.*, ICC Docket No. 13-0318, principally concerned updated costs of service and other rate formula inputs, and established charges for Rate Year 2014. Rates approved by the Commission in ICC Docket No. 13-0318 went into effect as of the first monthly billing period of 2014. Those rates are being reconciled to actual 2014 costs, as provided by EIMA, in this filing.

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<sup>1</sup> “EIMA” is the common short name of the Energy Infrastructure Modernization Act, the changes and additions made to the PUA by Public Acts (“PA”) 97-0616 and 97-0646, as further amended by PA 98-0015 and, as of June 1, 2015, by PA 98-1175, which becomes effective on that date.

5. ComEd timely filed its third Annual Formula Rate Update and Revenue Requirement Reconciliation as provided by EIMA, on April 16, 2014. That proceeding, *Commonwealth Edison Co.*, ICC Docket No. 14-0312, principally concerned updated costs of service and other rate formula inputs, and established charges for Rate Year 2015. Rates approved by the Commission in ICC Docket No. 14-0312 went into effect as of the first monthly billing period of 2015.

6. This Petition timely presents to the Commission ComEd's current Annual Formula Rate Update and Revenue Requirement Reconciliation. EIMA specifies that:

... inputs to the performance-based formula rate for the applicable rate year ... [be] based on final historical data reflected in the utility's most recently filed annual FERC Form 1 plus projected plant additions and correspondingly updated depreciation reserve and expense for the calendar year in which the inputs are filed. The filing shall also include a reconciliation of the revenue requirement that was in effect for the prior rate year (as set by the cost inputs for the prior rate year) with the actual revenue requirement for the prior rate year (as reflected in the applicable FERC Form 1 that reports the actual costs for the prior rate year). Any over-collection or under-collection indicated by such reconciliation shall be reflected as a credit against, or recovered as an additional charge to, respectively, with interest, the charges for the applicable rate year.

(220 ILCS 5/16-108.5(d))

7. ComEd submits, along with this Petition, the updated cost and other data required to establish charges for Rate Year 2016 under its rate formula, EIMA, and applicable Commission orders. That information is presented in testimony, schedules, and other exhibits to be offered into evidence as well as in other informational submissions called for by the Commission's Rules and orders.<sup>2</sup> The testimony is presented by:

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<sup>2</sup> To the extent that these submissions, individually or collectively, exceed both ComEd's commitments and requirements imposed or allowed by law, ComEd waives no legal rights and does not intend to bind itself for future filings or proceedings.

- **Ms. Christine M. Brinkman**, C.P.A, ComEd’s Director, Rates and Revenue Policy (ComEd Ex. 1.0), introduces the Annual Formula Rate Update and the revenue requirements to be reflected in delivery services charges applicable during the 2016 monthly billing periods. She also identifies the other witnesses supporting the filing and summarizes the subject matter that each witness addresses. Ms. Brinkman also addresses the updated cost and investment information used by ComEd to determine its revenue requirements, addresses the effect of the Return on Equity (“ROE”) collar, and presents information pertaining to the costs associated with compensation items and rate case expenses.
- **Mr. Sandeep S. Menon**, ComEd’s Manager, Revenue Policy (ComEd Ex. 2.0), presents and supports the majority of the specific data that populate the revenue requirement formula used to determine the 2016 Rate Year Net Revenue Requirement. He supports the calculation of the 2014 Reconciliation Revenue Requirement derived from ComEd’s actual costs as reflected in its Federal Energy Regulatory Commission (“FERC”) Form 1 for the year ended December 31, 2014, as well as the calculation of the 2016 Initial Rate Year Revenue Requirement. He also supports the determination of the 2014 Reconciliation Adjustment. Finally, Mr. Menon describes and supports the original cost of ComEd’s electric utility plant in service as of December 31, 2014.
- **Ms. Kristine R. Farkas**, ComEd’s Director, Financial Planning and Analysis (ComEd Ex. 3.0), supports ComEd’s capital structure and cost of debt, as well as the statutory calculation of ComEd’s cost of equity. In addition, Ms. Farkas addresses costs charged to ComEd by Exelon Business Services Company

(“BSC”), as well as certain Administrative and General (“A&G”) expenses, and confirms that they are reasonable in amount and prudently incurred. Furthermore, Ms. Farkas presents information pertaining to ComEd’s incentive compensation plans and quantifies EIMA investments, including by category, as directed by the Commission.

- **Mr. John A. Fitterer**, ComEd’s Director, Customer Care (ComEd Ex. 4.0), describes the customer-related plant in ComEd’s rate base, as well as ComEd’s customer-related operating expenses, and confirms that they are reasonable in amount and prudently incurred. He specifically discusses blanket programs that are customer operations efforts. He also identifies and describes EIMA investments that pertain to customer operations. Moreover, Mr. Fitterer describes how ComEd is meeting its EIMA commitment with respect to low-income assistance. Finally, Mr. Fitterer presents an Alternate Customer Care Study, as approved by the Commission in Docket No. 14-0312, updated with 2014 data.
- **Mr. Michael F. Born**, P.E., ComEd’s Manager, Distribution Capacity Planning (ComEd Ex. 5.0), supports the functionalization of ComEd’s plant and operating expenses. Mr. Born also addresses the updated distribution system loss studies performed in accordance with Commission directives in ICC Docket No. 13-0387.
- **Mr. Michael C. Moy**, ComEd’s Director, Asset Performance (ComEd Ex. 6.0), describes the distribution-related plant in ComEd’s rate base, as well as ComEd’s distribution-related operating expenses, and confirms that they are reasonable in amount and prudently incurred. He also provides the plant investment

information corresponding to that which would be included in Schedule F-4 of a Part 285 submission in a general rate case. Moreover, Mr. Moy identifies and describes EIMA investments that pertain to distribution operations. Finally, Mr. Moy supports ComEd's incentive compensation programs from a distribution operations perspective and provides data requested by the Commission pertaining to that subject.

- **Mr. John L. Leick**, a Principal Rate Administrator in ComEd's Retail Rates group (ComEd Ex. 7.0), presents the updated delivery service charges applicable during the 2016 monthly billing periods and provides the updated populated rate design model and the updated ECOSS used to determine those charges. Mr. Leick explains how the updated rate design and ECOSS models incorporate Commission directives in the Orders in the 2014 FRU and in the approval of ComEd's Rider MSS – Market Settlement Service (“Rider MSS”) in Docket No. 14-0398. Mr. Leick also presents delivery services bill impact information for the various customer delivery classes. Moreover, he provides total bill impact information in accordance with specified Part 285 information requirements. Finally, Mr. Leick presents a form of public notice of this formula rate update that is consistent with the Commission rules that would be applicable to the filing of a general rate case.

8. ComEd also submits herewith relevant data and supporting documentation, including information called for under analogous portions of the Commission's Standard Information Requirements promulgated in Part 285 of Title 83 of the Illinois Administrative Code (“Title 83”), 83 Ill. Admin. Code Part 285, and Part 286 of Title 83, had this been a tariff

filing, seeking a general rate increase under Article IX of the PUA. Information has also been provided to senior members of the Commission's Staff in accordance with the Standard Information Requirements. As stated in Section 285.111(b) of Title 83 (83 Ill. Admin. Code § 285.111(b)), portions of the information covered by the Commission's Standard Information Requirements are confidential and/or proprietary and have been so designated. ComEd also submits herewith all other information called for by the Commission orders in Docket Nos. 11-0721, 12-0321, 13-0318, and 14-0312.<sup>3</sup> Finally, as required by EIMA, attached to this Petition is an attestation certifying the reconciliation in the same manner that ComEd certifies its FERC Form 1.

9. The evidence submitted herewith establishes that, under EIMA as interpreted by the Commission in orders applicable to ComEd that are now in force and effect, ComEd's rates should be designed to recover a 2016 Rate Year Net Revenue Requirement of \$2,532 million. Contributing to the calculation of that amount are a 2016 Initial Rate Year Revenue Requirement of \$2,440 million and a 2014 Reconciliation Revenue Requirement of \$2,267 million. These revenue requirements and their calculations are described in more detail in the testimony of Mr. Menon (ComEd Ex. 2.0).

10. ComEd also requests that its 2016 rates reflect the full rate year and reconciliation revenue requirements authorized by EIMA. Therefore, while the base data presented with this Petition calculates ComEd's revenue requirements in accordance with all Commission orders

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<sup>3</sup> *Commonwealth Edison Co.*, ICC Docket No. 11-0721, final Order (May 29, 2012) and Order on Rehearing (Oct. 3, 2012); *Commonwealth Edison Co.*, ICC Docket No. 12-0321, final Order (Dec. 19, 2012) and Amendatory Order (Feb. 14, 2013); *Commonwealth Edison Co.*, ICC Docket No. 13-0318, final Order (December 18, 2013); *Commonwealth Edison Co.*, ICC Docket No. 14-0312, final Order (Dec. 10, 2014).

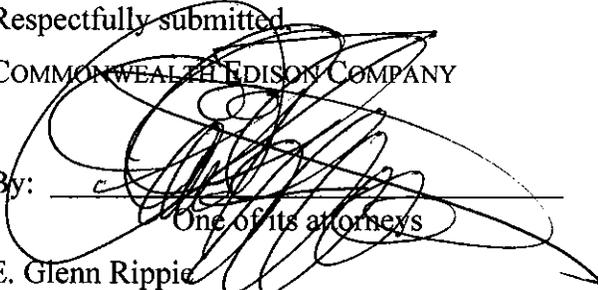
now in force and effect, ComEd waives no rights, whether in this or any future Commission proceeding or any appeal thereof.

11. Section 16-108.5(d) of the PUA authorizes the Commission, should it so elect, to “enter upon a hearing concerning the prudence and reasonableness of the costs incurred by the utility to be recovered during the applicable rate year that are reflected in the inputs to the performance-based formula rate derived from the utility’s FERC Form 1” subject to certain evidentiary requirements and procedures set forth therein. EIMA calls on the Commission to enter its final order in this case no later than 240 days after filing, or by December 11, 2015.

WHEREFORE, ComEd requests that the Commission timely (1) approve the updated cost data, revenue requirements, and reconciliation calculations filed herewith as well as the resulting update of ComEd’s delivery services charges; (2) make a finding of the original cost of ComEd’s electric utility plant in service as of December 31, 2014 in accordance with the evidence; and (3) authorize and direct ComEd to make compliance filings necessary to place the updated delivery services charges into effect beginning with the first billing period of 2016.

Dated: April 15, 2015

Respectfully submitted  
COMMONWEALTH EDISON COMPANY

By:   
One of its attorneys

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STATE OF ILLINOIS        )  
  )  
COUNTY OF DuPAGE        )        SS.

**VERIFICATION OF CHRISTINE M. BRINKMAN**

I, Christine M. Brinkman, CPA, having first been duly sworn, state and aver as follows:

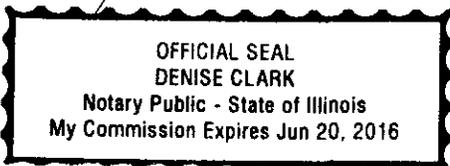
1. I am Director, Rates and Revenue Policy of Commonwealth Edison Company. I have read the foregoing Verified Petition to Initiate Annual Formula Rate Update and Revenue Requirement Reconciliation Authorized by Section 16-108.5 of the Public Utilities Act. I am an adult and if called to testify, could testify competently as a witness concerning the facts stated in the attached Verified Petition based on my own personal knowledge and my knowledge of records of Commonwealth Edison Company maintained in the ordinary course of its utility business.

2. The facts stated in the attached Verified Petition are true and correct to the best of my knowledge and belief.

Christine M. Brinkman  
Christine M. Brinkman

SUBSCRIBED AND SWORN to  
Before me on this 13<sup>th</sup> day of  
April, 2015.

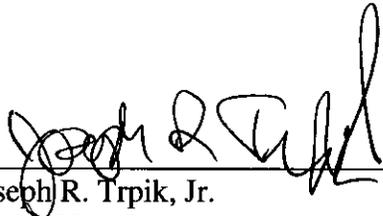
  
Notary Public



**ANNUAL RECONCILIATION CORPORATE OFFICER CERTIFICATION**

The undersigned officer certifies that:

I have examined Commonwealth Edison Company's ("ComEd") formula rate reconciliation for the year 2014 to be filed on or about April 15, 2015 and, to the best of my knowledge, information and belief, the financial information in schedule FR A-1-REC, including the underlying supporting schedules as identified on Schedule FR A-1-REC, are correct representations of the business affairs of ComEd and the financial information contained in ComEd's 2014 Federal Energy Regulatory Commission Form 1 and incorporated in Schedule FR A-1-REC, including the underlying supporting schedules, conforms in all material respects to the Uniform System of Accounts.

  
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Joseph R. Trpik, Jr.  
Senior Vice President  
Chief Financial Officer and Treasurer  
Commonwealth Edison Company

4/14/15  
Date Signed

On this 14<sup>th</sup> day of April, 2015, before me, the undersigned notary public, personally appeared Joseph R. Trpik Jr., proved to me through personal knowledge to be the person whose name is signed above on this document in my presence.

  
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Notary Public  
My Commission Expires June 20, 2016

