

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY :
 :
Annual formula rate update and revenue requirement : No. 15-_____
reconciliation authorized by Section 16-108.5 of the :
Public Utilities Act. :

Direct Testimony of
CHRISTINE M. BRINKMAN, CPA
Director,
Rates & Revenue Policy
Commonwealth Edison Company

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1 **I. INTRODUCTION**

2 **A. Witness Identification**

3 **Q. What is your name and business address?**

4 A. My name is Christine M. Brinkman. My business address is Three Lincoln Centre,
5 Oakbrook Terrace, Illinois 60181.

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

7 A. I am employed by Commonwealth Edison Company (“ComEd”) in the position of
8 Director, Rates & Revenue Policy.

9 **B. Summary of Direct Testimony and Attachments**

10 **Q. What are the purposes and subjects of your direct testimony?**

11 A. My testimony first provides a summary of this update filing and introduces the other
12 ComEd witnesses testifying in this proceeding.¹ Next, I explain how ComEd has used
13 updated cost and investment information to determine its revenue requirements and
14 address the effect of what is commonly referred to as the “ROE Collar.” Finally, I
15 support several of the inputs to those calculations, such as compensation items and rate
16 case expenses.

17 **Q. What are the attachments to your direct testimony?**

¹ Formula ratemaking under the Energy Infrastructure Modernization Act (“EIMA”) annually updates and reconciles participating utilities’ revenue requirements to actual costs. EIMA refers to the changes and additions made to the Public Utilities Act (“PUA”) in Public Act (“PA”) 97-0616 and PA 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. In this update and reconciliation filing, ComEd uses 2014 actual cost data, 2015 projected plant investment, and certain specific adjustments to determine: (1) ComEd’s 2016 Initial Rate Year Revenue Requirement, and (2) ComEd’s 2014 Reconciliation Revenue Requirement and the resulting reconciliation adjustment to be reflected in 2016 delivery service charges.

18 A. Attached to my direct testimony are three exhibits. ComEd Exhibit (“Ex.”) 1.01 contains
19 plan documents related to ComEd’s incentive compensation programs as well as a
20 summary schedule of Long Term Incentive Compensation amounts that have been
21 excluded from the revenue requirements in this proceeding. ComEd Ex. 1.02 includes
22 schedules detailing ComEd’s rate case expenses incurred in 2014 by docket number.
23 ComEd Ex. 1.03 contains an affidavit of Ms. Anastasia O’Brien, as well as invoice and
24 general ledger evidence supporting the rate case expenses and amortization incurred by
25 ComEd in 2014.

26 **C. Qualifications and Professional Background**

27 **Q. What are your duties and responsibilities at ComEd?**

28 A. As the Director, Rates & Revenue Policy, I have senior managerial responsibility for the
29 Retail Rates and Revenue Policy groups, and am also responsible for providing financial
30 expertise and support in state and federal regulatory proceedings concerning those
31 functions. I am, therefore, centrally involved in the process by which ComEd’s
32 Illinois-jurisdictional and federal-jurisdictional revenue requirements are calculated and
33 how ComEd’s Illinois-jurisdictional delivery service revenue requirements are
34 reconciled.

35 **Q. Prior to your current position, what other positions did you hold at ComEd and its
36 affiliates?**

37 A. Since beginning my career at ComEd in 2003, I have held a variety of staff and
38 managerial positions in the accounting and finance areas for ComEd and for subsidiaries
39 of ComEd’s parent, Exelon Corporation (“Exelon”). Those positions include Senior

40 Accountant (ComEd and Exelon Delivery Shared Services), Principal Accountant
41 (ComEd), Manager, Financial Transformation (Exelon Business Services Company
42 (“BSC”)), and Manager, Accounting (ComEd). In those roles, I acted as the accounting
43 and/or finance lead with respect to a number of regulatory initiatives, including the 2010
44 general rate case and ComEd’s Advanced Metering Infrastructure (“AMI”) Pilot, and was
45 responsible for the effort under EIMA to establish, document, and execute the accounting
46 and financial controls framework for the Illinois formula ratemaking process.

47 Q. **What was your professional experience prior to assuming your duties with ComEd?**

48 A. I began my career in the information technology field providing business consulting,
49 project management, and computer programming services with regard to financial
50 applications for a number of clients. I also served in a variety of accounting and finance
51 roles before joining ComEd in 2003.

52 Q. **What is your educational background?**

53 A. I graduated from Northern Illinois University in DeKalb, Illinois, with a Bachelor of
54 Science in Operations Management and Information Systems. I received my Masters of
55 Science in Accounting from Roosevelt University in Chicago, Illinois. I am a registered
56 Certified Public Accountant in the State of Illinois.

57 Q. **Have you submitted testimony to the Illinois Commerce Commission
58 (“Commission” or “ICC”) in other dockets?**

59 A. Yes. In 2014, I provided testimony in ComEd’s formula rate update (“FRU”)
60 proceeding, ICC Docket No. 14-0312, as well as the investigation proceeding relating to

61 ComEd’s 2014 “Housekeeping” tariff filing, ICC Docket No. 14-0316. I also provided
62 testimony in 2013 in both ComEd’s FRU and rate design investigation (“RDI”)
63 proceedings, ICC Docket No. 13-0318 (“2013 FRU”) and ICC Docket No. 13-0387
64 (“2013 RDI”), respectively. In addition, in 2013 I provided testimony in ICC Docket
65 No. 13-0553, the Formula Rate Investigation that paralleled ComEd’s 2013 FRU.

66 **II. SUMMARY OF THE 2015 FRU**

67 **A. Summary of the Updated Revenue Requirements**

68 **Q. What is ComEd’s 2016 Rate Year Net Revenue Requirement on which ComEd’s**
69 **2016 delivery services charges should be based?**

70 **A.** The updated revenue requirement to be reflected in the updated delivery service charges
71 that will be applicable in 2016, also referred to as the 2016 Rate Year Net Revenue
72 Requirement, is \$2,531,558,000. This is a decrease of \$50,456,000 over the revenue
73 requirement of \$2,582,014,000 that is reflected in delivery service charges applicable
74 during 2015. Mr. Sandeep S. Menon addresses the determination of the relevant updated
75 initial and reconciliation revenue requirements and adjustments in ComEd Ex. 2.0.

76 **B. Summary of Other Testimonies Supporting the Filing**

77 **Q. Who are the other witnesses presenting direct testimony on behalf of ComEd in this**
78 **proceeding and what, in summary, are the topics that each witness addresses?**

79 **A.** In addition to me, each of the following witnesses provides direct testimony:

- 80 • **Mr. Sandeep S. Menon**, ComEd’s Manager, Revenue Policy (ComEd Ex. 2.0),
81 presents and supports the majority of the specific data that populate the revenue
82 requirement formula used to determine the 2016 Rate Year Net Revenue

83 Requirement. He supports the calculation of the 2014 Reconciliation Revenue
84 Requirement derived from ComEd's actual costs as reflected in its Federal Energy
85 Regulatory Commission ("FERC") Form 1 for the year ended December 31,
86 2014, as well as the calculation of the 2016 Initial Rate Year Revenue
87 Requirement. He also supports the determination of the 2014 Reconciliation
88 Adjustment. Finally, Mr. Menon describes and supports the original cost of
89 ComEd's electric utility plant in service as of December 31, 2014.

90 • **Ms. Kristine R. Farkas**, ComEd's Director, Financial Planning and Analysis
91 (ComEd Ex. 3.0), supports ComEd's capital structure and cost of debt, as well as
92 the statutory calculation of ComEd's cost of equity. In addition, Ms. Farkas
93 addresses costs charged to ComEd by Exelon BSC, as well as certain
94 Administrative and General ("A&G") expenses, and confirms that they are
95 reasonable in amount and prudently incurred. Furthermore, Ms. Farkas presents
96 information pertaining to ComEd's incentive compensation plans and quantifies
97 EIMA investments, including by category, as directed by the Commission.

98 • **Mr. John A. Fitterer**, ComEd's Director, Customer Care (ComEd Ex. 4.0),
99 describes the customer-related plant in ComEd's rate base, as well as ComEd's
100 customer-related operating expenses, and confirms that they are reasonable in
101 amount and prudently incurred. He specifically discusses blanket programs that
102 are customer operations efforts. He also identifies and describes EIMA
103 investments that pertain to customer operations. Moreover, Mr. Fitterer describes
104 how ComEd is meeting its EIMA commitment with respect to low-income

105 assistance. Finally, Mr. Fitterer presents an Alternate Customer Care Study, as
106 approved by the Commission in ICC Docket No. 14-0312, updated with 2014
107 data.

108 • **Mr. Michael F. Born**, P.E., ComEd's Manager, Distribution Capacity Planning
109 (ComEd Ex. 5.0), supports the functionalization of ComEd's plant and operating
110 expenses. Mr. Born also addresses the updated distribution system loss studies
111 performed in accordance with Commission directives in ICC Docket
112 No. 13-0387.

113 • **Mr. Michael C. Moy**, ComEd's Director, Asset Performance (ComEd Ex. 6.0),
114 describes the distribution-related plant in ComEd's rate base, as well as ComEd's
115 distribution-related operating expenses, and confirms that they are reasonable in
116 amount and prudently incurred. He also provides the plant investment
117 information corresponding to that which would be included in Schedule F-4 of a
118 Part 285² submission in a general rate case. Moreover, Mr. Moy identifies and
119 describes EIMA investments that pertain to distribution operations. Finally,
120 Mr. Moy supports ComEd's incentive compensation programs from a distribution
121 operations perspective and provides data requested by the Commission pertaining
122 to that subject.

123 • **Mr. John L. Leick**, a Principal Rate Administrator in ComEd's Retail Rates
124 group (ComEd Ex. 7.0), presents the updated delivery service charges applicable
125 during the 2016 monthly billing periods and provides the updated populated rate

² Commission rules pertaining to standard information requirements designed to assist the ICC Staff to review filings for tariffed rate increases under Sections 9-201, 16-108 and 16-108.5 of the PUA.

126 design model and the updated ECOSS used to determine those charges.
127 Mr. Leick explains how the updated rate design and ECOSS models incorporate
128 Commission directives in the Orders in the 2014 FRU and in the approval of
129 ComEd's Rider MSS – Market Settlement Service (“Rider MSS”) in Docket
130 No. 14-0398. Mr. Leick also presents delivery services bill impact information for
131 the various customer delivery classes. Moreover, he provides total bill impact
132 information in accordance with specified Part 285 information requirements.
133 Finally, Mr. Leick presents a form of public notice of this formula rate update that
134 is consistent with the Commission rules that would be applicable to the filing of a
135 general rate case.

136 **III. EIMA FORMULA RATEMAKING**

137 **Q. How are ComEd's delivery services charges established under EIMA?**

138 A. As a participating utility under EIMA, ComEd's delivery services charges are updated
139 each year using an annually updated formula rate process and using a rate formula set out
140 in EIMA and ComEd's formula rate tariff.³ The rate formula incorporates specifically
141 defined inputs, including ComEd's actual costs to provide delivery services from the
142 prior year and historical weather normalized billing determinants. In many cases, the
143 formula specifies data to be taken directly from ComEd's FERC Form 1. The formula
144 rate mechanism also incorporates specific safeguards in the rate making process.

145 **Q. How are ComEd's costs reflected in delivery services charges under this process?**

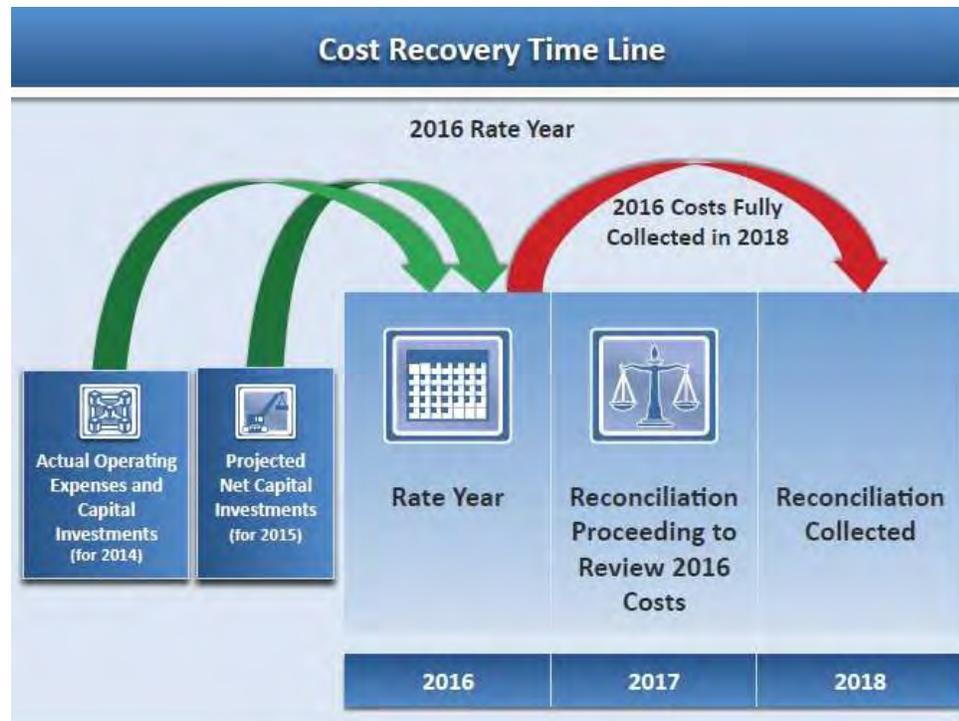
³ Rate DSPP - Delivery Service Pricing and Performance (“Rate DSPP”).

146 A. The formula rate process is designed to establish delivery services charges that provide
147 for full recovery of ComEd's actual reasonable and prudent costs of providing delivery
148 services. However, because ComEd's actual costs for any given year cannot be known in
149 advance, the formula rate mechanism relies on an after-the-fact reconciliation once actual
150 costs are known. Specifically, ComEd's delivery services charges applicable during a
151 given year – called the Rate Year – provide for the recovery of the Rate Year Net
152 Revenue Requirement, which is determined during the course of the formula rate update
153 proceeding that is conducted in the year prior to the Rate Year. The Rate Year Net
154 Revenue Requirement includes two components. The first component is called the Initial
155 Rate Year Revenue Requirement, and the second component is called the Reconciliation
156 Adjustment.

157 Q. **What is the overall timing of the formula ratemaking process?**

158 A. Updated delivery services charges are applied each year, during the January through
159 December monthly billing periods in every given Rate Year. Those charges are
160 determined in the update and reconciliation proceeding that is conducted during the year
161 prior to the Rate Year. That proceeding is conducted within a maximum of 240 days
162 after ComEd files its updated costs and charges, which ComEd must do on or before the
163 first day of May in the year prior to the Rate Year. Those delivery services charges are
164 calculated to provide for the recovery of a Rate Year Net Revenue Requirement
165 determined during that proceeding. For each Rate Year, the Rate Year Net Revenue
166 Requirement is the sum of (a) the Initial Rate Year Revenue Requirement, which includes
167 projected costs for the year prior to the Rate Year, and (b) the Reconciliation Adjustment,

168 be it positive or negative (i.e., a charge or a refund), which reconciles previously
169 projected costs to actual costs for the year that occurred two years prior to the Rate Year.
170 The diagram below portrays this annual process pictorially using the 2016 Rate Year as
171 an example.



172

173 Q. **What does this formula ratemaking structure mean for customers and for ComEd?**

174 A. This formula ratemaking structure results in delivery services charges designed to recover
175 ComEd's actual reasonable and prudent costs of providing delivery services, determined
176 by actual after-the-fact data – no more and no less. Moreover, because every Initial Rate
177 Year Revenue Requirement is fully reconciled, with interest, projections of costs and
178 investments do not affect the total costs ultimately recovered, only when they are
179 recovered.

180 **IV. COMED'S REVENUE REQUIREMENTS**

181 **A. 2014 Reconciliation Revenue Requirement and Reconciliation Adjustment**

182 **1. The Reconciliation Framework**

183 **Q. What is the purpose of the reconciliation component of each EIMA formula rate**
184 **update filing?**

185 A. The annual formula rate update called for by Section 16-108 of the PUA reconciles the
186 revenue requirement reflected in delivery service charges for the prior year with what the
187 revenue requirement would have been had the actual cost information been available, *i.e.*,
188 with what would have been the result calculated using actual costs for the rate year being
189 reconciled. This reconciliation is made in accordance with Rate DSPP and is essential if
190 delivery service charges are to reflect actual prudent and reasonable costs of service. The
191 reconciliation filing also includes two other computations, a return on equity ("ROE")
192 Collar calculation, and an ROE penalty calculation.

193 **Q. Where are the calculations and inputs for the reconciliation revenue requirement**
194 **set forth?**

195 A. The updated summary calculations and revenue requirement inputs for the reconciliation
196 are set forth in Rate DSPP on Schedule ("Sch") FR A-1-REC: Revenue Requirement
197 Reconciliation Computation ("Sch FR A-1-REC"). Specifically, Mr. Menon (ComEd
198 Ex. 2.0) presents Sch FR A-1-REC and all of the other schedules and appendices that
199 comprise the statutory revenue requirement formula in ComEd Ex. 2.01.

200 **Q. Can you please describe the ROE Collar calculation?**

201 A. Yes. ComEd’s distribution ROE is a measure of the income ComEd earns in relation to
202 shareholders’ equity. Section 16-108.5(c)(5) of the PUA sets upper and lower boundaries
203 or, in common terms, a “collar” on ComEd’s actual ROE (“ROE Collar”). The ROE
204 Collar limits the revenue requirement used to set delivery service charges if and when
205 ComEd actually earns an ROE of more than 50 basis points higher or lower than the rate
206 determined utilizing the specific methodology set forth in Section 16-108.5(c)(3) of the
207 PUA. This calculation is set forth on Sch FR A-3. *See* ComEd Ex. 2.01.

208 Q. **Can you please describe the ROE Penalty Calculation?**

209 A. Yes. On April 4, 2012 in ICC Docket No. 11-0772, the Commission entered an order
210 approving ComEd’s Multi-Year Performance Metrics Plan as well as Rider
211 DSPM – Delivery Service Performance Metrics (“Rider DSPM”). The plan and related
212 rider also discuss each individual performance metric as well as their related penalties, if
213 applicable. Generally, EIMA states that if a participating utility does not meet specified
214 performance metrics, a penalty related to each missed metric must be applied as a
215 reduction to the allowed ROE calculation for the reconciliation year. Specifically, Rider
216 DSPM states:

217 [T]he penalty determined in accordance with the provisions of this
218 Determination of the Penalty section is incorporated into the determination
219 of the COE [cost of equity] used to develop the Company’s annual net
220 revenue requirement in accordance with the provisions of Rate DSPP.
221 Such penalty (PEN) in percentage format converted from the basis point
222 format used in Section 16-108.5(f-5) of the Act, is determined each year,
223 beginning in 2014, for the most recently completed Performance year....

224 The annually updated delivery service charges determined in accordance
225 with the provisions of Rate DSPP must reflect the inclusion of any such
226 penalties in the determination of the reconciliation of the annual net
227 revenue requirement for the Performance Year...

228 This calculation is set forth on work paper (“WP”) 23 and is reflected in ComEd’s Cost
229 of Capital Computation on Sch FR D-1. *See* ComEd Ex. 2.01 and 2.02. On April 15,
230 2015, ComEd filed its annual performance metric report, which includes details on
231 ComEd’s performance in 2014.

232 **2. Calculation of the 2014 Reconciliation Revenue Requirement and the**
233 **Reconciliation Adjustment**

234 **Q. Can you describe the calculation of the 2014 Reconciliation Revenue Requirement**
235 **as reflected on Sch FR A-1-REC?**

236 **A.** Yes. Sch FR A-1-REC is straightforward, and summarizes the determination of the
237 actual revenue requirement for the most recent historical calendar year, 2014, using the
238 same schedules and inputs in the revenue requirement formula that are utilized to
239 calculate the revenue requirement prospectively, except that Sch FR A-1-REC does not
240 include 2015 projected plant additions, and associated depreciation and Accumulated
241 Deferred Income Taxes (“ADIT”) adjustments. In addition, Sch FR A-1-REC includes
242 Construction Work in Progress (“CWIP”) not accruing Allowance for Funds Used during
243 Construction (“AFUDC”).

244 **Q. What is the 2014 Reconciliation Revenue Requirement calculated on Sch FR**
245 **A-1-REC, and how does it compare to the revenue requirement in effect for 2014?**

246 **A.** The 2014 Reconciliation Revenue Requirement is \$2,267,166,000. *See* ComEd Ex. 2.01,
247 Sch FR A-1 REC. Mr. Menon supports the majority of the individual cost components
248 comprising that revenue requirement (ComEd Ex. 2.0). As shown on Sch FR A-4,
249 ComEd’s Initial Rate Year Revenue Requirement in effect during 2014 was

250 \$2,187,317,000, resulting in a reconciliation adjustment of \$79,849,000 before interest
251 and before considering the ROE Collar. *See* ComEd Ex. 2.01, Sch FR A-4.

252 Q. **How was the Initial Rate Year Revenue Requirement in effect during 2014**
253 **calculated?**

254 A. The Initial Rate Year Revenue Requirement in effect for 2014 is based on ComEd's
255 compliance filing in ICC Docket No. 14-0312. Mr. Menon discusses the revenue
256 requirement calculation in greater detail in his direct testimony (ComEd Ex. 2.0).

257 Q. **Can you please describe the ROE Collar adjustment?**

258 A. Yes. As I noted above, the ROE Collar provides that if the actual earned ROE for a
259 reconciliation year (2014, in this case), after reflecting necessary adjustments, is more
260 than 50 basis points ("bps") higher than the allowed ROE included in ComEd's costs
261 under the statutory formula rate for that year (after reflecting any penalties imposed for
262 failure to meet applicable metrics and performance goals), then an adjustment in the
263 amount of the excess will be made to the next formula rate revenue requirement to credit
264 customers for the over recovery. Similarly, if the actual earned ROE, after reflecting
265 necessary adjustments, is more than 50 bps lower than the allowed ROE (after reflecting
266 penalties imposed for failure to meet applicable metrics and performance goals), then an
267 adjustment in the amount of the shortfall will be made to the next formula rate revenue
268 requirement to recover the deficiency.

269 Q. **Where is the ROE calculation shown in the revenue requirement formula?**

270 A. Sch FR A-3 contains the methodology to calculate the earned ROE for the reconciliation
271 year (2014 in this case). This calculation utilizes the actual delivery service revenues and
272 other data for the reconciliation year to arrive at the earned ROE, which is compared to
273 the allowed range of ROE. Sch FR D-1 contains the methodology to calculate the
274 allowed ROE. Finally, the allowed range is shown on Sch FR A-1. The result of this
275 calculation is incorporated as part of the 2016 Rate Year Net Revenue Requirement
276 calculation in Sch FR A-1. See ComEd Ex. 2.01, Sch FR A-1.

277 Q. **For purposes of the ROE Collar, do revenues for 2014 include an accrual for the**
278 **reconciliation revenues to be recovered in future years?**

279 A. Yes. Costs incurred in 2014 are recoverable through future delivery service charges, to
280 the extent delivery service charges in effect in 2014 were not sufficient to provide for
281 recovery of those costs. In 2014, a \$73 million accounting accrual was recorded for the
282 estimated shortfall of actual 2014 cost recovery based on delivery service charges in
283 effect in 2014. This amount is supported by Mr. Menon and is reflected on Sch FR A-3,
284 line 11. See ComEd Ex. 2.01, Sch FR A-3.

285 Q. **Why does ComEd include this accrual?**

286 A. Inclusion of the accrued revenues associated with the reconciliation avoids a circular
287 outcome in the ROE Collar calculation and ensures that differences in the revenue
288 requirement are captured in the reconciliation and not in the ROE Collar calculation. To
289 the extent the amount of the reconciliation calculated or ultimately approved by the
290 Commission is different from the estimated amount accrued during the 2014

291 reconciliation year, an adjustment must be reflected on line 12 of Sch FR A-3 to keep the
292 costs and revenues in alignment. *See* ComEd Ex. 2.01, Sch FR A-3.

293 Q. **Does ComEd's allowed ROE reflect any penalties imposed on the Company related**
294 **to performance metrics in 2014?**

295 A. Yes. The calculation of ComEd's allowed ROE is the average of the monthly average
296 treasury yields of 30-year U.S. Treasury bonds plus 580 basis points. This results in an
297 allowed ROE of 9.14%. However, ComEd has reflected a penalty of 5 basis points on
298 Sch D-1 line 9 as a result of failing to meet a service reliability performance metric. This
299 brings the allowed ROE down to 9.09% as reflected on Sch D-1 line 11. *See* ComEd
300 Ex. 2.01, Sch FR D-1.

301 Q. **Did the application of the ROE Collar for 2014 result in an adjustment?**

302 A. No. The ROE Collar calculation shown on Sch FR A-3 reflects that ComEd's actual
303 earned ROE in 2014 was 9.47%. Because the allowed ROE as calculated per the PUA,
304 including the performance metric penalty, was 9.09%, the resulting allowable ROE collar
305 ranged from a minimum ROE of 8.59% to a maximum ROE of 9.59%. Therefore,
306 because ComEd's actual earned return for 2014 of 9.47% was within the allowed ROE
307 collar band, no collar adjustment has been made.

308 Q. **Does the reconciliation calculation reflect interest?**

309 A. Yes. Sch FR A-4 reflects how interest is calculated and applied to the reconciliation
310 amount. Interest is accrued for one-half year for the reconciliation year (in this case
311 2014), for a full year in the year following the reconciliation year (in this case 2015), and

312 for one-half year in the second year following the reconciliation year (in this case 2016).
313 This sequence assumes that the costs leading to the under-recovery were incurred
314 gradually throughout the 2014 reconciliation year; remained outstanding for the entirety
315 of the following year (2015); and will be recovered gradually throughout the second year
316 following the reconciliation year (2016).

317 Consistent with the Commission's final Order in ICC Docket No. 13-0553, the
318 interest applied is based on ComEd's weighted average cost of capital without a gross up
319 for income taxes. *Commonwealth Edison Co.*, ICC Docket No. 13-0553 (final Order
320 Nov. 26, 2013) at 18.

321 Q. **What is the impact of the 2014 reconciliation adjustment including the ROE Collar**
322 **adjustment on the 2016 Rate Year Net Revenue Requirement?**

323 A. The overall adjustment for the reconciliation, including interest, included in the 2016
324 Rate Year Net Revenue Requirement is \$91,853,000. No collar adjustment applies.

325 Q. **How will this adjustment be applied to customers' bills?**

326 A. This adjustment is incorporated into Sch FR A-1, which sets the 2016 Rate Year Net
327 Revenue Requirement that is reflected in delivery service charges to be applied on
328 customers' bills beginning with the January 2016 monthly billing period. Mr. John L.
329 Leick's direct testimony (ComEd Ex. 7.0) presents the updated delivery service charges
330 that reflect the 2016 Rate Year Net Revenue Requirement.

331 **B. ComEd's 2016 Rate Year Net Revenue Requirement**

332 Q. **On what basis are the delivery service charges that will go into effect beginning with**
333 **the January 2016 monthly billing period determined?**

334 A. The delivery service charges that will go into effect beginning with the January 2016
335 monthly billing period and extending through the December 2016 monthly billing period
336 are designed to recover the 2016 Rate Year Net Revenue Requirement. Sch FR A-1
337 provides the summary level calculation of the 2016 Rate Year Net Revenue Requirement
338 to be recovered through those delivery service charges.

339 Q. **What are the main components that make up the 2016 Rate Year Net Revenue**
340 **Requirement?**

341 A. The 2016 Rate Year Net Revenue Requirement is made up of two main components: the
342 2016 Initial Rate Year Revenue Requirement as well as the 2014 Reconciliation
343 Adjustment, with interest, and also includes the 2014 ROE Collar Adjustment, as
344 discussed above. See ComEd Ex. 2.01, Sch FR A-1, lines 23, 24, and 35 respectively.

345 Q. **In general, how did ComEd establish the 2016 Initial Rate Year Revenue**
346 **Requirement?**

347 A. The calculation utilizes the now well-established formula:

348
$$\text{Revenue Requirement} = (\text{Rate of Return} \times \text{Rate Base}) + \text{Operating Expenses}$$

349 As provided in EIMA, the 2016 Initial Rate Year Revenue Requirement is based on
350 actual historical cost and rate base data reported for the 2014 calendar year, plus
351 projected plant additions for 2015 and the associated adjustments to accumulated

352 depreciation (change in depreciation reserve), depreciation expense, and per the
353 Commission's Order in Docket No. 11-0721 ("2011 FR Case"), ADIT.

354 Q. **What is ComEd's 2016 Rate Year Net Revenue Requirement?**

355 A. ComEd's 2016 Rate Year Net Revenue Requirement is \$2,531,558,000, which includes a
356 2016 Initial Rate Year Revenue Requirement of \$2,439,705,000 and a 2014
357 Reconciliation Adjustment with interest amount of \$91,853,000. There was no collar
358 adjustment for 2014.

359 Q. **Does this filing conform to the Commission's rulings in its final Order in ComEd's**
360 **last FRU, ICC Docket No. 14-0312, directing ComEd to take specific actions in this**
361 **formula rate update proceeding?**

362 A. Yes. As discussed in the testimony of Mr. Fitterer, ComEd has based its updated rates on
363 an Alternative Customer Care Study ("Study"), as directed by the Commission in that
364 docket. This Study, which has been updated, was used to determine the amount of
365 customer care costs to be shifted to supply customers. While ComEd respectfully
366 disagrees with the Commission ruling that an Alternative Customer Care Study
367 methodology should be used because the Switching Studies show that no customer care
368 costs should be removed from the distribution revenue requirement, ComEd is not
369 contesting this issue in this proceeding. ComEd does, however, reserve the right to
370 address any testimony or arguments concerning customer care costs that may be offered
371 by other parties.

372 V. **COMPENSATION PROGRAMS**

373 Q. **What points concerning incentive compensation does your testimony address?**

374 A. In its May 29, 2012 final Order in ICC Docket No. 11-0721, the Commission adopted a
375 “proposal to require ComEd to include, in its initial filing, the information that is
376 necessary to allow the Commission to determine whether ComEd has achieved the metric
377 regarding incentive compensation ... as it requires ComEd to substantiate entitlement to
378 recovery for the incentive compensation that it awarded which meets the metrics cited
379 above in Section 16-108.5” of the PUA. *Commonwealth Edison Co.*, ICC Docket
380 No. 11-0721 (final Order May 29, 2011) at 160. The Commission decided that “ComEd
381 should be required to file, with its initial performance-based rate filing, evidence
382 establishing that its employees have achieved the statutory metrics,” including evidence
383 “as to what its employees did to achieve the performance metrics in Section 16-108.5.”
384 *Id.* My testimony regarding the incentive compensation plans, together with that of
385 ComEd witnesses Ms. Farkas (ComEd Ex. 3.0), Mr. Moy (ComEd Ex. 6.0), and
386 Mr. Fitterer (ComEd Ex. 4.0), accordingly describes the metrics set forth in the incentive
387 compensation plans, how ComEd performed under the metrics, and what employees did
388 to achieve the metrics.

389 Additionally, in its December 10, 2014 final Order in ICC Docket No. 14-0312,
390 the Commission “direct[ed] ComEd to develop an incentive compensation plan that is
391 consistent with EIMA and does not include an SPF based on Exelon’s EPS or any other
392 financial performance metrics.” *Commonwealth Edison Co.*, ICC Docket No. 14-0312
393 (final Order Dec. 10, 2014) at 51. My testimony will also describe the change that

394 occurred within ComEd’s Annual Incentive Plan (“AIP”) to remove the Shareholder
395 Protection Feature (“SPF”) to address the Commission’s directive.

396 Q. **In 2014, did ComEd offer any incentive programs in which its employees**
397 **participated?**

398 A. Yes, ComEd offered an Annual Incentive Program (“AIP”), a Key Manager and
399 Executive Long Term Performance Program (“LTPP”), and an Executive Long Term
400 Performance Cash Award Program (“LTPCAP”) to its employees.⁴ The fundamental
401 concept of the AIP, LTPP, and LTPCAP is “pay at risk”. ComEd sets total
402 compensation, including base salaries, benefits, and incentive compensation, at levels
403 necessary to remain competitive with comparable companies. In other words, the AIP is
404 part of the overall compensation package. The total compensation that ComEd pays its
405 employees is based on the levels needed in the marketplace to attract and retain qualified
406 personnel. Instead of paying the entire amount of an employee’s compensation through
407 base salaries, ComEd makes a portion of each employee’s pay subject to the achievement
408 of operational metrics specified in the incentive compensation plans. By structuring
409 compensation in this manner, ComEd implements a “pay at risk” approach under which
410 ComEd’s employees are at risk of receiving less than a marketplace level of
411 compensation if the metrics of the plans are not achieved. Thus, the incentive
412 compensation paid under these plans should not be construed as some form of “bonus” or
413 additional compensation.

⁴ ComEd has previously offered an additional program, discussed in Sections V.D. That additional program was not offered in 2014.

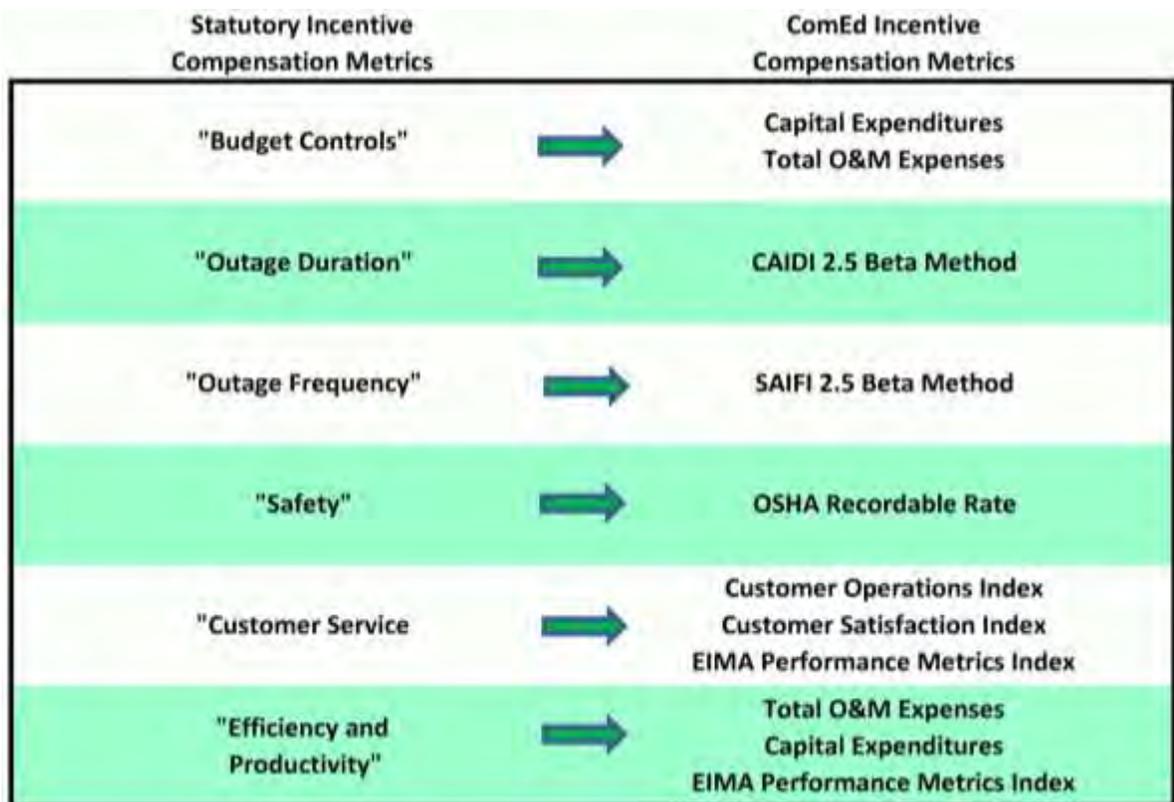
414 As I describe in more detail below, ComEd employees exceeded targeted
 415 performance for a majority of the operational metrics established for 2014, and thus did
 416 not lose the portion of their compensation that was at risk during the year. In light of
 417 these achievements I conclude that the 2014 AIP costs, which result in market-based
 418 compensation levels, were prudently incurred and reasonable in amount.

419 **A. Annual Incentive Program**

420 **1. ComEd Annual Incentive Plan**

421 **Q. Are the ComEd AIP metrics consistent with EIMA ratemaking?**

422 **A.** Yes. The metrics described above all tie directly to one or more of the specific
 423 operational goals listed in EIMA as appropriate for incentive compensation, as shown in
 424 the graphic below.



425

426 Q. **To which employees does the AIP apply?**

427 A. The AIP applies to all of ComEd’s employees, approximately six thousand as of
428 December 2014. All ComEd employees perform work that directly provides delivery
429 services or that supports the provision of those services, whether they are determining
430 what investments must be made in order to maintain and improve service, “turning a
431 wrench” or laying cable, making sure that work is performed safely, ensuring that
432 customers are billed correctly, working to increase productivity, performing needed
433 “back office” work, making sure that only prudent and reasonable costs are incurred, or
434 raising at reasonable cost the capital needed to pay for the investments required to make
435 the provision of service possible and to improve that service. Through the AIP, ComEd
436 seeks to align all employees’ incentives to the customer-centric metrics of the AIP, so
437 that the employees perform their tasks within the context of the ultimate objectives of
438 providing adequate, reliable, and safe service at reasonable cost.

439 Q. **How is the AIP structured?**

440 A. The 2014 AIP had eight operational metrics (also referred to as goals or Key Performance
441 Indicators (“KPI”). Two of the eight metrics (50% of the AIP’s weighting) related to
442 ComEd cost control. Six of the eight metrics (50% of the AIP’s weighting) related to
443 ComEd operations. The AIP was equally weighted between the ComEd cost control
444 metrics and the ComEd operational metrics. The eight metrics are:

- 445 • Controlling the total level of Operations & Maintenance (“O&M”) expense (goal
446 weight 25%);
- 447 • Controlling the total level of capital expenditures (goal weight 25%);

- 448 • The Occupational Safety and Health Administration (“OSHA”) Recordable Rate
449 (goal weight 10%);
- 450 • Weather normalized performance on the System Average Interruption Frequency
451 Index (“SAIFI”) (goal weight 10%);
- 452 • Weather normalized performance on the Customer Average Interruption Duration
453 Index (“CAIDI”) (goal weight 10%);
- 454 • Performance on the Customer Operations Index (“COI”) (goal weight 10%);
- 455 • Performance on the Customer Satisfaction Index (goal weight 5%); and
- 456 • Performance on the EIMA Performance Metrics Index, which measures
457 productivity on the major work plan objectives that are key to supporting EIMA,
458 including the Underground Cable, Smart Substation, and Wood Pole programs.
459 Key performance standards are based on ComEd’s filing of its Multi-Year
460 Performance Metrics Plan (ICC Docket No. 11-0772) (goal weight 5%).

461 A copy of the ComEd AIP plan document is included in ComEd Ex. 1.01. In sum,
462 ComEd’s AIP is among the tools that are critical to efforts to manage operations and
463 expenses to keep costs low and performance high.

464 Q. **Why do you refer to the 2014 AIP metrics as operational?**

465 A. Each of the eight 2014 AIP metrics is aligned with specific operational metrics. The two
466 cost control metrics tie to “budget controls” and to “efficiency and productivity.” The
467 OSHA metric ties to “safety.” The SAIFI and CAIDI metrics tie to “outage duration and
468 frequency.” The EIMA Performance Metrics Index ties to “efficiency and productivity”
469 as well as “customer service.” The Customer Satisfaction Index and the Customer

470 Operations Index ties to “customer service.” The metrics also are inter-related, *e.g.*
471 efficiency and productivity also serve to help control costs. All eight metrics relate in
472 various ways to the provision of adequate, reliable, and safe service at reasonable cost to
473 customers.

474 Q. **How does performance under the metrics impact compensation?**

475 A. The AIP, as to each of its metrics, includes three levels: (1) a threshold level that must be
476 met in order for any payment to be made under the metric, and which, if met, results in
477 50% payment of the target payment level for the metric; (2) a target level, which, if met,
478 results in 100% payment of the target level for the metric; and (3) a more rigorous
479 distinguished level, which, if met, could result in up to 200% payment of the target level
480 for the metric.

481 Q. **Why does the AIP apply these metrics to all employees?**

482 A. Placing some of each ComEd employee’s compensation at risk for all eight metrics
483 encourages each employee to work directly toward, or to support the work of other
484 employees toward, achieving the objectives of those metrics. ComEd is seeking to
485 incentivize every employee to perform his or her assigned work within the framework of
486 those company-wide goals.

487 Q. **Can you provide an overview of the projects and departments to which ComEd
488 employees dedicate their time?**

489 A. Of ComEd’s total headcount as of December 2014, approximately 63% were in the
490 Operations department and 26% were in the Customer Operations department. My

491 colleagues, Mr. Moy and Mr. Fitterer, describe the achievements of the employees in the
492 Operations and Customer Operations departments, respectively. *See* ComEd Exs. 6.0 and
493 4.0. Ms. Farkas addresses the other 11% of employees who, while at times perform
494 operations work, also serve in various operational support, management, and executive
495 positions in the other major departments and offices. *See* ComEd Ex. 3.0. In other
496 words, although these employees may not regularly perform “operations” tasks, they are
497 engaged in important positions in departments such as Finance, Human Resources, and
498 Information Technology. Indeed, operations work cannot be performed without, for
499 example, capital, hiring and retaining personnel, and computers with the necessary
500 software.

501 **Q. How did ComEd perform under the 2014 AIP operational metrics?**

502 **A.** The following is a summary of 2014 performance under the AIP metrics:

- 503 • With respect to SAIFI (weather-normalized), performance of 0.81 surpassed the
504 threshold level of .90;
- 505 • The 84 minute CAIDI performance of ComEd’s employees was 1 minute better
506 than the target;
- 507 • The Customer Satisfaction Index result of 7.73 in 2014 surpassed the threshold
508 level of 7.47;
- 509 • The OSHA Recordable Rate of 0.65 achieved by ComEd’s employees was better
510 than both the target level of .80 and the distinguished performance threshold level
511 of .68 and was ComEd’s best OSHA performance on record;
- 512 • ComEd employees achieved a COI of 83.9%, exceeding the target of 83.0%;

- 513 • Total capital expenditures were \$69 million lower (favorable) than the threshold
514 level;
- 515 • Total O&M costs were \$24 million lower (favorable) than the target level; and
- 516 • Performance on the EIMA Reliability Metrics Index was 167% and exceeded the
517 target rating of 100%.

518 Overall, ComEd employee performance resulted in a calculated AIP payout of 126.1%.

519 In sum, by performing their respective duties skillfully and efficiently, ComEd
520 employees contributed to the achievements in 2014 under the AIP. ComEd’s employees
521 directly provide, support, or perform other work essential to the provision of adequate,
522 reliable, and safe customer service at reasonable cost.

523 Q. **Were the 2014 ComEd AIP metrics or KPIs similar to those approved by the ICC in**
524 **previous rate decisions?**

525 A. Yes. The 2014 ComEd AIP included KPIs related to total O&M and total capital
526 expenditures, safety, outage frequency and duration, customer satisfaction, and the
527 customer operations index that were the same as the 2013 ComEd AIP. In 2014, ComEd
528 added the customer benefit metrics to the EIMA Reliability Metrics KPI as tracking for
529 those metrics started in 2014.

530 In its final Order ICC Docket No. 14-0312, the Commission stated “No party
531 appears to dispute that ComEd’s KPI metrics alone are consistent with the operational
532 metrics specified in [Section 16-108.5(c)(4)(a)] of EIMA. In addition, the record is clear
533 that these metrics incentivize ComEd employees to meet these goals which are beneficial

534 to ratepayers.” *See Commonwealth Edison Co.*, ICC Docket No. 14-0312 (final Order
535 Dec. 10, 2014) at 49.

536 Q. **Did the 2014 ComEd AIP include any new KPIs?**

537 A. No. The overall KPIs included in the 2014 ComEd AIP are consistent with the 2013
538 KPIs. As previously discussed, ComEd added the customer benefit metrics to the EIMA
539 Reliability Metrics KPI in 2014 as tracking for those metrics started in 2014.

540 Q. **Do customers benefit from performance levels achieved above target?**

541 A. Yes. For example, if above target levels of CAIDI and SAIFI are achieved, customers
542 benefit from shorter and fewer outages. Also, as another example, if ComEd’s cost
543 control goals (*e.g.*, operating expenses) are exceeded, customers benefit in the form of
544 lower rates, as these savings are passed directly through to customers via the formula rate
545 reconciliation mechanism.

546 Q. **Was ComEd’s AIP payout in 2014 impacted by net income or an affiliate’s earnings
547 per share?**

548 A. No. In ICC Docket No. 14-0312, the Commission directed ComEd to “develop an
549 incentive compensation plan that is consistent with EIMA and does not include a
550 Shareholder Protection Feature based on Exelon’s EPS or any other financial
551 performance metrics.” *See Commonwealth Edison Co.*, ICC Docket No. 14-0312 (final
552 Order Dec. 10, 2014) at 51. Following the directive in that order, ComEd removed the
553 SPF from its 2014 plan. ComEd’s 2014 performance relative to its KPIs resulted in a

554 payout of 126.1% of target, based solely on the eight operational and cost control metrics.
555 *See* ComEd Ex. 1.01.

556 Q. **What amount of ComEd AIP is included in the revenue requirements?**

557 A. The amount of AIP accrued and estimated to be paid to ComEd employees at December
558 31, 2014 was approximately \$74 million (\$61 million functionalized to delivery service).
559 This includes a jurisdictional amount of \$34.6 million related to O&M and \$26.3 million
560 of Capital.

561 **2. AIP Costs allocated from BSC**

562 Q. **Did ComEd incur any AIP costs allocated from BSC in 2014?**

563 A. Yes. ComEd incurred approximately \$12.2 million (\$10.7 million jurisdictional to
564 delivery service) of AIP allocations from BSC. *See* ComEd Ex. 2.02 WP 1 and WP 7.

565 Q. **Did the 2014 BSC AIP include an Exelon Earnings Per Share (“EPS”) KPI?**

566 A. Yes. BSC’s AIP plan included a Total Cost KPI (75%) and an EPS KPI (25%).

567 Q. **Did the 2014 BSC AIP include an SPF or other net income or EPS limiters or
568 KPI’s?**

569 A. No.

570 Q. **Did ComEd remove from its revenue requirements the portion of the BSC AIP EPS
571 KPI expense allocated to ComEd?**

572 A. Yes. To be consistent with the Commission’s decision in ICC Docket No. 11-0721,
573 ComEd has removed the \$2.8 million (\$2.4 million jurisdictional to delivery service)

574 BSC AIP EPS KPI. See ComEd Ex. 2.01, App 7, line 21, and ComEd Ex. 2.02 WP 7,
575 page 11. This results in a reduction of 22.73% of the BSC AIP costs allocated to ComEd.

576 **B. Executive and Key Manager LTPP**

577 Q. **What is the Executive and Key Manager LTPP?**

578 A. Starting in 2013, ComEd established the Key Manager LTPP to replace the Restricted
579 Stock Award Program for ComEd Key Managers. In 2014, the LTPP was extended to
580 Executives to replace approximately 50% of the incentive compensation that was
581 provided within the Long Term Performance Share Awards Program (“LTPSAP”). This
582 program is designed to align the interests of management and customers by incentivizing
583 ComEd employees who play key roles in ComEd’s business and whose retention is
584 critical to long-term success to focus on goals that support and enhance the customer
585 experience. The LTPP grants a cash award that vests over three years. A description of
586 the program is included in ComEd Ex 1.01.

587 Q. **Who is eligible for an award under this program?**

588 A. All ComEd Executives and Key Managers (as defined in the plan) with qualifying
589 performance ratings are eligible for an award under this program.

590 Q. **What are the goals associated with the LTPP?**

591 A. As noted in the plan document in ComEd Ex 1.01, the performance goals, definitions,
592 and metrics under this program mirror those under the AIP. Therefore, the LTPP goals
593 relate to capital and O&M expenses, frequency and duration of outages, safety, customer
594 satisfaction, and EIMA Reliability metrics. These goals incentivize executives and key

595 managers to continually manage costs while improving system performance and focusing
596 on enhancing the customer experience.

597 Q. **How are awards determined under this program?**

598 A. Awards under this program are determined by taking a simple average of performance on
599 ComEd goals, using the AIP performance scale (*i.e.* threshold, target, distinguished), to
600 determine whether there will be a payout. All goals have an equal weighting for this
601 purpose. Performance at or above target will cause awards to be payable; no awards are
602 payable if performance is below target.

603 Q. **Do the goals associated with the LTPP benefit customers?**

604 A. Yes, because these goals mirror the goals of the AIP, they benefit customers in a similar
605 fashion. Further, this plan incentivizes participants with the retention feature built into
606 the plan (via the three year vesting schedule) to stay with ComEd and to continually
607 perform at target levels or above, which is higher than what is required for an AIP award.

608 Q. **Is this plan similar to the LTPP approved by the ICC in previous rate decisions?**

609 A. Yes. The Commission approved the 2013 LTPP in ICC Docket No. 14-0312.
610 *Commonwealth Edison Co.*, ICC Docket No. 14-0312 (final Order Dec. 10, 2014) at 53.
611 The 2014 LTPP is the same as the 2013 LTPP, with the addition of Executives as
612 discussed above.

613 C. **Executive Long Term Performance Cash Awards Program**

614 Q. **What is the Executive LTPCAP?**

615 A. In 2014, ComEd established the LTPCAP to replace approximately 50% of the incentive
616 compensation previously provided within the LTPSAP (the other 50% of the incentive
617 compensation was replaced by adding Executives to the LTPP, discussed previously).
618 Similar to the LTPP, this program is designed to align the interests of management and
619 customers by incentivizing ComEd employees who play key roles in ComEd's business
620 and whose retention is critical to long-term success to focus on goals that support and
621 enhance the customer experience. The LTPCAP grants a cash award at the end of three
622 years. The entire award vests at the conclusion of the three year performance cycle. A
623 description of the program is included in ComEd Ex 1.01.

624 Q. **Who is eligible for an award under this program?**

625 A. Executives below the Senior Vice President level with qualifying performance ratings, as
626 defined in the plan, are eligible for an award under this program.

627 Q. **What are the goals associated with the LTPCAP?**

628 A. As noted in the plan document in ComEd Ex 1.01, and like the AIP and LTPP, the goals
629 relate to capital and O&M expenses, frequency and duration of outages, safety, customer
630 satisfaction, and EIMA Reliability metrics. These goals incentivize Executives to
631 continually manage costs while improving system performance and enhancing the
632 customer experience.

633 Q. **How are awards determined under this program?**

634 A. The performance goals, definitions, and metrics under this program mirror those under
635 the AIP. Awards under this program are determined by taking the average performance

636 on ComEd's goals in each year over a three year performance cycle. At the end of the
637 three-year performance cycle, a payout percentage is determined based on an average of
638 the annual performance results. The annual performance percentage used in this three
639 year average uses the weighted performance for each metric on the LTPCAP
640 performance scale. The performance scale is included in Appendix A of ComEd
641 Ex. 1.01.

642 Q. **Do the goals associated with the LTPCAP benefit customers?**

643 A. Yes, these goals mirror the goals of the AIP, thus benefiting customers in a similar
644 fashion. Further, this plan incentivizes participants with the retention feature built into
645 the plan (via the three year average performance calculation and vesting at the end of
646 three years) to stay with ComEd and to continually perform at target levels or above.

647 **D. Executive Long Term Performance Share Award Programs**

648 Q. **In 2014, did ComEd provide an incentive plan for its executives (vice president and
649 above) similar to the 2013 LTSPAP?**

650 A. No. In 2014, ComEd did not provide the LTSPAP. This plan was replaced in part by
651 adding executives to the LTPP and in part by offering a new LTPCAP. Both plans have
652 been discussed in detail above.

653 Q. **The Commission's final Order in ICC Docket No. 14-0312 disallowed recovery of
654 94.3% of the 2013 LTSPAP (*See Commonwealth Edison Co., ICC Docket 14-0312*
655 *(final Order Dec. 10, 2014)* at 58-59). Has ComEd implemented the same**

656 **calculation in 2014 to reflect the disallowance of costs related to the 2013 LTPSAP**
657 **program in the 2016 Rate Year Net Revenue Requirement?**

658 A. Yes. LTPSAP costs typically vest over three years. Thus, consistent with the
659 Commission's Order in Docket No. 14-0312, ComEd has excluded 95% of costs,
660 approximately \$3.1 million, related to the 2013 LTPSAP vesting in 2014. The 5% of
661 2013 LTPSAP costs, approximately \$0.2 million, that is included in the 2016 Rate Year
662 net revenue requirement represents the 2014 incentive compensation payout for the
663 achievement of CAIDI and SAIFI performance by ComEd. *See* Ex. 2.01, App 7, line 21
664 and ComEd Ex 2.02, WP 7, page 12.

665 Q. **The Commission's final Order in ICC Docket No. 13-0318 disallowed recovery of**
666 **the 2012 LTPSAP. Has ComEd reflected any costs related to the 2012 LTPSAP**
667 **program in the 2016 Rate Year Net Revenue Requirement?**

668 A. No. LTPSAP costs typically vest over three years; thus, to be compliant with the
669 Commission's Order in ICC Docket No. 13-0318, the 2014 costs related to the 2012
670 LTPSAP, approximately \$0.3 million, have been excluded from the revenue
671 requirements. ComEd Ex. 2.01, App 7, line 21 and ComEd Ex 2.02, WP 7, page 12.

672 **VI. OTHER ISSUES**

673 **A. Rate Case Expenses**

674 Q. **Section 9-229 of the PUA requires the Commission to "specifically assess the**
675 **justness and reasonableness of any amount expended by a public utility to**
676 **compensate attorneys or technical experts to prepare and litigate a general rate case**
677 **filing." 220 ILCS 5/9-229. Is ComEd seeking to recover amounts expended to**

678 **compensate attorneys or technical experts related to general rate case filings in this**
679 **proceeding?**

680 A. Yes. In this docket ComEd is seeking to recover rate case expenses totaling \$2.3 million,
681 comprised of the following:

682 a. ComEd's rate case expenses of \$8,310 incurred in 2014 for ICC Docket
683 No. 07-0566;

684 b. ComEd's rate case expenses of \$186 incurred in 2014, offset by the return of an
685 overpayment of \$652 recorded in 2014, for ICC Docket No. 10-0467;

686 c. Amortization of \$694,219 of allowed expenses incurred in 2012 for ICC Docket
687 No. 11-0721 and approved in ICC Docket No. 13-0318;

688 d. Amortization of \$65,995 of allowed expenses incurred in 2013 for ICC Docket
689 No. 11-0721 and approved in ICC Docket No. 14-0312;

690 e. Amortization of \$23,758 of expenses incurred in 2014 for ICC Docket
691 No. 11-0721;

692 f. ComEd's rate case expenses of \$9,757 incurred in 2014 for ICC Docket
693 No. 12-0321;

694 g. ComEd's rate case expenses of \$162,566 incurred in 2014 for ICC Docket
695 No. 13-0318; and

696 h. ComEd's rate case expenses of \$1,351,054 million incurred in 2014 for ICC
697 Docket No. 14-0312.

698 Q. **Are these expenses reasonable?**

699 A. Yes. As discussed in the attached Affidavit of Ms. Anastasia O'Brien, as well as below,
700 ComEd employs controls both in the Legal Department as well as in Revenue Policy to
701 obtain services that are reasonably and competitively priced as well as to process
702 payments subject to specific review and approval procedures.

703 Q. **Does the Revenue Policy Department track invoices related to these expenses?**

704 A. Yes. The Revenue Policy Department reviews and tracks each invoice related to rate
705 case expenses. This is one of the departments that reports directly to me.

706 Q. **What exactly does the Revenue Policy Department do to track these invoices?**

707 A. As we prepare for a rate case filing, a unique Project ID is created in ComEd's general
708 ledger system for each proceeding and time period for which we wish to track costs. The
709 Project ID is one of 10 codeblock elements available in our ledger system for purposes of
710 identifying charges. For example, ComEd has three current Project ID numbers for rate
711 case expenses related to ICC Docket No. 11-0721, so that we can track costs related to
712 that Docket that were incurred in 2012, 2013 and 2014. Each subsequent case has its
713 own respective Project IDs to segregate these costs for better control and review.

714 Q. **Does the Revenue Policy department review any invoices?**

715 A. Yes. After the Legal Department reviews and approves invoices from outside counsel,
716 the Legal Department electronically submits those invoices to the Revenue Policy
717 Department. Under my direction, the Revenue Policy Department reviews the invoices to
718 determine whether they are appropriately charged and to provide the appropriate
719 codeblock to the Legal Department for payment processing. Revenue Policy maintains

720 these invoice copies electronically in the department files. Further, support for other
721 charges paid directly through ComEd's accounts payable system and processed on
722 company supply or travel credit cards ("Pcards") is collected and reviewed, to determine
723 whether they are accurately charged. If they are not accurately charged, correcting
724 journal entries are processed in a timely manner.

725 Q. **Has ComEd reviewed and paid each invoice for the amounts listed on ComEd**
726 **Ex. 1.03?**

727 A. Yes.

728 Q. **What is the amount of rate case expenses related to ICC Docket No. 11-0721**
729 **included in the revenue requirements in this proceeding?**

730 A. ComEd included amortization of certain costs it incurred in 2012, 2013 and 2014 related
731 to ICC Docket No. 11-0721. The total amount of amortization, \$783,972, consists of 1/3
732 of the approximately \$2,083,000 (\$694,219) costs ComEd incurred in 2012 and allowed
733 for recovery by the Commission in the final Order in ICC Docket 13-0318, 1/3 of the
734 approximately \$198,000 (\$65,995) costs ComEd incurred in 2013, and 1/3 of the
735 approximately \$71,000 (\$23,758) costs ComEd incurred in 2014. This is the third year of
736 the amortization for the costs incurred in 2012, the second year of amortization for the
737 costs incurred in 2013 and the first year of amortization for the costs incurred in 2014.
738 *See ComEd Ex. 1.02, page 3.*

739 Q. **Did ComEd include any rate cases expenses associated with ICC Docket No. 12-0321**
740 **in its revenue requirements?**

741 A. Yes. ComEd included \$9,757 of total expenses incurred in 2014 associated with ICC
742 Docket No. 12-0321 in its revenue requirements. A detailed breakdown of this amount is
743 included in ComEd Ex. 1.02, page 4.

744 Q. **Did ComEd include any rate cases expenses associated with ICC Docket No. 13-0318**
745 **in its revenue requirements?**

746 A. Yes. ComEd included \$162,566 of total expenses incurred in 2014 associated with ICC
747 Docket No. 13-0318 in its revenue requirements. A detailed breakdown of this amount is
748 included in ComEd Ex. 1.02, page 5.

749 Q. **Did ComEd include any rate cases expenses associated with ICC Docket No. 14-0312**
750 **in its revenue requirements?**

751 A. Yes. ComEd included \$1,351,054 of total expenses incurred in 2014 associated with ICC
752 Docket No. 14-0312 in its revenue requirements. A detailed breakdown of this amount is
753 included in ComEd Ex. 1.02, page 6.

754 Q. **Did ComEd include any rate cases expenses associated with this proceeding in its**
755 **revenue requirements?**

756 A. No.

757 Q. **Did ComEd include any rate cases expenses associated with ICC Dockets Nos.**
758 **07-0566 and 10-0467?**

759 A. Yes. ComEd included approximately \$8,000 of total expenses incurred in 2014
760 associated with these proceedings in its revenue requirements. A detailed breakdown of
761 this amount is included in ComEd Ex. 1.02, pages 1 and 2.

762 Q. **Has ComEd discovered any billing entries that were not related to rate case**
763 **expenses incurred in 2014?**

764 A. Yes. ComEd Ex. 1.03 states that the supporting invoices include entries totaling
765 \$1,317.50 which are more correctly allocated to non-rate case matters. For certain of
766 these entries, totaling \$700, ComEd will not seek recovery of these expenses. ComEd
767 will make the necessary adjustment to its revenue requirement for this item in its rebuttal
768 filing. Of the remaining amount, \$302.50 has already been excluded from the revenue
769 requirement, and \$315 is a recoverable expense for another ICC Docket and is included
770 on ComEd Ex. 2.01, App 7, line 23.

771 **B. Other Issues**

772 Q. **Does this filing change the status of any issue on which there is an appeal of a prior**
773 **Commission Order pending?**

774 A. No. ComEd's filing presents revenue requirements calculated in conformity with EIMA
775 as it has been interpreted and applied by the Commission in prior ComEd FRUs and
776 related proceedings. However, there are pending appeals of certain aspects of these
777 decisions, including the definition of the formula rate and the calculation of the
778 reconciliation adjustment. ComEd does not intend to relitigate in this proceeding issues
779 now pending before the appellate court. Also, because appellate decisions may be made
780 during this proceeding, ComEd requests that any such decisions be noted in the record so
781 they may be implemented in accordance with the law.

782 Q. **ComEd has elected not to pursue certain issues in this filing on which the**
783 **Commission has previously ruled (e.g., the calculation of billing determinants).**
784 **What does this this decision represent?**

785 A. ComEd, in the interest of saving costs, reducing the burden on the Commission and all
786 parties, and streamlining this process, has decided not to litigate certain claims that have
787 been addressed by the Commission in prior ComEd FRU orders and/or appellate
788 decisions, specifically the calculation of ComEd's billing determinants. ComEd's
789 decision does not waive its rights to raise any argument in future proceedings or limit in
790 any way ComEd's right to respond should any other party raise a related claim or issue in
791 this proceeding. But, it does mean that ComEd will accept for this proceeding, and not
792 appeal, a Commission decision consistent with its prior ComEd FRU orders on this
793 subject.

794 **VII. CONCLUSION**

795 Q. **Does this complete your direct testimony?**

796 A. Yes.