

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	:	
On Its Own Motion	:	
	:	
-vs-	:	Docket No. 14-0313
	:	
Commonwealth Edison Company	:	
	:	
Reconciliation of revenues collected under PORCB	:	
Rider with actual and prudent associated costs.	:	

AGREED DRAFT PROPOSED ORDER

Dated: August 13, 2015

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The parties to this proceeding, pursuant to the Administrative Law Judge’s (“ALJ”) schedule, hereby submit this Agreed Draft Proposed Order for the Illinois Commerce Commission’s (“ICC” or “Commission”) consideration. Staff and Intervenors have received this Agreed Draft Proposed Order and been given an opportunity to review and comment and no party has objected to the positions as set forth herein.¹

By the Commission:

I. PROCEDURAL HISTORY

On April 16, 2014, the ICC issued an Order initiating a reconciliation proceeding (“Initiating Order”) to conduct a reconciliation of the amounts specified in Commonwealth Edison Company’s (“ComEd”) Rider PORCB – Purchase of Receivables with Consolidated Billing (“Rider PORCB”).

ComEd and Commission Staff (“Staff”) each filed appearances. The Retail Energy Supply Association (“RESA”) and the Illinois Competitive Energy Association (“ICEA”) each filed petitions to intervene, both of which the ALJ granted.

On May 29, 2014, ComEd filed the Direct Testimony of Martin G. Fruehe, Manager, Retail Rates Department at ComEd (ComEd Exhibits (“Ex.”) 1.0, 1.01, 1.02, 1.03, 1.04, 1.05, and 1.06) as well as the Direct Testimony of Ronald E. Donovan, Vice President, Customer Channels at ComEd (ComEd Ex. 2.0). Subsequently, Staff raised an issue with respect to the allocation of costs to transmission, and the Commission directed the inclusion of certain credit agency collection costs in Rider PORCB. ComEd filed the Supplemental Direct Testimony of Martin G. Fruehe on January 23, 2015 to address these issues (ComEd Exs. 3.0 and 3.01). ComEd also filed the Rebuttal Testimony of Martin G. Fruehe (ComEd Ex. 4.0, 4.01, and 4.02) as well as the Rebuttal

¹ A glossary of terms used in this Proposed Order is attached hereto as Appendix A.

Testimony of Toni M. Garza, Manager, Regulatory Compliance and Performance Standards at ComEd (ComEd Ex. 5.0), on April 30, 2015. Subsequently, ComEd filed Revised Rebuttal Testimony of Martin G. Fruehe (ComEd Ex. 4.0 REV. and Ex. 4.02 REV.). Lastly, ComEd filed the Affidavits of Martin G. Fruehe (ComEd Ex. 6.0) and Toni M. Garza (ComEd Ex. 7.0) on June 3, 2015, and the Affidavit of Ronald E. Donovan on June 8, 2015 (ComEd Ex. 8.0).

Staff filed the Direct Testimony of Theresa Ebrey (Staff Ex. 1.0 and accompanying Attachments A through E and Schedule (“Sched.”) 1.01) on February 26, 2015 and the Rebuttal Testimony of Theresa Ebrey (Staff Ex. 2.0 and accompanying Attachment A and Sched. 2.01) on May 28, 2015. On June 3, 2015, Staff filed the Affidavit of Theresa Ebrey (Staff Ex. 2.1).²

On June 4, 2015, the ALJ held a hearing admitting the aforementioned testimony into the record.

On August 13, 2015, ComEd filed an Agreed Draft Order which incorporated comments from Staff and the parties.

II. BACKGROUND AND DISCUSSION OF ISSUES

A. STATUTORY AND FACTUAL BACKGROUND

1. Background of the PORCB Program

ComEd witness Mr. Fruehe explained the statutory and factual background that led to the development, approval and implementation of ComEd’s purchase of receivables with consolidated billing program (“PORCB program”) and the accompanying cost-recovery tracking riders known as Rider PORCB and Rider RCA – Retail Customer Assessments (“Rider RCA”) (collectively the “Tracking Riders”) that became effective December 21, 2010, in time for the January 2011 monthly billing period. ComEd Ex. 1.0 at 6-8, 11.

Mr. Fruehe testified that to support customer choice and the development and operation of competitive electric supply markets, the Illinois legislature amended the Public Utilities Act (“Act”) in 2007 to, among other things, provide Retail Electric Suppliers (“RESs”) with the option of selling their power and energy supply receivables for customers located in ComEd’s service territory to ComEd at a discount. See *generally* 220 ILCS 5/16-118. The Act also provides that ComEd shall recover all of the costs it incurs to provide this service from the RESs through the discount. Section 16-118(c) requires that ComEd must provide this through a tariffed service. ComEd Ex. 1.0 at 6. In Docket No. 10-0138 the Commission approved ComEd’s PORCB Program and the Tracking Riders. See *generally Commonwealth Edison Co.*, ICC Docket No. 10-0138, Final Order (Dec. 15, 2010). Mr. Fruehe explained that the PORCB Program has a two-part structure that ensures that charges applicable to participating RESs are not

² Staff Sched. 2.01 is attached hereto and made a part hereof as Appendix B.

so high as to discourage participation while also ensuring that ComEd receives full and timely cost recovery. ComEd Ex. 1.0 at 7.

First, Mr. Fruehe explained that Rider PORCB facilitates ComEd's purchase of receivables from RESs. The receivables at issue are for the electric power and energy supply service provided by the RESs to retail customers whose receivables are eligible for purchase under the program. Rider PORCB sets forth the discount rate and terms and conditions of such purchases. The discount rate incorporates: (1) a percentage reduction for the recovery of uncollectible costs associated with the purchased receivables that is based on ComEd's historic bad debt rate; and (2) a fixed per bill charge known as the Cost Recovery Amount ("CRA") for the recovery of start-up and administrative costs associated with ComEd's purchase of receivables. ComEd Ex. 1.0 at 16. He explained that to ensure charges applied to participating RESs were not prohibitively high, Rider PORCB initially sought to recover only a portion of the costs from the RESs through application of the discount rate – namely those costs associated with the purchase of receivables. ComEd Ex. 1.0 at 7-8.

Second, Mr. Fruehe testified that Rider RCA initially sought to recover a different portion of the costs of the PORCB program from retail customers with demands under 400 kilowatts ("kW") – *i.e.*, those costs associated with producing consolidated bills. Rider RCA accomplished this through a Consolidated Billing Adjustment ("CB Adjustment") added to the monthly delivery service Customer Charge in accordance with Rider RCA. Additionally, Mr. Fruehe explained that if the amounts recovered from the RESs fell short of the costs associated with the purchase of receivables, a second mechanism of Rider RCA, a Purchase of Receivables Adjustment ("POR Adjustment"), would cover the shortfall until switching levels were high enough to facilitate recovery of these costs. As RES participation increases, however, amounts received from RESs will begin to be used to credit retail customers for the costs they initially bore. ComEd Ex. 1.0 at 8. This Order discusses the operation of each of the Tracking Riders further in Sections II. B. 2 and II. B. 3.

2. Overview of the Reconciliation Process

ComEd provided an overview of the Rider PORCB reconciliation process, including the categories of costs that are recovered through the Tracking Riders and sources of revenues to recover those costs. ComEd averred that the purpose of the reconciliation process is to reconcile the costs to be recovered and revenues received under the PORCB program. ComEd Ex. 1.0 at 9-12.

Mr. Fruehe testified that ComEd incurred developmental, implementation, administrative, uncollectible, and operational costs associated with the implementation of purchase of receivables and consolidated billing service. First, there are costs associated with purchasing RESs' receivables. Mr. Fruehe averred that these can be thought of as purchase of receivables, or POR, costs. Second, there are costs associated with modifying ComEd's billing systems to enable it to reflect the charges associated with the purchased receivables on applicable retail customers' bills. Mr.

Fruehe averred that these can be thought of as consolidated billing, or CB, costs. ComEd Ex. 1.0 at 9-10.

Mr. Fruehe testified that following each POR Application Period, ComEd submits a Reconciliation and Audit Report that examines the costs incurred and revenues received pursuant to the Tracking Riders in the relevant POR Application Period. The initial POR Application Period is three years consisting of the January, 2011 through December, 2013 monthly billing periods. The second POR Application Period is also three years. Rider PORCB sets forth the required contents of the report in detail. ILL. C. C. No. 10, 1st Revised Sheet No. 401. ComEd submitted this report to the Commission in an informational filing on February 28, 2014 and attached it to Mr. Fruehe's direct testimony as ComEd Ex. 1.01. ComEd Ex. 1.0 at 11.

He further explained that the report (ComEd Ex. 1.01) breaks down the costs ComEd has incurred as follows: (1) implementation costs (these are also known as start-up costs), including deferred operating and maintenance ("O&M") costs; and (2) POR Application Period costs (these are also known as administrative costs). The report further delineates between POR costs and CB costs in each of those categories, and drills down further to show how those costs break down among Developmental and Implementation Costs ("DICs"), Administrative and Operational Costs ("AOCs") (including net actual uncollectible costs) and Billing System Modification and Implementation Costs ("BSMICs"). As of the end of the first POR Application Period, ComEd had not incurred any costs categorized as Billing System Administrative and Operational Costs ("BSAOCs"). The report also shows the depreciation and carrying charges related to those costs. In addition, the report sets forth the revenues ComEd has received, again segregating between POR and CB amounts. Scheds. 1 through 10 accompanying the report provide supporting information for the data contained in the report itself. ComEd Ex. 1.0 at 12. See also ILL. C. C. No. 10, 1st Revised Sheet No. 393, 1st Revised Sheet No. 394; ComEd Ex. 1.0 at 10.

Within 90 days after ComEd submits the report, the Commission has the option of initiating a proceeding to reconcile these costs and revenues and potentially order adjustments to the calculation or application of the Tracking Riders. The Commission initiated this reconciliation proceeding on April 16, 2014. See Initiating Order (April 16, 2014).

B. RECONCILIATION OF THE FIRST POR APPLICATION PERIOD

1. Summary of First POR Application Period Reconciliation

Mr. Donovan testified to the prudence and reasonableness of the costs ComEd incurred to implement the PORCB program pursuant to the Tracking Riders, certain costs incurred to administer the PORCB program, the uncollectible costs incurred under the PORCB program, and collection agency costs. See *generally* ComEd Ex. 2.0 at 4-47. Specifically, Mr. Donovan explained that the PORCB program was designed to implement the purchase of receivables and consolidated billing services required by Section 16-118 of the Act. He testified that as such, ComEd undertook a series of

individual projects to address an increase in switching and data exchange volumes, as well as the new billing and receivables financial transactions and Electronic Data Interchange (“EDI”) Standards required to effectively implement the PORCB program. He further testified that ComEd completed detailed designs, secured funding, and completed coding of the major project components: (1) redesigning ComEd’s bill, (2) upgrading ComEd’s EDI infrastructure to enable Choice Electronic Data Interchange (“CEDI”), (3) building a new Customer Data Warehouse (“CDW”), and (4) implementing changes to ComEd’s customer billing system, which is part of the Customer Information Management System (“CIMS”). ComEd Ex. 2.0 at 4-5. No party disputed this evidence of prudence and reasonableness.

Mr. Fruehe testified that the total implementation cost of the PORCB program is \$18,513,342, which includes DICs, BSMICs, and deferred O&M expense related to DICs and BSMICs. Mr. Fruehe further testified that ComEd incurred the majority of the implementation costs prior to December 31, 2010, with the remainder of the implementation costs incurred by June 30, 2011. ComEd Ex. 1.0 at 12-13; ComEd Ex. 3.01, lines 1-8 and Sched. 1, lines 7-18.

Mr. Fruehe averred that the deferred O&M costs included in the total implementation costs are simply those implementation costs incurred by ComEd after enactment of Section 16-118(c) but prior to adoption of Rider PORCB. For example, Mr. Fruehe testified that these costs include Exelon Business Services Company Information Technology department costs as well as consulting and attorneys’ fees to design Rider PORCB and seek its approval in Docket No. 10-0138. Because these deferred O&M costs were capitalized, they are included among the capitalized implementation costs. Deferred O&M costs are shown on lines 5 through 7 of the Reconciliation and Audit Report and the unamortized jurisdictional total is \$2,009,951. Other implementation costs are shown on lines 1 through 4 of the Reconciliation and Audit Report and the unamortized jurisdictional total is \$16,503,391. ComEd Ex. 1.0 at 13; ComEd Ex. 3.0 at 4; ComEd Ex. 3.01, lines 1-7.

Mr. Fruehe testified that there are three main categories of other costs in the first POR Application Period: (1) depreciation and carrying charges; (2) net actual uncollectible costs (“NAUC”); and (3) on-going O&M expenses. Mr. Fruehe explained that these costs for the first POR Application Period are shown on lines 9 through 20 of the Reconciliation and Audit Report and the cumulative total is \$24,086,604. ComEd Ex. 1.0 at 14; ComEd Ex. 4.01, lines 9-21. The bulk of this cost is made up of the accrued depreciation and carrying charges of \$7,961,244 associated with the implementation costs and the NAUC expense of \$11,473,268. ComEd Ex. 4.01, lines 9-12 and 17-20. Ongoing O&M expenses account for a smaller portion of these costs: \$4,652,092. ComEd Ex. 4.01, lines 13-16.

Regarding the first category of costs, ComEd testified that pursuant to the Commission’s order in Docket No. 10-0138 and the terms of Rider PORCB, the implementation costs are being amortized over a 10-year period. See ILL. C. C. No. 10, 1st Revised Sheet No. 394. These costs are thus reflected as depreciation and carrying charges (cost of capital), and the portion of such charges that is accrued during the

applicable POR Application Period is included in that period's costs. The total amount subject to amortization is \$18,513,342, comprised of \$16,503,391 of net plant in service and \$2,009,951 of Deferred O&M. See ComEd Ex. 3.01 and Scheds. 1 through 3. This underlying amount represents the implementation costs of the PORCB program.

Regarding the second category of costs, Mr. Fruehe testified that Rider PORCB defines NAUC as the amount actually written off by ComEd for receivables purchased from RESs during the prior POR Application Period, less the total amount such receivables were reduced for uncollectible costs during that POR Application Period. See ILL. C. C. No. 10, 1st Revised Sheet No. 395 and 3rd Revised Sheet No. 400. In simple terms, he explained that this reconciles the amount of uncollectibles ComEd recovered through the first portion of the discount rate – the percentage reduction for the recovery of uncollectible costs that is based on ComEd's historic bad debt rate – with the actual uncollectible costs that ComEd experienced in the POR Application Period. ComEd's NAUC for the first POR Application Period was \$11,473,268. This amount is comprised of the uncollectible reduction (in this case, an increase that is explained below) applied to the receivables purchased, \$852,395, and the actual uncollectible cost associated with the purchased receivables, \$10,620,873. ComEd Ex. 1.0 at 14-15; ComEd Ex. 1.01, lines 16-19 and Scheds. 5 and 6.

Mr. Fruehe testified that ComEd's revenues under the PORCB program for the first POR Application Period are \$20,989,212, comprised of \$18,999,459 collected from RESs through the CRA and \$1,989,754 collected from retail customers with demands under 400 kW through the CB Adjustment. ComEd Ex. 1.01, lines 21-23. ComEd's total net under recovery for the first POR Application Period is \$1,472,927. ComEd Ex. 4.01, line 27.

2. Rider PORCB Operation during First POR Application Period

Mr. Fruehe testified that, consistent with the requirements of Section 16-118(c), Rider PORCB establishes a two-part discount rate cost recovery mechanism applicable to the receivables it purchases from RESs. As mentioned above, the discount rate incorporates: (1) a percentage reduction for the recovery of uncollectible costs associated with the purchased receivables that is based on ComEd's historic bad debt rate; and (2) the CRA, a fixed per bill charge for the recovery of start-up and administrative costs associated with ComEd's purchase of receivables. ComEd Ex. 1.0 at 16.

Mr. Fruehe averred that initially, the first portion of the discount rate utilized ComEd's Rider UF – Uncollectible Factors ("Rider UF"). He explained that the purchase price of the RESs' receivables was reduced by the applicable cost factors set forth in Rider UF. ComEd explained, however, this did not always result in a reduction to the purchase price of RESs' receivables, and thus the Commission approved modifications to this portion of the discount rate to ensure that the uncollectible factor for Rider PORCB will never be less than 1.0. ComEd Ex. 1.0 at 17.

Specifically, Mr. Fruehe explained that pursuant to Staff's request in Docket No. 10-0467 (see *Commonwealth Edison Co.*, ICC Docket No. 10-0467, Final Order (May 24, 2011) at 301), the Commission revised the cost factors set forth in Rider UF to incorporate the use of net write offs instead of FERC Account 904. This change resulted in a decrease in the amount by which the purchase price of receivables was reduced, reflecting a steady decline from 1.85% in the first half of 2011 to 0.66% in the first half of 2013. Moreover, in the second half of 2013, the change in Rider UF methodology actually resulted in a *percentage increase* to the price ComEd was required to pay RESs to purchase their receivables. That is, generally, for a period of time RESs received a *net credit* instead of a discount on the receivables purchased by ComEd. Sched. 6 to the Reconciliation and Audit Report sets forth the impact of this changed methodology in detail. Mr. Fruehe testified that ComEd worked with various stakeholders to resolve this problem. Effective July 26, 2013, ComEd Revised Sheet Nos. 398 through 400 of Rider PORCB. See ILL. C. C. No. 10, 4th Revised Sheet No. 398, 2nd Revised Sheet No. 399, and 3rd Revised Sheet No. 400. ComEd averred that among other things, these revisions will ensure that going forward, the uncollectible factor for Rider PORCB will never be less than 1.0. ComEd Ex. 1.0 at 18, 19.

Mr. Fruehe testified that the increase in uncollectible costs is reflected in AOCs, and Rider PORCB directs that ComEd first apply any revenues received through the discount rate to recovering DICs and AOCs. Specifically, Rider PORCB establishes the following priority for recovery of PORCB costs from revenues received through both parts of the discount rate: (1) DICs and AOCs; (2) crediting retail customers under 400 kW for any DICs and AOCs that they have funded pursuant to POR adjustments, discussed below; (3) BSMICs and BSAOCs; and finally (4) crediting retail customers for any BSMICs and BSAOCs that they have funded pursuant to CB adjustments, also explained below. See ILL. C. C. No. 10, 2nd Revised Sheet No. 399 and 3rd Revised Sheet No. 400. Mr. Fruehe explained that, as a result of this priority, the required recovery of the increased AOC costs delayed ComEd's cost recovery of its BSMICs, although the high level of switching mitigated this delay to some extent. ComEd Ex. 1.0 at 18-19.

Mr. Fruehe testified that under Rider PORCB, ComEd recovers the other costs associated with purchasing RESs' receivables under Rider PORCB (*i.e.*, DICs and AOCs) from RESs through the CRA. Because of the high number of customers enrolled under PORCB service by RESs, the revenues received pursuant to this CRA have already recovered the DIC and AOC carrying costs accrued in the first POR Application Period. See ComEd Ex. 1.01. Indeed, ComEd has over recovered its DICs and AOCs in the first POR Application Period by \$1,767,109 and has applied that amount towards its unrecovered BSMICs. See ComEd Ex. 4.01, page 2, line 26.

3. Rider RCA Operation during First POR Application Period

Mr. Fruehe testified that under Rider RCA, ComEd initially recovered the costs incurred to enable ComEd to bill the charges associated with the receivables purchased (*i.e.*, BSMICs and BSAOCs) through the CB Adjustment. The CB Adjustment was applied to the fixed, monthly delivery service Customer Charge in accordance with

Rider RCA to all customers with demands under 400 kW. Mr. Fruehe averred that the CB Adjustment was part of the Tracking Riders' mechanism designed to address the possibility that RESs would not enroll sufficient amounts of customers in PORCB to provide timely cost recovery from the RESs. ComEd Ex. 1.0 at 19-20.

Mr. Fruehe explained that as RES enrollments increased during the initial POR Application Period, however, it became clear that the CRA would not only cover ComEd's DICs and AOCs accruing in the first POR Application Period, but would also begin recovering ComEd's BSMICs as well. Mr. Fruehe testified that it was no longer necessary to assign any costs to retail customers with demands under 400 kW and ComEd reduced the CB Adjustment accordingly. Thus, Mr. Fruehe explained that from April 2011 to April 2012 the CB Adjustment was \$0.04 per bill. In April 2012, ComEd modified the CB Adjustment to zero. See ComEd Ex. 1.03, Consolidated Billing Adjustment Informational Filing dated April 19, 2012. ComEd Ex. 1.0 at 20.

Mr. Fruehe testified that ComEd under recovered \$1,472,927 in BSMICs in the first POR Application Period. He explained that ComEd accrued \$6,854,254 in BSMICs in the first POR Application Period. He further explained that this is offset by the \$1,989,754 in revenue ComEd received from the CB Adjustment that was in effect from April 2011 through April 2012 as well as \$1,624,465 for amounts recovered in other jurisdictions (see Section C.2.). He testified that further subtracting the \$1,767,109 in over recovery of DICs and AOCs in the first POR Application Period (excess from the CRA) results in the \$1,472,927 in net under recovered BSMICs for the first POR Application Period. ComEd Ex. 1.0 at 20-21; ComEd Ex. 4.01, page 2, lines 17-26.

Mr. Fruehe testified that even though ComEd was permitted to file for another CB Adjustment effective after March 31, 2014, ComEd did not believe it was necessary to do so at that time. In short, he explained that ComEd expected that the revenue it likely will recover through the CRA will be sufficient to recover its second POR Application Period costs (both POR and CB costs) along with the remaining \$1,472,927 of under-recovered BSMICs from the first POR Application Period. Thus there was no need to revise the CB Adjustment from its then present level of \$0.00. See ComEd Ex. 1.05, Consolidated Billing Adjustment and Purchase of Receivables Adjustment Informational Filing dated March 19, 2014. ComEd Ex. 1.0 at 21.

Mr. Fruehe testified that once PORCB usage results in revenues from the application of the CRA that exceed Application Period costs as well as recover the under-recovered BSMICs from the first POR Application Period, any over recoveries stemming from the application of the CRA will be used to begin repaying retail customers under 400 kW for the charges they have incurred pursuant to the previous CB Adjustments. Thus, he explained that while the CB Adjustment was initially a charge, it will eventually be applied as a credit. Mr. Fruehe testified that ComEd may be in a position to begin crediting amounts pursuant to a CB Adjustment on applicable customers' bills prior to the conclusion of the next POR Application Period, depending upon switching levels. ComEd Ex. 1.0 at 21-22.

In addition, Mr. Fruehe explained that in the event ComEd did not fully recover its AOCs and DICs during the initial POR Application Period through the application of the CRA, the balance of the costs could be reflected in the POR Adjustment set forth in Rider RCA during the second POR Application Period. However, ComEd testified that it has fully recovered these costs and thus no POR Adjustment is necessary. See ComEd Ex. 1.05; ComEd Ex. 1.0 at 22.

C. SPECIFIC ISSUES RESOLVED BY THE PARTIES

1. Collection Agency Costs

Mr. Fruehe explained that collection agency costs are the costs ComEd pays to collection agencies after the agency has successfully collected previously unpaid balances on customer accounts. ComEd Ex. 1.0 at 23. In Docket No. 14-0312, the Commission determined that collection agency costs associated with customers served under Rider PORCB should be recovered through Rider PORCB. Specifically, the Commission's final Order states:

It is clear that the administrative costs associated with PORCB are to be recovered from RESs through Rider PORCB. The collection agency costs at issue here are administrative costs related to supply service and should be recovered through Rider PORCB or Rider PE. If a RES did not take service under PORCB, these are costs that a RES would incur itself. Staff's proposal is consistent with this reasoning and is adopted.

ICC Docket No. 14-0312, Final Order (Dec. 10, 2014) at 62; ComEd Ex. 3.0 at 7-8.

Mr. Fruehe testified that the amount of 2013 collection agency costs to be recovered through Rider PORCB is \$505,221. He further testified that this amount was calculated in ICC Docket No. 14-0312 (ComEd Ex. 3.02, WP 7, page 5) and is based on the ratio of receivables purchased through Rider PORCB to the total of such receivables plus ComEd's supply revenues and delivery service revenues. See *also* ComEd Ex. 3.01, Sched. 12. The 2013 collection agency costs are included on line 16 of both the first and second pages of ComEd Ex. 3.01. ComEd Ex. 3.0 at 8; ComEd Ex. 3.01, pages 1 and 2, line 16. See *also* Staff Ex. 2.0, Sched. 2.01, page 2.

ComEd noted that the Commission's decision in ICC Docket No. 14-0312 only discussed such costs incurred during 2013, thus ComEd did not include 2011 and 2012 amounts in this reconciliation proceeding. Mr. Fruehe averred, however, that in accordance with the Commission's Order in ICC Docket No. 14-0312, ComEd has revised Rider PORCB to include collection agency costs as Administrative and Operational Costs ("AOCs") and will include them in future Rider PORCB reconciliation proceedings. ComEd Ex. 3.0 at 8-9. Staff did not oppose this approach. See Staff Sched. 2.01, page 2.

2. Allocation of PORCB Costs to Transmission

Mr. Fruehe testified that because ComEd's transmission formula rate mechanism automatically uses a Wages and Salaries allocator to allocate approximately 10% of General and Intangible ("G&I") costs to transmission, ComEd initially included only \$16,631,955 of the total PORCB implementation amount of \$18,513,342 as jurisdictional to ComEd's delivery service revenue requirement (as opposed to ComEd's transmission revenue requirement), ultimately to be removed from ComEd's delivery service revenue requirement and recovered through Rider PORCB. ComEd Ex. 1.0 at 12-13; see ComEd Ex. 1.01, page 2, lines 1-8 and Sched. 1, lines 7-18. This allocated costs to transmission, however, which ultimately had the effect of reducing the amount to be recovered through Rider PORCB. ComEd Ex. 3.0 at 1.

ComEd and Staff agreed that rather than applying a Wages and Salaries allocator to the G&I costs at issue, consisting entirely of capitalized BSMICs and DICs, ComEd would base the PORCB costs on the total amount of BSMICs and DICs. In order to account for the costs previously recovered through the transmission formula rate in 2011 through 2013, ComEd and Staff have also agreed to include revenue credits equivalent to those amounts as a reduction to the total costs to be recovered through Rider PORCB. Mr. Fruehe testified that this is similar to reducing ComEd's delivery service revenue requirement to account for costs recovered outside of base delivery service rates. Mr. Fruehe explained that calculation of ComEd's PORCB costs, related revenues, and net under-recovery for the first reconciliation period has been correctly adjusted pursuant to the agreement with Staff to include 100% of the PORCB costs in the reconciliation calculation, but also to exclude any PORCB costs previously recovered from other jurisdictions. ComEd Ex. 3.0 at 2, 4-5.

Mr. Fruehe further testified that as agreed with Staff, ComEd will base its future annual PORCB cost calculations on the actual PORCB net plant balance (*i.e.* 100% allocated to PORCB). Beginning with its 2015 transmission formula rate filing (which reconciles to 2014 actual costs), ComEd will reduce the reconciliation year balance by any PORCB costs included in the transmission revenue requirement due to the application of the Wages and Salaries allocator. This will effectively remove any PORCB related costs from transmission. ComEd Ex. 3.0 at 6-7.

3. "Review, Payment, and Verification" Costs

Ms. Ebrey testified that ComEd should remove \$46,956 of costs categorized as "Review, Payment, and Verification." Staff Ex. 1.0 at 2. Ms. Ebrey averred that these costs were either duplicative or not sufficiently related to the PORCB program to warrant recovery in this docket. Staff Ex. 1.0 at 2-4. Mr. Fruehe agreed that a portion of this category of costs – certain costs associated with a ComEd contractor – were duplicative and should be removed. Mr. Fruehe further testified that these costs (\$860) have been removed from the amounts shown on ComEd Ex. 4.01, Sched. 4 Revised, line 1. Mr. Fruehe averred that the remaining costs in this category consist of certain legal costs associated with ICC Docket Nos. 09-0592 and 11-0435 (\$45,712 and \$384, respectively). Although ComEd did not agree with Ms. Ebrey's assessment that these

legal costs should have been recovered through other mechanisms, ComEd agreed to remove them from the reconciliation period costs in order to limit the issues in this proceeding. ComEd Ex. 4.0 REV. at 3; ComEd Ex. 4.01, Sched. 4 Revised, line 1.

4. Electronic Data Interface and Information Technology Support

Ms. Garza testified that EDI is the electronic exchange of data from one computer system to another by standardized message formatting. She explained that in order to implement the Electric Service Customer Choice and Rate Relief Law of 1997 and the launch of retail competition in October of 1999, the Illinois Communications Protocol Working Group (“CPWG”) developed specific EDI standards. Staff, ComEd and other Illinois utilities, and RESs adopted these EDI standards as the communication method to exchange data. Ms. Garza further testified that ComEd’s costs associated with EDI are segmented into seven distinct transaction codes. Four of those transaction codes existed prior to the PORCB Program, and three of those transaction codes were created solely as a result of providing PORCB service. ComEd Ex. 5.0 at 3; see also ComEd Ex. 4.0 REV. at 8-9.

Rider PORCB allows for recovery of certain EDI costs as Administrative and Operational Costs to be recovered through the rider:

Administrative and Operational Costs (AOCs) mean **incremental expenses** incurred by or for the Company beginning December 21, 2010, associated with the purchase of RESs’ receivables for the electric power and energy supply service provided by RESs to residential retail customers and other retail customers that establish demands for electricity that are less than 400 kW. Such incremental expenses include ... (a) **ongoing electronic data interchange (EDI) costs**

Rider PORCB, ILL. C. C. No. 10, 2nd Revised Sheet No. 393 (emphasis added). Mr. Fruehe and Ms. Ebrey interpreted the term “incremental” differently as applied to EDI transactions and Information Technology (“IT”) labor costs related to those transactions. ComEd Ex. 4.0 REV. at 5-6. Ms. Ebrey testified, however, that the EDI costs at issue are “neither unreasonable nor imprudent,” and are recoverable by ComEd in this proceeding. Staff Ex. 2.0 at 3.

Mr. Fruehe and Ms. Ebrey testified that the Commission should allow the full amount of EDI costs that ComEd has included in Rider PORCB (\$4.1 million) to be recovered through the rider in this first reconciliation period only. Moving forward (*i.e.*, beginning with 2014) ComEd will only include the EDI costs associated with the three new PORCB EDI transactions developed as a result of the PORCB Program (810 Inbound, 820 Outbound, and 824 Financial Description) in Rider PORCB. ComEd Ex. 4.0 REV. at 12; Staff Ex. 2.0 at 3-4.

5. Resolution of the POR Application Period Net Under Recovery

Ms. Ebrey testified that the net under-recovery of costs from this initial POR Application Period should be recovered through the future applications of the CRA in accordance with Rider PORCB, 2nd Revised Sheet No. 399, fifth paragraph. She further testified that the Commission should order ComEd to file a new CRA that would provide for the collection of the total net under-recovery of \$1,472,926 resulting from this initial reconciliation proceeding. Staff Ex. 2.0 at 4. ComEd does not dispute this position.

6. Original Cost of PORCB Plant

As the Commission directed in Docket No. 14-0312, an original cost determination shall be made in this case concerning the PORCB plant in service. Mr. Fruehe testified that the original cost of PORCB plant in service at December 31, 2013 is \$16,503,391. ComEd Ex. 4.0 REV. at 13. Ms. Ebrey testified that she agreed with this figure. Staff Ex. 2.0 at 5.

D. COMMISSION CONCLUSION

The conclusion proposed by the parties is reasonable and is supported by the record. The Commission concludes that the total implementation costs to be recovered through Rider PORCB are \$18,513,342. Staff Sched. 2.01, page 2, line 8. The Commission further concludes that for the period January 2011 through December 2013, the reconciliation reflects a total net under recovery of \$1,472,926. Staff Sched. 2.01, page 1, line 9; ComEd Ex. 4.01, line 27. The Commission orders ComEd to revise the CRA in such a manner to recover the under recovery of \$1,472,926. The Commission also determines that the original cost of ComEd's PORCB plant in service at December 31, 2013 is \$16,503,391.

IV. FINDINGS AND ORDERINGS PARAGRAPHS

The Commission, having given due consideration to the entire record and being fully advised in the premises, 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 Commonwealth Edison Company and the subject matter of this proceeding;
- (3) the recitals of fact and conclusion of law reached in the prefatory portion of this Order are supported by the evidence of record, and are hereby adopted as findings of fact and conclusions of law;
- (4) the total implementation costs to be recovered through Rider PORCB are \$18,513,342;

- (5) for the period January 2011 through December 2013, the reconciliation reflects a total net under recovery of \$1,472,926;
- (6) ComEd shall revise the CRA in such a manner to include recovery of the under recovery of \$1,472,926; and
- (7) the original cost of ComEd's PORCB plant in service at December 31, 2013 is \$16,503,391.

IT IS THEREFORE ORDERED that ComEd shall revise the CRA in the determination of the Discounted Receivables calculation in such a manner to include recovery of the under recovery of \$1,472,926.

IT IS FURTHER ORDERED that all motions, petitions, objections, and other matters in this proceeding which remain unresolved are to be disposed of in a manner consistent with the conclusions herein.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Illinois Administrative 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