

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Commonwealth Edison Company :
: :
: **Docket No. 15-0287**
Annual formula rate update and revenue :
requirement reconciliation under Section :
16-108.5 of the Public Utilities Act. :

**INITIAL BRIEF OF THE STAFF
OF THE ILLINOIS COMMERCE COMMISSION**

JOHN C. FEELEY
JOHN L. SAGONE
KELLY A. TURNER
Office of General Counsel
Illinois Commerce Commission
160 North LaSalle Street, Suite C-800
Chicago, IL 60601
Phone: (312) 793-2877
Fax: (312) 793-1556

jfeeley@icc.illinois.gov
jsagone@icc.illinois.gov
kturner@icc.illinois.gov

September 9, 2015

*Counsel for the Staff of the
Illinois Commerce Commission*

Table of Contents

I.	INTRODUCTION / STATEMENT OF THE CASE	1
II.	OVERALL REVENUE REQUIREMENT	4
A.	2016 Initial Rate Year Revenue Requirement	4
B.	2014 Reconciliation Adjustment	4
C.	ROE Collar and ROE Penalty Calculation.....	5
D.	2016 Rate Year Net Revenue Requirement.....	5
III.	SCOPE OF THIS PROCEEDING.....	5
A.	Changes to the Structure or Protocols of the Performance-Based Formula Rate 5	
B.	The Definition of Rate Year and the Reconciliation Cycle	5
C.	Original Cost Finding.....	5
D.	Issues Pending on Appeal	6
IV.	RATE BASE	6
A.	Overview	6
1.	2014 Reconciliation Rate Base	6
2.	2016 Initial Rate Year Rate Base.....	6
B.	Potentially Uncontested Issues	6
1.	Plant in Service	6
a.	Distribution Plant.....	6
b.	General and Intangible Plant	6
2.	Regulatory Assets and Liabilities	6
3.	Deferred Debits.....	6
4.	Other Deferred Charges	6
5.	Accumulated Provisions for Depreciation and Amortization.....	6
6.	Accumulated Miscellaneous Operating Provisions	6
7.	Asset Retirement Obligation	6
8.	Customer Advances.....	7
9.	Customer Deposits	7
10.	Cash Working Capital	7
11.	Construction Work in Progress	7
C.	Potentially Contested Issues	7

1.	Accumulated Deferred Income Taxes.....	7
a.	ADIT Related to Plant Additions.....	7
b.	ADIT Related to Bad Debt	7
2.	Materials and Supplies.....	8
V.	OPERATING EXPENSES.....	8
A.	Overview	8
B.	Potentially Uncontested Issues	8
1.	Distribution O&M Expenses	8
2.	Customer-Related O&M Expenses.....	8
3.	Uncollectibles Expense.....	8
4.	Administrative and General Expenses (issues not identified in V. C.).....	8
5.	Charitable Contributions	8
6.	Charges for Services provided by BSC.....	8
7.	Regulatory Commission Expense (Rock Island Clean Line).....	8
8.	Depreciation and Amortization Expense	9
9.	Taxes	9
10.	Lobbying Expense	9
11.	Rate Case Expenses	9
12.	Corporate Credit Cards (Employee Recognition).....	10
13.	Long Term Incentive Compensation Program Expenses.....	11
a.	Key Manager Long Term Performance Plan (“LTPP”).....	11
b.	Long Term Performance Cash Award (“LTPCAP”).....	11
14.	Gross Revenue Conversion Factor.....	11
C.	Potentially Contested Issues	11
1.	Short Term Incentive Compensation Program Expenses	11
a.	Annual Incentive Program (“AIP”).....	11
b.	Derivative Adjustments	14
2.	Employee Savings Plan	15
3.	Outside Services.....	16
4.	Industry Association Dues	18
5.	Merger Expense.....	20
VI.	RATE OF RETURN	20
A.	Overview	20
B.	Capital Structure	20

- C. Cost of Capital Components 21
 - 1. Rate of Return on Common Equity 21
 - 2. Cost of Long-Term Debt 21
 - 3. Cost of Short-Term Debt 21
 - 4. Overall Weighted Cost of Capital 21
- VII. RECONCILIATION 22
 - A. Overview 22
 - B. Potentially Contested Issues 22
 - 1. Calculation of Interest on Reconciliation Balance (ADIT Related to Reconciliation)..... 22
- VIII. REVENUES..... 23
- IX. COST OF SERVICE AND RATE DESIGN 23
- X. OTHER 23
 - A. Wages and Salaries Allocator Utilized in Rider PE and Rate BESH 23
 - B. Reporting Requirements 24
 - 1. EIMA Investments..... 24
 - 2. Reconciliation Year Plant Additions Reporting Requirements 25
 - 3. Contributions to Energy Low-Income and Support Programs 25
- XI. CONCLUSION 26

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Commonwealth Edison Company :
: **Docket No. 15-0287**
Annual formula rate update and revenue :
requirement reconciliation under Section :
16-108.5 of the Public Utilities Act. :

**INITIAL BRIEF OF THE STAFF
OF THE ILLINOIS COMMERCE COMMISSION**

Staff of the Illinois Commerce Commission (“Staff”), by and through its counsel, pursuant to the direction of the Administrative Law Judges (“ALJs”) and Section 200.800 of the Illinois Administrative Code (83 Ill. Adm. Code 200.800), respectfully submits its initial brief in the above-captioned matter.

I. INTRODUCTION / STATEMENT OF THE CASE

On April 15, 2015, ComEd filed its annual update of cost inputs and reconciliation pursuant to Section 16-108.5 of the Public Utilities Act (“Act”).

Section 16-108.5(d) of the Act provides in relevant part:

(d) Subsequent to the Commission’s issuance of an order approving the utility’s performance-based formula rate structure and protocols, and initial rates under subsection (c) of this Section, the utility shall file, on or before May 1 of each year, with the Chief Clerk of the Commission its updated cost inputs to the performance-based formula rate for the applicable rate year and the corresponding new charges. Each such filing shall conform to the following requirements and include the following information:

220 ILCS 5/16-108.5(d) (emphasis added).

Subsection 16-108.5(d)(1) of the Act further provides that:

The inputs to the performance-based formula rate for the applicable rate year shall be based on final historical data reflected in the utility’s most

recently filed annual FERC Form 1 plus projected plant additions and correspondingly updated depreciation reserve and expense for the calendar year in which the inputs are filed.

220 ILCS 5/16-108.5(d)(1) (emphasis added).

Subsection 16-108.5(d)(1) of the Act, also provides that:

The filing shall also include a reconciliation of the revenue requirement that was in effect for the prior rate year (as set by the cost inputs for the prior rate year) with the actual revenue requirement for the prior rate year (determined using a year-end rate base) that uses amounts reflected in the applicable FERC Form 1 that reports the actual costs for the prior rate year. Any over-collection or under-collection indicated by such reconciliation shall be reflected as a credit against, or recovered as an additional charge to, respectively, with interest calculated at a rate equal to the utility's weighted average cost of capital approved by the Commission for the prior rate year, the charges for the applicable rate year.

220 ILCS 5/16-108.5(d)((1) (emphasis added).

Subsection 16-108.5(d) of the Act further provides that:

Notwithstanding anything that may be to the contrary, the intent of the reconciliation is to ultimately reconcile the revenue requirement reflected in rates for each calendar year, beginning with the calendar year in which the utility files its performance-based formula rate tariff pursuant to subsection (c) of this Section, with what the revenue requirement determined using a year-end rate base for the applicable calendar year would have been had the actual cost information for the applicable calendar year been available at the filing date.

220 ILCS 5/16-108.5(d) (emphasis added).

Subsection 16-108.5(d) of the Act also provides that:

Within 45 days after the utility files its annual update of cost inputs to the performance-based formula rate, the Commission shall have the authority, either upon complaint or its own initiative, but with reasonable notice, to enter upon a hearing concerning the prudence and reasonableness of the costs incurred by the utility to be recovered during the applicable rate year that are reflected in the inputs to the performance-based formula rate derived from the utility's FERC Form 1. During the course of the hearing, each objection shall be stated with particularity and evidence provided in support thereof, after which the utility shall have the opportunity to rebut the evidence. Discovery shall be allowed consistent with the Commission's

Rules of Practice, which Rules shall be enforced by the Commission or the assigned hearing examiner. The Commission shall apply the same evidentiary standards, including, but not limited to, those concerning the prudence and reasonableness of the costs incurred by the utility, in the hearing as it would apply in a hearing to review a filing for a general increase in rates under Article IX of this Act.

Id. (emphasis added.)

Finally, with respect to the data contained on a utility's FERC Form 1, Subsection 16-108.5(c) of the Act provides that:

Nothing in this Section is intended to allow costs that are not otherwise recoverable to be recoverable by virtue of inclusion in FERC Form 1.

220 ILCS 5/16-108.5(c) (emphasis added).

The FERC Form 1 for the year ended December 31, 2014 ("2014 FERC Form 1") was used by ComEd to reconcile the revenue requirement in effect during 2014 (the prior rate year) with the actual revenue requirement. The 2014 FERC Form 1 along with projected plant additions and correspondingly updated depreciation reserve and expense were used by ComEd to determine rates to be in effect during the 2016 rate year (applicable rate year). (ComEd Ex. 1.0, 4-5.)

On May 5, 2015, an initial status hearing was held in this matter. The parties agreed to a schedule setting forth dates for prefiled testimony, briefs and motions regarding prefiled testimony. (Tr., May 5, 2015, 5-7; Notice of Schedule and Notice of Continuance of Hearing, May 8, 2015.)

The following Staff witnesses submitted testimony¹ in this case: Daniel G. Kahle (Staff Exs. 1.0 and 5.0), Burma C. Jones (Staff Exs. 2.0R and 6.0R0) Rochelle M. Phipps (Staff Ex. 3.0) and Richard W. Bridal II (Staff Exs. 4.0 and 7.0). In addition to ComEd and

¹ Staff witnesses: Kahle, Jones and Bridal filed direct and rebuttal testimony. Staff witness Phipps only filed direct testimony.

Staff, the following parties have submitted testimony in this case: the People of the State of Illinois by Attorney General Lisa Madigan (“AG”); Enbridge Energy LP, Merchandise Mart, Ford Motor Company, Sterling Steel Company, LLC, AbbVie, Inc., Enwave Chicago, Inc., and Fiat Chrysler Automobiles individually and as members of the Illinois Industrial Energy Consumers (“IIEC”); the Citizens Utility Board (“CUB”); the Illinois Competitive Energy Association (“ICEA”); and the Retail Energy Supply Association (“RESA”).

An evidentiary hearing was held in this matter in Chicago, Illinois on August 27, 2015. Pursuant to the direction of the Administrative Law Judges, Staff’s initial brief follows.

II. OVERALL REVENUE REQUIREMENT

A. 2016 Initial Rate Year Revenue Requirement

Staff’s recommends 2016 Initial Rate Year Revenue Requirement presented in Appendix A, Schedule 1 FY, line 1 is \$2,431,643,000.

B. 2014 Reconciliation Adjustment

Appendix A, Schedule 8 FY computes the variance between the actual revenue requirement for 2014 and the revenue requirement that was reflected in delivery service charges applied during 2014. Interest for the period January 2014 through December 2016 is added to the variance and the total reconciliation adjustment of \$81,920,000 is incorporated into the revenue requirement, which provides the basis for the 2016 delivery service rates. Staff’s method of calculating the reconciliation adjustment presented on this schedule is identical to that included in the appendix to the Commission Orders in Docket Nos. 12-0321, 13-0318 and 14-0312. Only the amounts for the actual revenue requirement from Schedule 1 RY (line 1a), revenue requirement in effect during

Reconciliation Year (line 1b), and the overall rate of return (line 2) are changed to reflect the values in this proceeding.

C. ROE Collar and ROE Penalty Calculation

Appendix A, Schedule 9 FY computes the adjustment necessary when the Company's earned return on common equity falls outside of the parameters of the earnings collar established by the Energy Infrastructure Modernization Act ("EIMA"). The calculation utilizes the actual operating expenses, rate base, and capital structure for 2014, inclusive of ratemaking adjustments and Commission disallowances as proposed by Staff. The delivery service revenues reflect actual revenues reported by the Company on the 2014 FERC Form 1. The resulting adjustment is incorporated into the revenue requirement which is the basis for the 2016 delivery service rates. Appendix A, Schedule 9 FY demonstrates that ComEd's Delivery Service ("DS") ROE during 2014 falls within the ROE collar; therefore, no ROE collar adjustment is necessary.

D. 2016 Rate Year Net Revenue Requirement

Appendix A, Schedule 1 FY, line 5 presents the overall 2016 Rate Year Net Revenue Requirement per Staff of \$2,513,563,000.

III. SCOPE OF THIS PROCEEDING

- A. Changes to the Structure or Protocols of the Performance-Based Formula Rate
- B. The Definition of Rate Year and the Reconciliation Cycle
- C. Original Cost Finding

Staff recommends that the Commission include the following language in the Findings and Ordering paragraphs of its Order in this proceeding:

- (#) The Commission, based on ComEd's proposed original cost of distribution plant in service as of December 31, 2014, before adjustments, of \$17,199,977,000, and reflecting the Commission's determination adjusting that figure, approves \$17,198,474,000 as the composite original cost of jurisdictional distribution services plant in service as of December 31, 2014.

(Staff 5.0, 8.)

D. Issues Pending on Appeal

IV. RATE BASE

A. Overview

1. 2014 Reconciliation Rate Base

Staff's proposed 2014 reconciliation Rate Base is \$7,078,307,000 as presented on Appendix B, Schedule 3 RY.

2. 2016 Initial Rate Year Rate Base

Staff's proposed 2016 initial rate year Rate Base is \$8,273,856,000 as presented on Appendix A, Schedule 3 FY.

B. Potentially Uncontested Issues

1. Plant in Service
 - a. Distribution Plant
 - b. General and Intangible Plant
2. Regulatory Assets and Liabilities
3. Deferred Debits
4. Other Deferred Charges
5. Accumulated Provisions for Depreciation and Amortization
6. Accumulated Miscellaneous Operating Provisions
7. Asset Retirement Obligation

8. Customer Advances
9. Customer Deposits
10. Cash Working Capital

Staff and the Company agree on the methodology for calculating cash working capital (“CWC”). Staff’s CWC calculation produces a different result than the Company’s CWC calculation because Staff’s calculation reflects Staff’s adjustments to the Company’s revenue requirement. (Staff Ex. 5.0, 5.) CWC ultimately should be calculated using the revenue requirement approved by the Commission in this proceeding. (Staff Ex. 1.0, 9.)

11. Construction Work in Progress

C. Potentially Contested Issues

1. Accumulated Deferred Income Taxes

- a. ADIT Related to Plant Additions

CUB/IIEC propose to change the amount of depreciation on projected assets used to calculate accumulated deferred income taxes (“ADIT”). (CUB/IIEC Ex 1.0, 11-13.) The Commission previously rejected the issue raised by Intervenors in its Order in Docket No. 14-0316. Commonwealth Edison Co., ICC Final Order Docket No. 14-0316, 26 (Nov. 25, 2014). No argument has been offered that any circumstance has changed to warrant adopting a different method for determining the amount of depreciation on projected plant additions to include in the calculation of ADIT. (Staff Ex. 5.0, 7.) Accordingly, Staff recommends that the Commission reject this proposal.

- b. ADIT Related to Bad Debt

2. Materials and Supplies

V. OPERATING EXPENSES

A. Overview

B. Potentially Uncontested Issues

1. Distribution O&M Expenses
2. Customer-Related O&M Expenses
3. Uncollectibles Expense
4. Administrative and General Expenses (issues not identified in V. C.)
5. Charitable Contributions

Staff proposes an adjustment to disallow recovery of expenses classified as charitable contributions because the costs should be recovered through Rider EDA, Energy Efficiency and Demand Response Adjustment, instead of through base rates. (Staff Ex. 2.0R, 10.) ComEd agrees that the expenses were misclassified and should be included in ComEd's Rider EDA. (Staff Ex. 2.0R, Attachment A.)

6. Charges for Services provided by BSC
7. Regulatory Commission Expense (Rock Island Clean Line)

Staff proposes an adjustment to disallow recovery of expenses associated with ICC Docket No. 12-0560 because the costs are not related to delivery service. Docket No. 12-0560 addressed a petition by Rock Island Clean Line LLC for a certificate of public convenience and necessity as a transmission public utility and to construct, operate and maintain an electric transmission line; i.e., it was a transmission docket. (Staff Ex. 2.0R,

7.) ComEd agrees that the expenses should be removed from the delivery service revenue requirement. (Staff Ex. 2.0R, Attachment B.)

8. Depreciation and Amortization Expense

9. Taxes

10. Lobbying Expense

11. Rate Case Expenses

Staff proposes an adjustment to rate case expense to limit the amount of fees recoverable for consultant James Warren, an expert witness retained by ComEd, because his hourly rate is (1) in excess of a reasonable rate for the services provided, and (2) significantly higher than any of the hourly rates of external attorneys and other external technical experts retained by the Company in Docket No. 14-0312. Staff calculated a just and reasonable rate for Mr. Warren's services by averaging his hourly rate with the hourly rates of the expert witnesses whose testimonies Mr. Warren was hired to rebut. (Staff Ex. 2.0R, 11-12.) ComEd disagrees with Staff's adjustment but, in order to limit the issues in this proceeding, ComEd does not contest the adjustment. (ComEd Ex. 8.0, 31.)

Section 9-229 Recommendation Regarding Rate Case Expense

Section 9-229 of the Act (220 ILCS 5/9-229) requires the Commission to specifically assess the justness and reasonableness of any amount expended by a public utility to compensate attorneys or technical experts to prepare and litigate a general rate case filing in the Commission's final order and to expressly address the issue in the Commission's final order. Staff recommends that the Order in this proceeding express a Commission conclusion as follows:

The Commission has considered the costs expended by the Company during 2014 to compensate attorneys and technical experts to prepare and litigate rate case proceedings and assesses that the amount included as rate case expense in the revenue requirements of \$2,290,664 is just and reasonable. This amount includes the following costs: (1) \$783,972² amortized rate case expense associated with the initial formula rate proceeding, Docket No. 11-0721; (2) \$1,326,525³ associated with Docket No. 14-0312; and (3) \$180,167⁴ associated with the litigation of Dockets No. 07-0566, 10-0467, 12-0321, and 13-0318.

If the Commission makes any adjustments to rate case expense beyond Staff's proposed adjustment, those adjustments should also be considered in the Commission's statement that sets forth the amount of rate case expense included in the revenue requirement. (Staff Ex. 2.0R, 13-14.)

12. Corporate Credit Cards (Employee Recognition)

Staff proposes to remove from the revenue requirement credit card expenditures for employee recognition expenses. These expenditures have not been shown by ComEd to be just and reasonable or prudent and reasonable costs necessary for the provision of delivery services, nor have the expenditures been shown to enhance in some way a customer's experience. Rather, benefits accrue to employees in the form of perquisites that are in addition to the compensation the employees receive for performing their work. If ComEd chooses to recognize employee accomplishments, those employee recognition expenses should be the responsibility of utility shareholders. (Staff Ex. 2.0R,

² See ComEd Ex. 1.02, 3. Rate case expense included in the revenue requirements and related to Docket No. 11-0721 consists of 1/3 of the Docket No. 11-0721 rate case expenses incurred during 2012, plus 1/3 of the Docket No. 11-0721 rate case expenses incurred during 2013, plus 1/3 of the Docket No. 11-0721 rate case expenses incurred during 2014, as permitted by Section 16-108.5(c)(4)(E) of the Act 220 ILCS 5/16-108.5(c)(4)(E).

³ See ComEd Ex. 1.02, 6; Staff Ex. 2.0, Sch. 2.06, 2. Rate case expense included in the revenue requirements and related to Docket No. 14-0312 is not amortized.

⁴ See ComEd Ex. 1.02, 1-2, 4-5. Rate case expense included in the revenue requirements and related to these proceedings is not amortized.

7-8.) ComEd disagrees with Staff's adjustment but, in order to limit the issues in this proceeding, ComEd accepts Staff's proposal to remove these expenditures from the revenue requirement. (ComEd Ex. 12.0, 9.)

13. Long Term Incentive Compensation Program Expenses

- a. Key Manager Long Term Performance Plan ("LTPP")
- b. Long Term Performance Cash Award ("LTPCAP")

14. Gross Revenue Conversion Factor

C. Potentially Contested Issues

1. Short Term Incentive Compensation Program Expenses

- a. Annual Incentive Program ("AIP")

The Commission should adopt Staff's adjustment to reduce the ComEd Annual Incentive Program ("AIP") cost to a reasonable amount by lowering the payout percentage associated with "distinguished" achievement from the 200% to 150% consistent with the "distinguished" payout used in the Company's new Long-Term Performance Cash Award Program ("LTPCAP"). In the absence of any lawful limiter to protect ratepayers from higher than market level costs associated with AIP awards determined by utilizing 200% payouts, Staff's adjustment reduces the maximum payout level for each AIP metric from 200% to 150% resulting in an overall AIP payout of 111.7%. Further, Staff's proposed AIP payout percentage retains the opportunity for ComEd to recover market level compensation plus a reasonable bonus. (Staff Ex. 7.0, 2-4; Staff Ex. 4.0, Sch. 4.01.) As such, the Commission should adopt Staff's adjustment to AIP costs.

Staff's AIP Adjustment Proposal

Staff's adjustment is made with regards to the reasonableness of the 200% payout level for distinguished performance towards each of the eight AIP metrics. Staff agrees with ComEd witness Ms. Brinkman that the eight AIP metrics are generally consistent with EIMA⁵ ratemaking. Staff further agrees that achievement of appropriately set performance goals within those metrics may provide customer benefits. (Staff Ex. 7.0, 3.) However, neither the metrics themselves nor the perceived customer benefits are at issue here. At issue is whether it is reasonable for ComEd to recover from ratepayers the entirety of AIP costs that ComEd determined using a 200% payout for each individual AIP metric. In the absence of any lawful limiter to protect ratepayers from higher than market level costs associated with AIP awards determined by utilizing 200% payouts, Staff's adjustment reduces the maximum payout level for each AIP metric from 200% to 150% consistent with the maximum payout level used for distinguished performance under ComEd's new LTPCAP. Id. A 150% payout for distinguished performance towards each of the eight metrics is reasonable and in line with the 150% payout for threshold performance and 100% payout for target performance utilized for both the AIP and LTPCAP metrics. A 150% payout also retains the opportunity for ComEd to recover market level compensation plus a reasonable bonus from ratepayers. The current use of 200% unreasonably inflates the total AIP costs beyond what is reasonable to provide market level compensation funded by ratepayers. Id.

For the reasons set forth in Staff's direct testimony, rebuttal testimony, and above, the Commission should adopt Staff's adjustment to reduce ComEd's AIP cost. This

⁵ "EIMA" refers to the Energy Infrastructure Modernization Act, which made changes and additions to the Public Utilities Act in Public Acts 97-0616 and 97-0646, as amended by Public Acts 98-0015 and 98-1175.

adjustment reduces the overall AIP payout recovered from ratepayers from 126.1% to a more reasonable amount of 111.7%, which still provides ComEd the opportunity to recover from ratepayers market-level compensation plus a reasonable bonus.

Alternative AIP Adjustments

If the Commission agrees that an adjustment to AIP is warranted but does not agree with Staff's proposed adjustment, the record in this proceeding and the Commission's Orders in recent ComEd formula rate proceedings provide various alternative adjustments for the Commission's consideration. The following table summarizes the alternative AIP percentages that the Commission could adopt based on the record in this proceeding and the Commission's Order in ComEd's most recent formula rate proceeding, and identifies where within the evidentiary record and the Order those AIP percentages are set forth:

AIP %	Party	Reference
126.1%	ComEd	ComEd Ex. 1.0, 28:558
119.9%	ComEd	ComEd Ex. 8.01; Staff Ex. 7.0, Attach. B
118.7%	Staff	Staff Ex. 7.0, Attach. D
111.7%	Staff	Staff Ex. 4.0, Sch. 4.01
105.0%	Staff	Staff Ex. 7.0, Attach. E
102.9%	Commission	<u>Commonwealth Edison Co.</u> , ICC Order Docket No. 14-0312, 48-51 (Dec 10, 2014)

Further, ComEd presented in its rebuttal testimony a table of the Company's AIP payout history since 2011. (ComEd Ex. 11.0, 5.) The table below updates the ComEd table to include (1) docket numbers for each EIMA formula rate proceeding, (2) earned and actual AIP payout information for 2010 (Docket No. 11-0721), and (3) information regarding the ultimate AIP Payout percentages allowed by the Commission in each EIMA

formula rate proceeding. ComEd’s AIP payout history under EIMA, including the AIP payout allowed by the Commission, is summarized as follows:

Year (Docket No.)	Earned AIP based on Operational Metrics	Actual Payout (after limits/ adjustments)	AIP Payout allowed by the Commission
2010 (11-0721)	110.3%	112.9%	102.9% ⁽¹⁾
2011 (12-0321)	133.2%	133.2%	133.2% ⁽²⁾
2012 (13-0318)	148.4%	115.0%	102.9% ⁽³⁾
2013 (14-0312)	140.4%	124.4%	102.9% ⁽⁴⁾
2014 (15-0287)	126.1%	126.1%	<i>TBD</i>
Average	137.0%	124.7%	113.0%

Sources:

Earned & Actual Percentages: ComEd Ex. 11.0, 5.

Commission-allowed Percentages:

- (1) Commonwealth Edison Co., ICC Order Docket No. 11-0721, 88-90 (May 29, 2012).
- (2) Commonwealth Edison Co., ICC Order Docket No. 12-0321, 31-32 (Dec 19, 2012).
- (3) Commonwealth Edison Co., ICC Order Docket No. 13-0318, 38 (Dec 18, 2013);
Docket No. 13-0318, ComEd Ex. 3.0, 39-40.
- (4) Commonwealth Edison Co., ICC Order Docket No. 14-0312, 48-51 (Dec 10, 2014).

b. Derivative Adjustments

The Commission should adopt Staff’s adjustment to remove payroll tax, pension cost, depreciation expense, accumulated depreciation, and ADIT associated with AIP incentive compensation disallowed in Staff’s AIP adjustment. Staff’s adjustment removes the derivative costs associated with disallowed AIP incentive compensation because those costs would not have been included in the Company’s proposed revenue requirement if not for the inclusion of the AIP incentive compensation costs disallowed in Staff’s adjustment to reduce the payout percentage for individual AIP metrics from 200% to 150%. (Staff Ex. 7.0, 12; Staff Ex. 4.0, Sch. 4.02.) No party directly addressed Staff’s adjustment to derivative costs associated with disallowed AIP.

ComEd witness Ms. Brinkman in rebuttal testimony suggested an alternative AIP adjustment which amended the metric performance requirements used in Staff’s

proposed AIP adjustment. If the Commission accepts the AIP adjustment suggested in Ms. Brinkman's rebuttal testimony (119.9% AIP Payout), the Commission should adopt the derivative adjustments to payroll tax, depreciation expense, accumulated depreciation, and ADIT set forth in Staff Ex. 7.0, Attachment B. If the Commission accepts Staff's corrected version of the AIP adjustment suggested by Ms. Brinkman (corrected for EIMA Reliability Metrics Index, see Staff Ex. 7.0, 9-10) (118.7% AIP payout), the Commission should adopt the derivative adjustments to payroll tax, depreciation expense, accumulated depreciation, and ADIT set forth in Staff Ex. 7.0, Attachment D. If the Commission determines it is appropriate to completely align the AIP to the scales used within the LTPCAP (105.0% AIP Payout), the Commission should adopt the derivative adjustments to payroll tax, depreciation expense, accumulated depreciation, and ADIT set forth in Staff Ex. 7.0, Attachment E. (Staff Ex. 7.0, 12-13.)

2. Employee Savings Plan

The Commission should adopt Staff's adjustment to disallow ComEd's Employee Savings Plan ("ESP") profit-sharing matching contribution. The ESP profit-sharing match included in ComEd's revenue requirement resulted from the achievement of earnings per share goals established by the Compensation Committee of Exelon's Board of Directors. Therefore, the costs associated with the profit sharing match should be excluded from the revenue requirement. (Staff Ex. 4.0, 7-9; Staff Ex. 7.0, 13-17.)

Commission practice and law is that the cost of compensation associated with the achievement of earnings per share or other financial metrics is not recoverable from rate payers and should be the responsibility of shareholders. See, e.g., Commonwealth Edison Co., ICC Order Docket No. 07-0566, 61 (Sep. 10, 2008); Peoples Gas and Light

Co., ICC Order No. 09-0166/0167 (Cons.), 58-59 (Jan. 21, 2010). ComEd witness Mr. Newhouse in rebuttal testimony correctly observes that Commission precedent and case law address only specifically incentive compensation based on earnings per share. (ComEd Ex. 9.0, 12.) However, Mr. Newhouse implies a limited and illogical interpretation of Commission practice and case law. Taken to its logical conclusion, that interpretation would have the Commission allow the entirety of a hypothetical employee's salary if that salary was based on the achievement of a certain level of earnings per share, but disallow only incentive compensation that was similarly based on earnings per share. Such a result would be unreasonable. (Staff Ex. 7.0, 15.) Expenses recovered in rates must be just and reasonable. 220 ILCS 5/16-108.5(c)(1).

Mr. Newhouse further argues that the ESP is an employee benefit rather than incentive compensation, and as such, is not prohibited from recovery. (ComEd Ex. 9.0, 12.) That the ESP is an employee benefit rather than incentive compensation cannot overcome the fact that the ESP includes a component that is based on earnings per share. Staff's adjustment does not seek to remove the entire cost of the ESP; rather, it removes only the costs associated with the profit-sharing matching contribution that would not exist if not for the achievement of a defined earnings per share amount. (Staff Ex. 7.0, 16.) For the same fundamental reason that it is not just or reasonable to recover incentive compensation costs tied to earnings per share it is neither just nor reasonable to recover profit sharing costs tied to earnings per share.

3. Outside Services

The Commission should accept Staff's proposed adjustment to disallow ComEd expenditures to an event-management company that gave away ice cream cones and

cookies in communities where smart meters were being installed as part of the #SmartMeetsSweet initiative. (Staff Ex. 2.0R, 9, Sch. 2.04.) The initiative was primarily designed to enhance the image of the company rather than to educate and inform customers: i.e., goodwill advertising, which is not a recoverable expense.⁶ (Staff Ex. 2.0R, 9; Staff Ex. 6.0R, 10.) Further, few customers were contacted and little was spent on educational materials relative to the cost of the initiative. Accordingly, the expenses for the initiative were neither prudently incurred nor reasonable in amount. (Staff Ex. 6.0R, 10.)

ComEd describes the primary purpose of the #SmartMeetsSweet initiative as designed to bring AMI educational material to where people live in a manner intended to engage customers, not to improve ComEd's image. (ComEd Ex. 12, 4.) ComEd further asserts that the number of customers contacted was a success, not a failure, and that most of the costs were related to the development and implementation of the event. Id. at 5.

ComEd's arguments ignore the evidence and should be rejected. While Staff does not dispute that some dissemination of information occurred as a result of the initiative, the strategy of the initiative was primarily designed to enhance the Company's image in the communities ComEd serves.⁷ (Staff Ex. 6.0R, 8.) ComEd spent over \$500,000 for the initiative to achieve only 36,000 direct customer interactions. (ComEd Ex. 9.0, 16.) Even assuming that each of these "customer interactions" represents one distinct meter installation, only 6.66% of the customers who had meters installed in 2014 were contacted

⁶ 220 ILCS 5/9-225.

⁷ Indeed, as Staff noted in testimony, the Company correctly recorded the SmartMeetsSweet expenditures as marketing expense. (Staff Ex. 6.0R, 10.)

via the #SmartMeetsSweet initiative. (Staff Ex. 6.0R, 9.) Moreover, of the \$500,000 that ComEd spent, less than 5% was for documentation and educational materials provided to customers. (Id. at 9; Staff Cross Ex. 1.) In contrast, 84% went to management fees, vehicles and staffing, while the remaining 11% went to insurance costs, site fees and permits, time and labor for creating the social media campaign, and time and labor for designing the truck wrap. (Staff Ex. 6.0R, 9; Staff Cross Ex. 1.) Given the small number of customers contacted and how little was spent on educational materials relative to the cost of the initiative, the expenditures for the initiative were neither prudently incurred nor reasonable in amount.

4. Industry Association Dues

The Commission should accept Staff's proposed adjustment to disallow 100% of the dues for the Illinois Environmental Regulatory Group ("IERG") and the Utility Solid Waste Activities Group ("USWAG"). (Staff Ex. 2.0R, 4, Sch. 2.01.) The purpose of these organizations is regulatory advocacy. (Staff Ex. 2.0R, 4.) As such, recovery of such costs is prohibited under Section 9-224 of the Act (220 ILCS 5/9-224). (Staff Ex. 2.0R, 4-6.)

Section 9-224 of the Act provides that: "The Commission shall not consider as an expense of any public utility company, for the purpose of determining any rate or charge, any amount expended for political activity or lobbying as defined in the 'Lobbyist Registration Act.'" 220 ILCS 5/9-224. According to the IERG website, the IERG is an affiliate of the Illinois Chamber of Commerce and works cooperatively with the Chamber on legislative matters in the General Assembly. (Staff Ex. 2.0R, 5.) The IERG's self-described primary mission is to:

- Advocate members' interests before governmental agencies, primarily the Illinois Environmental Protection Agency and the Illinois Pollution Control Board;
- Negotiate environmental policies, laws and regulations as they are promulgated, administrated and implemented by the State of Illinois; and
- Provide accurate and technically sound input early in the regulatory development and legislative processes to promote favorable outcomes for Illinois' business community.

Id. at 5.

Similarly, according to the USWAG website, the USWAG is responsible for addressing solid and hazardous waste issues on behalf of the utility industry and engages in regulatory advocacy pertaining to the Resource Conservation and Recovery Act, the Toxic Substances Control Act, and the Hazardous Material Transportation Act. Id. at 6. The USWAG indicated its mission is to address the regulation of utility wastes, byproducts and materials in a manner that protects human health and the environment and is consistent with the business needs of its members. Id. at 6.

In rebuttal testimony, ComEd proposed a 50% adjustment for IERG and USWAG membership fees. (ComEd Ex. 9.0, 19.) In surrebuttal testimony, ComEd withdrew this proposal having purportedly “. . . asked for and obtained specific information from USWAG and IERG to exactly quantify the portion of their activities that are related to regulatory advocacy . . .” (ComEd Ex. 12.0, 7.) ComEd asserts that, based on this information, which consists of two form statements, 6.2% of the payment to USWAG and 1% of that to IERG is related to regulatory advocacy. (Id. at 7; ComEd Ex. 12.04.)

ComEd's information is flawed and should be given no weight. ComEd provides no explanation why ComEd did not provide this information prior to surrebuttal testimony, yet the USWAG statement is dated March 12, 2015 and references a prior dues invoice

and letter from March 2014. The March 12, 2015 date also contradicts ComEd's claim that, in apparent response to Staff's rebuttal testimony, ComEd "asked for and obtained specific information from USWAG. . ." (ComEd Ex. 12.0, 7.) The IERG form in turn is even more problematic – the form is undated, unsigned and without contact information. Thus, the IERG form provides no support for ComEd's assertions regarding IERG's 2014 membership fees. Most problematic, however, is that ComEd fails to rebut both organizations' self-described primary missions, which is to engage in regulatory advocacy.

Accordingly, the Commission should accept Staff's proposed adjustment to disallow 100% of the dues for IERG and USWAG. (Staff Ex. 2.0R, 4, Sch. 2.01.) The self-described purpose of these organizations is regulatory advocacy and recovery of such costs is prohibited by Section 9-224 of the Act. Therefore, ComEd should be denied recovery for these costs.

5. Merger Expense

VI. RATE OF RETURN

A. Overview

Staff witness Rochelle M. Phipps presented a fair rate of return on rate base for Commonwealth Edison Company ("ComEd" or "Company") pursuant to Section 16-108.5(c) of the Public Utilities Act ("Act"). (ICC Staff Ex. 3.0, 1.)

B. Capital Structure

Staff did not recommend any adjustments to the Company's proposed capital structure, which comprises 53.18% long-term debt, 46.25% common equity and 0.57% short-term debt. (ICC Staff Ex. 3.0, 2-3.) Staff witness Phipps testified that the

Company's proposed capital structure reasonably balances the cost advantage of tax deductible interest expense that comes from employing debt as a source of capital against the financial strength needed to raise capital under most capital market conditions that comes from employing common equity as a source of capital. (ICC Staff Ex. 3.0, 2.)

C. Cost of Capital Components

1. Rate of Return on Common Equity

The rate of return on common equity for the Company is 9.14% for the filing year. (ICC Staff Ex. 3.0, 3.) Staff witness Phipps testified that the rate of return on common equity complies with Section 16-108.5(c)(3) of the Act. (ICC Staff Ex. 3.0, 2.)

The rate of return on common equity for the Company is 9.09% for the reconciliation year. The Company's cost of common equity includes a 5 basis point reduction related to a performance metric penalty pursuant to Section 16-108.5 of the Act. (ICC Staff Ex. 3.0, 3.)

2. Cost of Long-Term Debt

Staff does not object to the Company's proposed cost of long-term debt of 5.24%. (ICC Staff Ex. 3.0, 2-3.)

3. Cost of Short-Term Debt

Staff does not object to the Company's proposed cost of short-term debt of 0.33% and the 0.03% weighted cost of bank facility fees. (ICC Staff Ex. 3.0, 2-3.)

4. Overall Weighted Cost of Capital

The fair rate of return on rate base for ComEd is 7.05% for the filing year (based on a 9.14% return on common equity) and 7.02% for the reconciliation year (based on a 9.09% return on common equity), as shown below:

Filing Year:

Component	Balance (in thousands)	Weight	Cost	Weighted Cost
Short-Term Debt	\$ 64,129	0.57%	0.33%	0.00%
Long-Term Debt	5,944,042	53.18%	5.24%	2.79%
Common Equity	5,169,147	46.25%	9.14%	4.23%
Bank Facility Costs				0.03%
Total	\$ 11,177,318	100.00%		7.05%

Reconciliation Year:

Component	Balance (in thousands)	Weight	Cost	Weighted Cost
Short-Term Debt	\$ 64,129	0.57%	0.33%	0.00%
Long-Term Debt	5,944,042	53.18%	5.24%	2.79%
Common Equity	5,169,147	46.25%	9.09%	4.20%
Bank Facility Costs				0.03%
Total	\$ 11,177,318	100.00%		7.02%

(ICC Staff Ex. 3.0, 2-3.)

VII. RECONCILIATION

A. Overview

B. Potentially Contested Issues

1. Calculation of Interest on Reconciliation Balance (ADIT Related to Reconciliation)

Applying interest to the reconciliation balance net of related ADIT has been raised by Intervenors and rejected by the Commission in prior proceedings. See, e.g., Commonwealth Edison Co., ICC Final Order Docket No. 13-0318, 63 (Dec. 18, 2013); Commonwealth Edison Co., ICC Final Order Docket No. 13-0553, 18 (Nov. 26, 2013); Commonwealth Edison Co., ICC Final Order Docket No. 14-0312, 76-77 (Dec. 10, 2014). Furthermore, the First District recently upheld the Commission's determination on this

issue, on July 29, 2015. People ex rel. Madigan v. Illinois Commerce Comm'n, 2015 IL App (1st) 140275 ¶ 48. Accordingly, Intervenor's proposal to apply interest to the reconciliation balance net of related ADIT should once again be rejected.

VIII. REVENUES

IX. COST OF SERVICE AND RATE DESIGN

X. OTHER

A. Wages and Salaries Allocator Utilized in Rider PE and Rate BESH

Rider PE, the tariff under which ComEd recovers the costs of purchased power and the costs of procuring the purchased power, utilizes a wages and salaries ("W&S") allocator applicable to supply, the value of which is to be approved in each formula rate update proceeding. Staff does not object to ComEd's calculation of the W&S allocator applicable to supply. Therefore, Staff recommends the language below be included in the Order entered by the Commission in this proceeding:

The Commission finds that the wages and salaries allocator applicable to supply of 0.43%, as calculated in this proceeding, should be used to develop charges determined and filed with the Commission under Rider PE and Rate BESH to be effective with the January 2016 monthly billing period. Subsequent calculations of the wages and salaries allocator applicable to supply made in subsequent ComEd Formula Rate Update proceedings must be applied in the corresponding subsequent determination and filing of charges under Rider PE and Rate BESH.

(Staff Ex. 2.0R, 14-15.)

ComEd did not address this subject in either its rebuttal or surrebuttal testimony. Therefore, Staff assumes that the Company does not object to the inclusion of this language in the Order.

B. Reporting Requirements

1. EIMA Investments

The Company provided direct testimony identifying incremental plant additions of \$463,229,227 placed in service in 2014 pursuant to Section 16-108.5(b) of the Act. (ComEd Ex. 3.0, 17-18.) This data meets the Commission's requirements as set forth in Docket No. 12-0321. Commonwealth Edison Co., ICC Final Order Docket No. 12-0321, 98 (Dec. 19, 2012).

The Commission is setting a revenue requirement in this proceeding for the recovery of \$463.2 million in actual 2014 plant additions and \$654.8 million of projected 2015 plant additions in compliance with Section 16-108.5(b) of the Act. Actual 2014 plant additions and projected 2015 plant additions, combined with actual 2012 and 2013 plant additions of \$431.6, total \$1,549.6 million of actual and projected 2015 plant additions. The detail of these actual and projected plant additions by categories as required by Section 108.5(b)(1) are as follows:

	<u>CATEGORY</u>	<u>ACTUAL 2012 – 2013 (In Millions)</u>	<u>ACTUAL 2014 (In Millions)</u>	<u>PROJECTED 2015 (In Millions)</u>	<u>CUMULATIVE 2015 (In Millions)</u>
(A) (i)	Distribution Infrastructure Improvements	\$221.2	\$169.9	\$258.4	\$649.5
(A) (ii)	Training Facility Construction or Upgrade Projects	2.8	0.0	0.0	2.8
(A) (iii)	Wood Pole Inspection, Treatment, and Replacement	28.1	21.6	22.4	72.1
(A) (iv)	Reducing the susceptibility of certain circuits to storm-related damage	37.2	<u>29.9</u>	69.3	136.4
	Total Electric System Upgrades, Modernization Projects, and Training Facilities	<u>\$289.3</u>	<u>\$221.3</u>	<u>\$350.2</u>	<u>\$860.8</u>
(B) (i)	Additional Smart Meters	\$31.7	\$145.2	\$223.4	400.3
(B) (ii)	Distribution Automation	98.2	64.9	62.0	225.1

(B) (iii)	Associated Cyber Secure Data Communications Network	0.0	0.0	0.0	-
(B) (iv)	Substation Micro-processor Relay Upgrades	12.4	<u>31.8</u>	<u>19.2</u>	63.4
	Total Upgrade and Modernization of Transmission and Distribution Infrastructure and Smart Grid Electric System Upgrades	<u>\$142.3</u>	<u>\$241.9</u>	<u>\$304.6</u>	<u>688.8</u>
	Total Plant Additions in Compliance with Section 16-108.5(b)(1) of the Act	<u>\$431.6</u>	<u>\$463.2</u>	<u>\$654.8</u>	<u>1,549.6</u>

(ICC Staff Ex. 1.0, 12-13.)

2. Reconciliation Year Plant Additions Reporting Requirements

In the Commission's final Order in Docket No. 14-0312, Findings paragraph 11 set forth a table with details for the plant additions placed in service in 2013. Commonwealth Edison Co., ICC Final Order Docket No. 14-0312, 107-8 (Dec. 10, 2014). In this proceeding, ComEd provided a similar summary of the \$463,229,227 investment amount by category placed in service in 2014 by ComEd under Section 16-108.5(b) of the Act. (ComEd Ex. 3.0, 18.) ComEd also provided a similar table for the \$654,813,654 of plant additions projected to be placed in service in 2015. Id. at 19.

No party contests that ComEd has satisfied its obligation to provide the required information. Accordingly, the Commission should find that ComEd has satisfied its obligation to provide the required plant addition information.

3. Contributions to Energy Low-Income and Support Programs

XI. CONCLUSION

WHEREFORE, for all of the following reasons, Staff respectfully requests that the Commission's order in this proceeding reflect all of Staff's recommendations regarding the Company's tariffs and charges submitted pursuant to Section 16-108.5 of the Public Utilities Act.

Respectfully submitted,

/s/_____

JOHN C. FEELEY
JOHN L. SAGONE
KELLY A. TURNER
Office of General Counsel
Illinois Commerce Commission
160 North LaSalle Street, Suite C-800
Chicago, IL 60601
Phone: (312) 793-2877
Fax: (312) 793-1556

jfeeley@icc.illinois.gov
jsagone@icc.illinois.gov
kturner@icc.illinois.gov

September 9, 2015

*Counsel for the Staff of the
Illinois Commerce Commission*

Commonwealth Edison Company
Summary of Base Rate Revenue Change from Prior Case
For the Filing Year Ending December 31, 2015
(In Thousands)

Line	Description	Granted in Prior Case (14-0312)	Company Proposed Changes		Company DT Proposal FR A-1	Adjustments		Staff IB Proposal
			(e) - (b)	(c) / (b)		(h) - (e)	(f) / (e)	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	Base Revenue Requirement - Filing Year	\$ 2,347,549	(1) \$ 92,156		\$ 2,439,705	(2) \$ (8,579)		\$ 2,431,126
2	Reconciliation Adjustment with Interest	234,465	(1) (142,612)		91,853	(3) (9,933)		81,920
3	ROE Collar Adjustment	-	(1) -		-	(4) -		-
4	Total Net Revenue Requirement	<u>\$ 2,582,014</u>	(1) <u>\$ (50,456)</u>	(1.95)%	<u>\$ 2,531,558</u>	(5) <u>\$ (18,512)</u>	(0.73)%	<u>\$ 2,513,046</u>
5	Total \$ Change - Total Net Revenue Requirement							\$ (68,968)
6	Total % Change - Total Net Revenue Requirement							(2.67)%

Notes

- (1) Commission Order in Docket No. 14-0312, December 18, 2013, Appendix A, Column (j)
- (2) ComEd Direct Testimony, ComEd Ex. 9.01, p. 2, Schedule FR A-1, line 23; filed 4/15/15
- (3) ComEd Direct Testimony, ComEd Ex. 9.01, p. 2, Schedule FR A-1, line 24
- (4) ComEd Direct Testimony, ComEd Ex. 9.01, p. 2, Schedule FR A-1, line 35
- (5) ComEd Direct Testimony, ComEd Ex. 9.01, p. 2, Schedule FR A-1, line 36
- (6) Staff Direct Testimony, Staff Ex. 5.0, Schedule 5.01 FY, line 1
- (7) Staff Direct Testimony, Staff Ex. 5.0, Schedule 5.01 FY, line 3
- (8) Staff Direct Testimony, Staff Ex. 5.0, Schedule 5.01 FY, line 4
- (9) Staff Direct Testimony, Staff Ex. 5.0, Schedule 5.01 FY, line 5
- (10) Column (h) line 4 minus Column (b) line 4
- (11) Line 5 divided by Column (b), line 4.

Commonwealth Edison Company
Adjustments to Operating Income
For the Filing Year Ending December 31, 2015
(In Thousands)

Line No.	Description	Interest Synchronization (Sch 5.06 FY)	Industry Association Dues (Staff IB)	(Source)	(Source)	Outside Services Expenses (Sch 2.04)	Annual Incentive Program Costs (Sch 4.01)	Amounts Associated with AIP (Sch 4.02)	Subtotal Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Operating Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Other Revenues	-	-	-	-	-	-	-	-
3	Reconciliation Adjustment	-	-	-	-	-	-	-	-
4	Return on Equity Collar Adjustment	-	-	-	-	-	-	-	-
5	Total	-	-	-	-	-	-	-	-
6	Uncollectibles Expense	-	-	-	-	-	-	-	-
7	Distribution	-	-	-	-	-	(3,435)	-	(3,435)
8	Customer Accounts Expenses	-	-	-	-	-	-	-	-
9	Customer Services and Informational Exp.	-	-	-	-	-	-	-	-
10	Sales Expenses	-	-	-	-	-	-	-	-
11	Administrative and General Expense	-	(43)	-	-	(518)	(519)	-	(1,080)
12	Depreciation and Amortization Expense	-	-	-	-	-	-	(79)	(79)
13	Taxes Other Than Income	-	-	-	-	-	-	(302)	(302)
14	Reg Asset Amort. & Other Expense Adj	-	-	-	-	-	-	-	-
15	Pension Asset Funding Cost	-	-	-	-	-	-	-	-
16		-	-	-	-	-	-	-	-
17	Total Operating Expense								
18	Before Income Taxes	-	(43)	-	-	(518)	(3,954)	(381)	(4,896)
19	State Income Tax	23	4	-	-	49	376	36	488
20	Federal Income Tax	75	14	-	-	164	1,252	121	1,626
21	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
22	Total Operating Expenses	<u>98</u>	<u>(25)</u>	<u>-</u>	<u>-</u>	<u>(305)</u>	<u>(2,326)</u>	<u>(224)</u>	<u>(2,782)</u>
23	NET OPERATING INCOME	<u>\$ (98)</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 305</u>	<u>\$ 2,326</u>	<u>\$ 224</u>	<u>\$ 2,782</u>

Commonwealth Edison Company
Rate Base
For the Filing Year Ending December 31, 2015
(In Thousands)

Line No.	Description (a)	Company Jurisdictional Rate Base (Co. Ex. 9.05, p. 11) (b)	Adjustments (Sch 5.04 FY) (c)	Jurisdictional Rate Base per Staff (Col. b+c) (d)
1	Distribution Plant	\$ 16,866,167	\$ (3,230)	\$ 16,862,937
2	G & I Plant	1,978,440	(756)	1,977,684
3	Accumulated Depreciation on Distribution Plant	(6,020,835)	79	(6,020,756)
4	Accumulated Depreciation on G & I Plant	(923,348)	19	(923,329)
5	Net Plant	11,900,424	(3,888)	11,896,536
6	Construction Work in Progress	-		
7	Cash Working Capital	(49,737)	(4,537)	(54,274)
8	Materials & Supplies Inventories	52,692	-	52,692
9	Accumulated Deferred Income Taxes	(3,182,068)	21	(3,182,047)
10	Regulatory Assets & Liabilities, Net	184,044	-	184,044
11	Deferred Costs	33,496	-	33,496
12	Operating Reserves	(319,522)	-	(319,522)
13	Asset Retirement Obligation	(19,057)	-	(19,057)
14	Deferred Liabilities	(104,720)	-	(104,720)
15	Customer Deposits	(127,836)	-	(127,836)
16	Customer Advances	(90,599)	-	(90,599)
17				
18		-	-	-
19		-	-	-
20		-	-	-
21		-	-	-
22		-	-	-
23		-	-	-
24	Rate Base	<u>\$ 8,277,117</u>	<u>\$ (8,404)</u>	<u>\$ 8,268,713</u>

Commonwealth Edison Company
Adjustments to Rate Base
For the Filing Year Ending December 31, 2015
(In Thousands)

Line No.	Description	Cash Working Capital (Sch 5.10 FY)	(Source)	Annual Incentive Program Costs (Sch 4.01)	Amounts Associated with AIP (Sch 4.02)	Employee Savings Plan (Sch 4.03)	(Source)	(Source)	Subtotal Rate Base Adjustments
	(a)	(b)	(g)	(d)	(e)	(f)	(g)	(h)	(i)
1	Distribution Plant	\$ -	\$ -	\$ (3,000)	\$ (230)	\$ -	\$ -	\$ -	\$ (3,230)
2	G & I Plant	-	-	-	-	(756)	-	-	(756)
3	Accumulated Depreciation on Distribution Plant	-	-	-	79	-	-	-	79
4	Accumulated Depreciation on G & I Plant	-	-	-	-	19	-	-	19
5	Net Plant	-	-	(3,000)	(151)	(737)	-	-	(3,888)
6	Construction Work in Progress	-	-	-	-	-	-	-	-
7	Cash Working Capital	(4,537)	-	-	-	-	-	-	(4,537)
8	Materials & Supplies Inventories	-	-	-	-	-	-	-	-
9	Accumulated Deferred Income Taxes	-	-	-	17	4	-	-	21
10	Regulatory Assets & Liabilities, Net	-	-	-	-	-	-	-	-
11	Deferred Costs	-	-	-	-	-	-	-	-
12	Operating Reserves	-	-	-	-	-	-	-	-
13	Asset Retirement Obligation	-	-	-	-	-	-	-	-
14	Deferred Liabilities	-	-	-	-	-	-	-	-
15	Customer Deposits	-	-	-	-	-	-	-	-
16	Customer Advances	-	-	-	-	-	-	-	-
17	-	-	-	-	-	-	-	-	-
18	-	-	-	-	-	-	-	-	-
19	-	-	-	-	-	-	-	-	-
20	-	-	-	-	-	-	-	-	-
21	-	-	-	-	-	-	-	-	-
22	-	-	-	-	-	-	-	-	-
23	-	-	-	-	-	-	-	-	-
24	Rate Base	<u>\$ (4,537)</u>	<u>\$ -</u>	<u>\$ (3,000)</u>	<u>\$ (134)</u>	<u>\$ (733)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,404)</u>

Commonwealth Edison Company
Revenue Effect of Adjustments
For the Filing Year Ending December 31, 2015
(In Thousands)

Line No.	Description (a)	Per Company (b)	Adjustments (c)	As Adjusted (d)
1	Present Revenues	\$ 2,478,548 ⁽¹⁾	\$ -	\$ 2,478,548 ⁽²⁾
2	Increase	<u>90,330 ⁽³⁾</u>	<u>(6,753) ⁽⁴⁾</u>	<u>83,577 ⁽⁵⁾</u>
3	Revenues	<u>\$ 2,568,878</u>	<u>\$ (6,753)</u>	<u>\$ 2,562,125</u>
4	% Increase	3.64%		3.37%
5	Adjustments:			
6	Annual Incentive Program Costs (Sch 4.01)		(3,967)	
7	Employee Savings Plan (Sch 4.03)		(1,018)	
8	Outside Services Expenses (Sch 2.04)		(819)	
9	Amounts Associated with AIP (Sch 4.02)		(455)	
10	Cash Working Capital (Sch 5.10 FY)		(455)	
11	Industry Association Dues (Staff IB)		(42)	
12	Gross Revenue Conversion Factor		1	
13	Rate of Return (Applied to Company Rate Base)		3	
14	Interest Synchronization (Sch 5.06 FY)		3	
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30	Rounding		<u>(4)</u>	
31	Total Revenue Effect of Staff Adjustments		<u>\$ (6,753)</u>	

Sources:

- (1) Schedule 5.01 FY, column (b), line 5
- (2) Schedule 5.01 FY, column (d), line 5
- (3) Schedule 5.01 FY, column (e), line 5
- (4) Schedule 5.01 FY, columns (f) + (h), line 5
- (5) Schedule 5.01 FY, column (i), line 26

Commonwealth Edison Company
Interest Synchronization Adjustment
 For the Filing Year Ending December 31, 2015
 (In Thousands)

Line No.	Description	Amount
	(a)	(b)
1	Rate Base	\$ 8,268,713 (1)
2	Weighted Cost of Debt	2.82% (2)
3	Synchronized Interest Per Staff	233,178
4	Company Interest Expense	<u>233,415</u> (3)
5	Increase (Decrease) in Interest Expense	<u>(237)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 9.500%	<u>\$ 23</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ 75</u>

(1) Source: Sch. 1.03 FY, column (d), line 24.

(2) Source: ComEd Ex. 9.05, p. 27, line 2.

(3) Source: ComEd Ex. 12.01, App 3

Commonwealth Edison Company
Gross Revenue Conversion Factor
 For the Filing Year Ending December 31, 2015
 (In Thousands)

Line No.	Description	Rate	With Bad Debts	Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.0000%	<u>0.000000</u>	
3	State Taxable Income		1.000000	1.000000
4	State Income Tax	9.5000%	<u>0.095000</u>	<u>0.095000</u>
5	Federal Taxable Income		0.905000	0.905000
6	Federal Income Tax	35.0000%	<u>0.316750</u>	<u>0.316750</u>
7	Operating Income		<u>0.588250</u>	<u>0.588250</u>
8	Gross Revenue Conversion Factor Per Order		<u>1.699958</u>	<u>1.699958</u>

Commonwealth Edison Company
Reconciliation Computation for the Reconciliation Year Ending December 31, 2014
For the Filing Year Ending December 31, 2015
(In Thousands)

Line No.	Description	Source	Amt	(d)	(e)	(f)	(g)
	(a)	(b)	(c)				
1a	Actual Revenue Requirement	Sch 1.01 RY, column (i), line 1	\$ 2,258,531				
	Revenue Requirement in effect during						
1b	Reconciliation Year	ComEd Ex. 2.01, p. 6, line 1b	\$ 2,187,317				
1c	Variance - Reconciliation Before Interest	(Ln 1a) - (Ln 1b)	\$ 71,214				
1d	ROE Collar Adjustment	Sch 1.09 FY, column b, line 36	\$ -				
1e	Variance With Collar	(Ln 1c) + (Ln 1d)	\$ 71,214				
2	Overall Rate of Return (%)	ComEd Ex. 3.05, p. 29.	7.02%				
			<u>Variance</u>	<u>Interest Rate</u>	<u>Months</u>	<u>Interest</u>	<u>Surcharge (Refund)</u>
			(Ln 1e) / 12	Ln 2/12		(c) * (d) * (e)	(c) + (f)
2014							
3	Jan		\$ 5,935	0.5850%	11.5	\$ 399	\$ 6,334
4	Feb		\$ 5,935	0.5850%	10.5	\$ 365	\$ 6,299
5	Mar		\$ 5,935	0.5850%	9.5	\$ 330	\$ 6,264
6	Apr		\$ 5,935	0.5850%	8.5	\$ 295	\$ 6,230
7	May		\$ 5,935	0.5850%	7.5	\$ 260	\$ 6,195
8	Jun		\$ 5,935	0.5850%	6.5	\$ 226	\$ 6,160
9	Jul		\$ 5,935	0.5850%	5.5	\$ 191	\$ 6,125
10	Aug		\$ 5,935	0.5850%	4.5	\$ 156	\$ 6,091
11	Sep		\$ 5,935	0.5850%	3.5	\$ 122	\$ 6,056
12	Oct		\$ 5,935	0.5850%	2.5	\$ 87	\$ 6,021
13	Nov		\$ 5,935	0.5850%	1.5	\$ 52	\$ 5,987
14	Dec		\$ 5,935	0.5850%	0.5	\$ 17	\$ 5,952
15	Total	Sum of (Ln 5) thru (Ln 16)	\$ 71,214			\$ 2,500	\$ 73,714
			<u>Balance</u>	<u>Interest Rate</u>	<u>Months</u>	<u>Interest</u>	<u>Balance</u>
				Ln 4/12		(c) * (d) * (e)	(c) + (f)
2015							
16	Jan - Dec	Col G Ln 15	\$ 73,714	0.5850%	12	\$ 5,175	\$ 78,888
			<u>Balance</u>	<u>Interest Rate</u>		<u>Amort</u>	<u>Balance</u>
				Ln 4/12		(2')	(c) + (c) * (d) - (f)
2016							
17	Jan	Col G Ln 16	\$ 78,888	0.5850%		\$ 6,827	\$ 72,523
18	Feb	Col G Ln 17	\$ 72,523	0.5850%		\$ 6,827	\$ 66,121
19	Mar	Col G Ln 18	\$ 66,121	0.5850%		\$ 6,827	\$ 59,681
20	Apr	Col G Ln 19	\$ 59,681	0.5850%		\$ 6,827	\$ 53,203
21	May	Col G Ln 20	\$ 53,203	0.5850%		\$ 6,827	\$ 46,688
22	Jun	Col G Ln 21	\$ 46,688	0.5850%		\$ 6,827	\$ 40,134
23	Jul	Col G Ln 22	\$ 40,134	0.5850%		\$ 6,827	\$ 33,542
24	Aug	Col G Ln 23	\$ 33,542	0.5850%		\$ 6,827	\$ 26,912
25	Sep	Col G Ln 24	\$ 26,912	0.5850%		\$ 6,827	\$ 20,243
26	Oct	Col G Ln 25	\$ 20,243	0.5850%		\$ 6,827	\$ 13,534
27	Nov	Col G Ln 26	\$ 13,534	0.5850%		\$ 6,827	\$ 6,787
28	Dec	Col G Ln 27	\$ 6,787	0.5850%		\$ 6,827	\$ (0)
29	Variance with Interest	Sum of (Ln 17) thru (Ln 28)				\$ 81,920	
30	Remove ROE Collar Adjustment (3')	Col C Ln 1d				\$ -	To Sch 1.01 FY, col (i), line 4
31	Reconciliation with Interest	(Ln 29) - (Ln 30)				\$ 81,920	To Sch 1.01 FY, col (i), line 3

Commonwealth Edison Company
ROE Collar Computation for the Reconciliation Year Ending December 31, 2013
For the Filing Year Ending December 31, 2015
(In Thousands)

Line No.	Description (a)	Per Staff (b)	Source (c)
1	DS Rate Base Capital Structure	\$ 7,078,308	Sch 1.03 RY, Column (d), Ln 24
2	Common Equity %	46.25%	ComEd Ex. 2.05, p. 28 - Schedule D-1 F
3	Short-Term Debt %	0.57%	ComEd Ex. 2.05, p. 28 - Schedule D-1 F
4	Long-Term Debt %	53.18%	ComEd Ex. 2.05, p. 28 - Schedule D-1 F
5	DS Equity Balance	\$ 3,273,717	Ln 1 x Ln 2
6	DS Short-Term Debt Balance	\$ 40,346	Ln 1 x Ln 3
7	DS Long-Term Debt Balance	\$ 3,764,244	Ln 1 x Ln 4
8	Cost of Short-Term Debt (%)	0.33%	ComEd Ex. 2.05, p. 28 - Schedule D-1 F
9	Cost of Long-Term Debt (%)	5.24%	ComEd Ex. 2.05, p. 28 - Schedule D-1 F
10	DS Operating Revenue	\$ 2,328,475	FERC Fm 1, p. 450.2
11	Accrued Reconciliation & Collar Revenues	\$ 73,000	FERC Fm 1, p. 450.2
12	Updated Reconciliation Amount (Var. bef. Collar)	\$ 71,214	Sch. 1.08 FY, col (c), Ln 1c
13	LIHEAP & Uncollectibles Revenue	\$ 46,402	ComEd Schedule FR A-3, line 13
14	Other Revenue	\$ 130,999	Sch. 1.01 RY, col (i), Ln. 2
15	DS Applicable Operating Revenue	\$ 2,411,286	Ln 10 - Ln 11 + Ln 12 - Ln 13 + Ln 14
16	Total DS Operating Expenses	\$ 1,704,166	Sch 1.01 RY, Column (d), Ln 18
17	DS Operating Income Before Interest & Taxes	\$ 707,120	Ln 15 - Ln 16
18	DS Short-Term Interest Expense	\$ 133	Ln 6 x Ln 8
19	DS Long-Term Interest Expense	\$ 197,246	Ln 7 x Ln 9
20	Credit Facilities Expense	\$ 2,123	Ln 1 x Credit Facilities % from ROR
21	DS Operating Income before Taxes	\$ 507,618	Ln 17 - Ln 18 - Ln 19 - Ln 20
22	Income Tax Rate (%)	41.175%	
23	DS Income Taxes	\$ 209,012	Ln 21 x Ln 22
24	Impact of ITCs & Permanent Tax Differences	\$ (11,545)	Sch FR A-3
25	DS Net Income	\$ 310,151	Ln 21 - Ln 23 - Ln 24
26	DS ROE (%)	9.47%	Ln 25 / Ln 5
ROE Collar			
27	Allowed ROE (%)	9.09%	ComEd Schedule FR A-1
28	Maximum Allowed ROE (%)	9.59%	Ln 27 + .5%
29	Minimum Allowed ROE (%)	8.59%	Ln 27 - .5%
30	Percent Above Maximum Allowed ROE (%)	0.00%	
31	Amount Above Allowed ROE Collar	\$ -	Ln 5 x Ln 30
32	Percent Below Minimum Allowed ROE (%)	0.00%	Ln 29 - Ln 26
33	Amount Below Allowed ROE Collar	\$ -	Ln 5 x Ln 32
34	ROE Collar Adj After Tax	\$ -	Ln 31 + Ln 33
35	ROE Collar Tax Gross-up	\$ -	Ln 34 x Ln 22/(1- Ln 22)
36	ROE Collar Adj	\$ -	Ln 34 + Ln 35

Commonwealth Edison Company
Cash Working Capital Adjustment
For the Filing Year Ending December 31, 2015
(In Thousands)

Line	Description (a)	Amount (b)	Lag (Lead) (c)	CWC Factor (d) (c/365)	CWC Requirement (e) (b*d)	Column b Source (f)
1	Revenues	\$ 1,207,755	49.54	0.13573	\$ 163,924	Schedule 5.10 FY, Page 2, Column b, Line 9
2	Collections of Pass-through Taxes:					
3	Energy Assistance/Renewable Energy	46,118	0.00	0.00000	-	Line 32 below
4	Gross Receipts/Municipal Utility Tax	257,220	0.00	0.00000	-	Line 33 below
5	Illinois Excise Tax	257,883	34.33	0.09405	24,255	Line 34 below
6	City of Chicago Infrastructure Maintenance F	89,716	34.33	0.09405	8,438	Line 35 below
7	Total Receipts	<u>\$ 1,858,692</u>			<u>\$ 196,617</u>	Sum of Lines 1 through 6
8	Base Payroll and Withholdings	\$ 290,350	(16.19)	(0.04436)	\$ (12,879)	Schedule 5.10 FY, Page 2, Column b, Line 31
9	Vacation Pay Expense	-	(16.19)	(0.04436)	-	
10	Incentive Pay Expense	37,281	(239.50)	(0.65616)	(24,462)	ComEd Ex. 2.01, APP 3, Line 50
11	Employee Benefits - Pension & OPEB	77,407	0.00	0.00000	-	ComEd Ex. 2.01, APP 3, Line 51
12	Employee Benefits - Other	53,197	(4.19)	(0.01148)	(611)	ComEd Ex. 2.01, APP 3, Line 52
13	Inter-Company billings - Less Pass-throughs	90,544	(45.21)	(0.12386)	(11,215)	ComEd Ex. 2.01, APP 3, Line 53
14	Inter-Company billings - Pass-throughs	73,683	(45.21)	(0.12386)	(9,127)	ComEd Ex. 2.01, APP 3, Line 54
15	Property Leases	23,969	(2.91)	(0.00797)	(191)	ComEd Ex. 2.01, APP 3, Line 55
16	Other Operations and Maintenance Expenses	396,530	(87.33)	(0.23926)	(94,874)	Schedule 5.10 FY, Page 2, Column b, Line 25
17	Property/Real Estate Tax	14,641	(336.37)	(0.92156)	(13,493)	ComEd Ex. 2.01, APP 3, Line 57
18	FICA Tax	23,291	(16.19)	(0.04436)	(1,033)	ComEd Ex. 2.01, APP 3, Line 58
19	Federal Unemployment Tax	-	(76.38)	(0.20926)	-	ComEd Ex. 2.01, APP 3, Line 59
20	State Unemployment Tax	-	(76.38)	(0.20926)	-	ComEd Ex. 2.01, APP 3, Line 60
21	Electricity Distribution Tax	101,883	(31.13)	(0.08529)	(8,689)	ComEd Ex. 2.01, APP 3, Line 61
22	State Franchise Tax	1,686	(191.64)	(0.52504)	(885)	ComEd Ex. 2.01, APP 3, Line 62
23	City of Chicago Dark Fiber Tax	-	0.00	0.00000	-	ComEd Ex. 2.01, APP 3, Line 63
24	401K Match	-	0.00	0.00000	-	ComEd Ex. 2.01, APP 3, Line 64
25	State Public Utility Fund Tax	3,836	(38.64)	(0.10586)	(406)	ComEd Ex. 2.01, APP 3, Line 65
26	Illinois Sales and Use Tax	(2,640)	(2.51)	(0.00688)	18	ComEd Ex. 2.01, APP 3, Line 66
27	Chicago Sales and Use Tax	69	(228.50)	(0.62603)	(43)	ComEd Ex. 2.01, APP 3, Line 67
28	Interest Expense	233,178	(90.88)	(0.24899)	(58,058)	Schedule 5.06 FY, Column b, Line 3
29	State Income Tax	(48,715)	(37.88)	(0.10378)	5,056	Schedule 5.01 FY, Column i, Line 19
30	Federal Income Tax	(162,434)	(37.88)	(0.10378)	16,858	Schedule 5.01 FY, Column i, Line 20
31	Payments of Pass-through Taxes					
32	Energy Assistance/Renewable Energy	46,118	(31.46)	(0.08619)	(3,975)	ComEd Ex. 2.01, APP 3, Line 72
33	Gross Receipts/Municipal Utility Tax	257,220	(37.35)	(0.10233)	(26,321)	ComEd Ex. 2.01, APP 3, Line 73
34	Illinois Excise Tax	257,883	(0.24)	(0.00066)	(170)	ComEd Ex. 2.01, APP 3, Line 74
35	City of Chicago Infrastructure Maintenance F	89,716	(26.00)	(0.07123)	(6,391)	ComEd Ex. 2.01, APP 3, Line 75
36	not used	-	0.00	0.00000	-	NA
37	Total Outlays	<u>\$ 1,858,693</u>			<u>\$ (250,891)</u>	Sum of Lines 8 through 36
38	Cash Working Capital per Staff				\$ (54,274)	Line 7 plus line 37
39	Cash Working Capital per Company				(49,737)	ComEd Ex. 12.01, APP 3, Line 80
40	Difference -- Adjustment per Staff				<u>\$ (4,537)</u>	Line 38 minus Line 39

Commonwealth Edison Company
Cash Working Capital Adjustment
For the Filing Year Ending December 31, 2015
(In Thousands)

<u>Line</u>	<u>Description</u> (a)	<u>Amount</u> (b)	<u>Source</u> (c)
1	Total Operating Revenues	\$ 2,562,125	Schedule 5.01 FY , Column i, Line 5
2	Uncollectible Accounts	-	Schedule 5.01 FY , Column i, Line 6
3	Depreciation & Amortization	(472,987)	Schedule 5.01 FY , Column i, Line 12
4	Regulatory Debits	(43,285)	ComEd Ex. 2.02, WP 3-1b, Line 4
5	Less: Pension Asset Cost Funding	(51,984)	ComEd Ex. 2.02, WP 3-1b, Line 5
6	Less Deferred Taxes and ITC	(436,347)	Schedule 5.01 FY , Column i, Line 21
7	City of Chicago Dark Fiber Tax	-	NA
8	Return on Equity	(349,767)	Line 12 below
9	Total Revenues for CWC calculation	<u>\$ 1,207,755</u>	Sum of Lines 1 through 8
10	Total Rate Base	\$ 8,268,713	Schedule 5.03 FY , Column d, Line 24
11	Weighted Cost of Capital	4.23%	ICC Staff Ex. 3.0, p. 3
12	Return on Equity	<u>\$ 349,767</u>	Line 10 times Line 11
13	Operating Expense Before Income Taxes	\$ 1,753,983	Schedule 5.01 FY , Column i, Line 18
14	Payroll Expense	(327,631)	ComEd Ex. 2.02, WP 3-1b, Line 14
15	Intercompany billings - Less Pass-throughs	(90,544)	ComEd Ex. 2.02, WP 3-1b, Line 15
16	Intercompany billings - Pass-throughs	(73,683)	ComEd Ex. 2.02, WP 3-1b, Line 16
17	Employee Benefits Expense - Pension and OPEB	(77,407)	ComEd Ex. 2.02, WP 3-1b, Line 17
18	Employee Benefits Expense - Other	(53,197)	ComEd Ex. 2.02, WP 3-1b, Line 18
19	Uncollectible Accounts	-	Schedule 5.01 FY , Column i, Line 6
20	Depreciation & Amortization	(472,987)	Schedule 5.01 FY , Column i, Line 12
21	Regulatory Debits	(43,285)	ComEd Ex. 2.02, WP 3-1b, Line 4
22	Pension Asset Cost Funding	(51,984)	ComEd Ex. 2.02, WP 3-1b, Line 5
23	Taxes Other Than Income	(142,766)	Schedule 5.10 FY, p. 1, Column b, sum line 17 through 27
24	Property Leases	(23,969)	ComEd Ex. 2.02, WP 3-1b, Line 24
25	Other Operations & Maintenance for CWC Calculation	<u>\$ 396,530</u>	Sum of Lines 13 through 24
26	Direct O & M Payroll per Company	\$ 367,684	ComEd Ex. 2.02, WP 3-1b, Line 26
27	less: Power Production Payroll	(1,414)	ComEd Ex. 2.02, WP 3-1b, Line 27
28	less: Transmission Payroll	(38,529)	ComEd Ex. 2.02, WP 3-1b, Line 28
29	less: Payroll Taxes on Supply	(110)	ComEd Ex. 2.02, WP 3-1b, Line 29
30	less: Net Incentive Pay	(37,281)	ComEd Ex. 2.02, WP 3-1b, Line 30
31	Direct Payroll and Incentive Compensation	<u>\$ 290,350</u>	Sum of Lines 26 through 30

Commonwealth Edison Company
Adjustments to Operating Income
For the Reconciliation Year Ending December 31, 2014
(In Thousands)

Line No.	Description	Interest Synchronization (Sch 5.06 RY)	Industry Association Dues (Staff IB)	(Source)	(Source)	Outside Services Expenses (Sch 2.04)	Annual Incentive Program Costs (Sch 4.01)	Amounts Associated with AIP (Sch 4.02)	Subtotal Operating Statement Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Revenue Requirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Other Revenues	-	-	-	-	-	-	-	-
3		-	-	-	-	-	-	-	-
4		-	-	-	-	-	-	-	-
5	Total	-	-	-	-	-	-	-	-
6	Uncollectibles Expense	-	-	-	-	-	-	-	-
7	Distribution	-	-	-	-	-	(3,435)	-	(3,435)
8	Customer Accounts Expenses	-	-	-	-	-	-	-	-
9	Customer Services and Informational Exp.	-	-	-	-	-	-	-	-
10	Sales Expenses	-	-	-	-	-	-	-	-
11	Administrative and General Expense	-	(43)	-	-	(518)	(519)	-	(1,080)
12	Depreciation and Amortization Expense	-	-	-	-	-	-	(79)	(79)
13	Taxes Other Than Income	-	-	-	-	-	-	(302)	(302)
14	Reg Asset Amort. & Other Expense Adj	-	-	-	-	-	-	-	-
15	Pension Asset Funding Cost	-	-	-	-	-	-	-	-
16		-	-	-	-	-	-	-	-
17	Total Operating Expense	-	(43)	-	-	(518)	(3,954)	(381)	(4,896)
18	Before Income Taxes	-	(43)	-	-	(518)	(3,954)	(381)	(4,896)
19	State Income Tax	9	4	-	-	49	376	36	474
20	Federal Income Tax	29	14	-	-	164	1,252	121	1,580
21	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-
22	Total Operating Expenses	<u>38</u>	<u>(25)</u>	<u>-</u>	<u>-</u>	<u>(305)</u>	<u>(2,326)</u>	<u>(224)</u>	<u>(2,842)</u>
23	NET OPERATING INCOME	<u>\$ (38)</u>	<u>\$ 25</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 305</u>	<u>\$ 2,326</u>	<u>\$ 224</u>	<u>\$ 2,842</u>

Commonwealth Edison Company
Rate Base
For the Reconciliation Year Ending December 31, 2014
(In Thousands)

Line No.	Description (a)	Company Jurisdictional Rate Base (Co. Ex. 12.01 p. 7) (b)	Adjustments (Sch 5.04 RY) (c)	Jurisdictional Rate Base per Staff (Col. b+c) (d)
1	Distribution Plant	\$ 15,472,235	\$ (3,230)	\$ 15,469,005
2	G & I Plant	1,730,225	(756)	1,729,469
3	Accumulated Depreciation on Distribution Plant	(5,721,892)	79	(5,721,813)
4	Accumulated Depreciation on G & I Plant	(815,276)	19	(815,257)
5	Net Plant	<u>10,665,292</u>	<u>(3,888)</u>	<u>10,661,404</u>
6	Construction Work in Progress	20,166	-	20,166
7	Cash Working Capital	(47,098)	609	(46,489)
8	Materials & Supplies Inventories	52,692	-	52,692
9	Accumulated Deferred Income Taxes	(3,165,292)	21	(3,165,271)
10	Regulatory Assets & Liabilities, Net	184,044	-	184,044
11	Deferred Costs	33,496	-	33,496
12	Operating Reserves	(319,522)	-	(319,522)
13	Asset Retirement Obligation	(19,057)	-	(19,057)
14	Deferred Liabilities	(104,720)	-	(104,720)
15	Customer Deposits	(127,836)	-	(127,836)
16	Customer Advances	(90,599)	-	(90,599)
17				
18		-	-	-
19		-	-	-
20		-	-	-
21		-	-	-
22		-	-	-
23		<u>-</u>	<u>-</u>	<u>-</u>
24	Rate Base	<u>\$ 7,081,566</u>	<u>\$ (3,258)</u>	<u>\$ 7,078,308</u>

Commonwealth Edison Company
Adjustments to Rate Base
For the Reconciliation Year Ending December 31, 2014
(In Thousands)

Line No.	Description	Cash Working Capital (Sch 5.10 RY)	(Source)	Annual Incentive Program Costs (Sch 4.01)	Amounts Associated with AIP (Sch 4.02)	Employee Savings Plan (Sch 4.03)	(Source)	(Source)	Subtotal Rate Base Adjustments
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Distribution Plant	\$ -	\$ -	\$ (3,000)	\$ (230)	\$ -	\$ -	\$ -	\$ (3,230)
2	G & I Plant	-	-	-	-	(756)	-	-	(756)
3	Accumulated Depreciation on Distribution Plant	-	-	-	79	-	-	-	79
4	Accumulated Depreciation on G & I Plant	-	-	-	-	19	-	-	19
5	Net Plant	-	-	(3,000)	(151)	(737)	-	-	(3,888)
6	Construction Work in Progress	-	-	-	-	-	-	-	-
7	Cash Working Capital	609	-	-	-	-	-	-	609
8	Materials & Supplies Inventories	-	-	-	-	-	-	-	-
9	Accumulated Deferred Income Taxes	-	-	-	17	4	-	-	21
10	Regulatory Assets & Liabilities, Net	-	-	-	-	-	-	-	-
11	Deferred Costs	-	-	-	-	-	-	-	-
12	Operating Reserves	-	-	-	-	-	-	-	-
13	Asset Retirement Obligation	-	-	-	-	-	-	-	-
14	Deferred Liabilities	-	-	-	-	-	-	-	-
15	Customer Deposits	-	-	-	-	-	-	-	-
16	Customer Advances	-	-	-	-	-	-	-	-
17	-	-	-	-	-	-	-	-	-
18	-	-	-	-	-	-	-	-	-
19	-	-	-	-	-	-	-	-	-
20	-	-	-	-	-	-	-	-	-
21	-	-	-	-	-	-	-	-	-
22	-	-	-	-	-	-	-	-	-
23	-	-	-	-	-	-	-	-	-
24	Rate Base	\$ 609	\$ -	\$ (3,000)	\$ (134)	\$ (733)	\$ -	\$ -	\$ (3,258)

Commonwealth Edison Company
Revenue Effect of Adjustments
For the Reconciliation Year Ending December 31, 2014
(In Thousands)

Line No.	Description (a)	Per Company (b)	Adjustments (c)	As Adjusted (d)
1	Present Revenues	\$ 2,362,242 ⁽¹⁾	\$ -	\$ 2,362,242 ⁽²⁾
2	Increase	<u>33,523 ⁽³⁾</u>	<u>(6,235) ⁽⁴⁾</u>	<u>27,288 ⁽⁵⁾</u>
3	Revenues	<u>\$ 2,395,765</u>	<u>\$ (6,235)</u>	<u>\$ 2,389,530</u>
4	% Increase	1.42%		1.16%
5	Adjustments:			
6	Annual Incentive Program Costs (Sch 4.01)		(3,967)	
7	Employee Savings Plan (Sch 4.03)		(1,018)	
8	Outside Services Expenses (Sch 2.04)		(817)	
9	Amounts Associated with AIP (Sch 4.02)		(454)	
10	Industry Association Dues (Staff IB)		(42)	
11	Gross Revenue Conversion Factor		-	
12	Interest Synchronization (Sch 5.06 RY)		1	
13	Rate of Return (Applied to Company Rate Base)		3	
14	Cash Working Capital (Sch 5.10 RY)		61	
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30	Rounding		<u>(2)</u>	
31	Total Revenue Effect of Staff Adjustments		<u>\$ (6,235)</u>	

Sources:

- (1) Schedule 5.01 RY, column (b), line 5
- (2) Schedule 5.01 RY, column (d), line 5
- (3) Schedule 5.01 RY, column (e), line 5
- (4) Schedule 5.01 RY, columns (f) + (h), line 5
- (5) Schedule 5.01 RY, column (i), line 26

Commonwealth Edison Company
Interest Synchronization Adjustment
 For the Reconciliation Year Ending December 31, 2014
 (In Thousands)

Line No.	Description	Amount
	(a)	(b)
1	Rate Base	\$ 7,078,308 (1)
2	Weighted Cost of Debt	2.82% (2)
3	Synchronized Interest Per Staff	199,608
4	Company Interest Expense	<u>199,700</u> (3)
5	Increase (Decrease) in Interest Expense	<u>(92)</u>
6	Increase (Decrease) in State Income Tax Expense	
7	at 9.500%	<u>\$ 9</u>
8	Increase (Decrease) in Federal Income Tax Expense	
9	at 35.000%	<u>\$ 29</u>

(1) Source: Sch. 1.03 FY, column (d), line 24

(2) Source: ComEd Ex. 9.03, p. 24, line 2.

(3) Source: ComEd Ex. 12.01, App 3

Commonwealth Edison Company
Gross Revenue Conversion Factor
 For the Reconciliation Year Ending December 31, 2014
 (In Thousands)

Line No.	Description	Rate	With Bad Debts	Without Bad Debts
	(a)	(b)	(c)	(d)
1	Revenues		1.000000	
2	Uncollectibles	0.0000%	<u>0.000000</u>	
3	State Taxable Income		1.000000	1.000000
4	State Income Tax	9.5000%	<u>0.095000</u>	<u>0.095000</u>
5	Federal Taxable Income		0.905000	0.905000
6	Federal Income Tax	35.0000%	<u>0.316750</u>	<u>0.316750</u>
7	Operating Income		<u>0.588250</u>	<u>0.588250</u>
8	Gross Revenue Conversion Factor Per Order		<u>1.699958</u>	<u>1.699958</u>

Commonwealth Edison Company
Cash Working Capital Adjustment
For the Reconciliation Year Ending December 31, 2014
(In Thousands)

Line	Description (a)	Amount (b)	Lag (Lead) (c)	CWC Factor (d) (c/365)	CWC Requirement (e) (b*d)	Column b Source (f)
1	Revenues	\$ 1,087,638	49.54	0.13573	\$ 147,621	Schedule 5.10 RY, Page 2, Column b, Line 9
2	Collections of Pass-through Taxes:					
3	Energy Assistance/Renewable Energy	46,118	0.00	0.00000	-	Line 32 below
4	Gross Receipts/Municipal Utility Tax	257,220	0.00	0.00000	-	Line 33 below
5	Illinois Excise Tax	257,883	34.33	0.09405	24,255	Line 34 below
6	City of Chicago Infrastructure Maintenance F	89,716	34.33	0.09405	8,438	Line 35 below
7	Total Receipts	<u>\$ 1,738,575</u>			<u>\$ 180,314</u>	Sum of Lines 1 through 6
8	Base Payroll and Withholdings	\$ 290,350	(16.19)	(0.04436)	\$ (12,879)	Schedule 5.10 FY, Page 2, Column b, Line 31
9	Vacation Pay Expense	-	(16.19)	(0.04436)	-	
10	Incentive Pay Expense	37,281	(239.50)	(0.65616)	(24,462)	ComEd Ex. 3.01, APP 3, Line 10
11	Employee Benefits - Pension & OPEB	77,407	0.00	0.00000	-	ComEd Ex. 2.01, APP 3, Line 11
12	Employee Benefits - Other	53,197	(4.19)	(0.01148)	(611)	ComEd Ex. 2.01, APP 3, Line 12
13	Inter-Company billings - Less Pass-throughs	90,544	(45.21)	(0.12386)	(11,215)	ComEd Ex. 2.01, APP 3, Line 13
14	Inter-Company billings - Pass-throughs	73,683	(45.21)	(0.12386)	(9,127)	ComEd Ex. 2.01, APP 3, Line 14
15	Property Leases	23,969	(2.91)	(0.00797)	(191)	ComEd Ex. 2.01, APP 3, Line 15
16	Other Operations and Maintenance Expenses	346,713	(87.33)	(0.23926)	(82,955)	Schedule 5.10 FY, Page 2, Column b, Line 25
17	Property/Real Estate Tax	14,641	(336.37)	(0.92156)	(13,493)	ComEd Ex. 2.01, APP 3, Line 17
18	FICA Tax	23,291	(16.19)	(0.04436)	(1,033)	ComEd Ex. 2.01, APP 3, Line 18
19	Federal Unemployment Tax	-	(76.38)	(0.20926)	-	ComEd Ex. 2.01, APP 3, Line 19
20	State Unemployment Tax	-	(76.38)	(0.20926)	-	ComEd Ex. 2.01, APP 3, Line 20
21	Electricity Distribution Tax	101,883	(31.13)	(0.08529)	(8,689)	ComEd Ex. 2.01, APP 3, Line 21
22	State Franchise Tax	1,686	(191.64)	(0.52504)	(885)	ComEd Ex. 2.01, APP 3, Line 22
23	City of Chicago Dark Fiber Tax	-	0.00	0.00000	-	ComEd Ex. 2.01, APP 3, Line 23
24	401K Match	-	0.00	0.00000	-	ComEd Ex. 2.01, APP 3, Line 24
25	State Public Utility Fund Tax	3,836	(38.64)	(0.10586)	(406)	ComEd Ex. 2.01, APP 3, Line 25
26	Illinois Sales and Use Tax	(2,640)	(2.51)	(0.00688)	18	ComEd Ex. 2.01, APP 3, Line 26
27	Chicago Sales and Use Tax	69	(228.50)	(0.62603)	(43)	ComEd Ex. 2.01, APP 3, Line 27
28	Interest Expense	199,608	(90.88)	(0.24899)	(49,700)	Schedule 5.06 FY, Column b, Line 3
29	State Income Tax	(57,189)	(37.88)	(0.10378)	5,935	Schedule 5.01 FY, Column i, Line 19
30	Federal Income Tax	(190,691)	(37.88)	(0.10378)	19,790	Schedule 5.01 FY, Column i, Line 20
31	Payments of Pass-through Taxes					
32	Energy Assistance/Renewable Energy	46,118	(31.46)	(0.08619)	(3,975)	ComEd Ex. 2.01, APP 3, Line 32
33	Gross Receipts/Municipal Utility Tax	257,220	(37.35)	(0.10233)	(26,321)	ComEd Ex. 2.01, APP 3, Line 33
34	Illinois Excise Tax	257,883	(0.24)	(0.00066)	(170)	ComEd Ex. 2.01, APP 3, Line 34
35	City of Chicago Infrastructure Maintenance F	89,716	(26.00)	(0.07123)	(6,391)	ComEd Ex. 2.01, APP 3, Line 35
36	not used	-	0.00	0.00000	-	NA
37	Total Outlays	<u>\$ 1,738,575</u>			<u>\$ (226,803)</u>	Sum of Lines 8 through 36
38	Cash Working Capital per Staff				\$ (46,489)	Line 7 plus line 37
39	Cash Working Capital per Company				(47,098)	ComEd Ex. 12.01, APP 3, Line 40
40	Difference -- Adjustment per Staff				<u>\$ 609</u>	Line 38 minus Line 39

Commonwealth Edison Company
Cash Working Capital Adjustment
For the Reconciliation Year Ending December 31, 2014
(In Thousands)

<u>Line</u>	<u>Description</u>	<u>Amount</u>	<u>Source</u>
	(a)	(b)	(c)
1	Total Operating Revenues	\$ 2,389,530	Schedule 5.01 RY, Column i, Line 5
2	Uncollectible Accounts	-	Schedule 5.01 RY, Column i, Line 6
3	Depreciation & Amortization	(472,987)	Schedule 5.01 RY, Column i, Line 12
4	Regulatory Debits	(43,285)	ComEd Ex. 2.02, WP 3-1a, Line 4
5	Less: Pension Asset Cost Funding	(51,984)	ComEd Ex. 2.02, WP 3-1a, Line 5
6	Less Deferred Taxes and ITC	(436,347)	Schedule 5.01 RY, Column i, Line 21
7	City of Chicago Dark Fiber Tax	-	NA
8	Return on Equity	(297,289)	Line 12 below
9	Total Revenues for CWC calculation	<u>\$ 1,087,638</u>	Sum of Lines 1 through 8
10	Total Rate Base	\$ 7,078,308	Schedule 5.03 RY, Column d, Line 24
11	Weighted Cost of Capital	4.20%	ICC Staff Ex. 3.0, p. 3
12	Return on Equity	<u>\$ 297,289</u>	Line 10 times Line 11
13	Operating Expense Before Income Taxes	\$ 1,704,166	Schedule 5.01 RY, Column i, Line 18
14	Payroll Expense	(327,631)	ComEd Ex. 2.02, WP 3-1a, Line 14
15	Intercompany billings - Less Pass-throughs	(90,544)	ComEd Ex. 2.02, WP 3-1a, Line 15
16	Intercompany billings - Pass-throughs	(73,683)	ComEd Ex. 2.02, WP 3-1a, Line 16
17	Employee Benefits Expense - Pension and OPEB	(77,407)	ComEd Ex. 2.02, WP 3-1a, Line 17
18	Employee Benefits Expense - Other	(53,197)	ComEd Ex. 2.02, WP 3-1a, Line 18
19	Uncollectible Accounts	-	Schedule 5.01 RY, Column i, Line 6
20	Depreciation & Amortization	(472,987)	Schedule 5.01 RY, Column i, Line 12
21	Regulatory Debits	(43,285)	ComEd Ex. 2.02, WP 3-1a, Line 4
22	Pension Asset Cost Funding	(51,984)	ComEd Ex. 2.02, WP 3-1a, Line 5
23	Taxes Other Than Income	(142,766)	Schedule 5.10 RY, p. 1, Column b, sum line 17 through 27
24	Property Leases	(23,969)	ComEd Ex. 2.02, WP 3-1a, Line 24
25	Other Operations & Maintenance for CWC Calculation	<u>\$ 346,713</u>	Sum of Lines 13 through 24
26	Direct O & M Payroll per Company	\$ 367,684	ComEd Ex. 2.02, WP 3-1a, Line 26
27	less: Power Production Payroll	(1,414)	ComEd Ex. 2.02, WP 3-1a, Line 27
28	less: Transmission Payroll	(38,529)	ComEd Ex. 2.02, WP 3-1a, Line 28
29	less: Payroll Taxes on Supply	(110)	ComEd Ex. 2.02, WP 3-1a, Line 29
30	less: Net Incentive Pay	(37,281)	ComEd Ex. 2.02, WP 3-1a, Line 30
31	Direct Payroll and Incentive Compensation	<u>\$ 290,350</u>	Sum of Lines 26 through 30