

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

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

Direct Testimony of
CHAD A. NEWHOUSE
Manager,
Revenue Policy
Commonwealth Edison Company

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1 **I. INTRODUCTION**

2 **A. Witness Identification**

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

4 A. My name is Chad A. Newhouse. My business address is Three Lincoln Centre,
5 Oakbrook Terrace, Illinois 60181.

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

7 A. I am the Manager, Revenue Policy, of Commonwealth Edison Company (“ComEd”).

8 **B. Purpose of Direct Testimony**

9 **Q. What is the purpose of your direct testimony?**

10 A. My direct testimony has two principal purposes. First, I present the details underlying the
11 calculation of the three revenue requirements to be determined in this case: (1) the 2015
12 Reconciliation Revenue Requirement, (2) the 2017 Initial Rate Year Revenue
13 Requirement, and (3) the 2017 Rate Year Net Revenue Requirement.

14 • ComEd’s “2015 Reconciliation Revenue Requirement” is based upon actual costs
15 incurred in 2015 inclusive of ratemaking adjustments. This revenue requirement
16 is used to “reconcile” the 2015 actual costs to the revenue requirement in effect
17 during 2015, in accordance with Section 16-108.5(d)(1) of the Public Utilities Act
18 (“PUA”). The difference between the 2015 Reconciliation Revenue Requirement
19 and the revenue requirement in effect in 2015 is the 2015 reconciliation
20 adjustment, before interest is applied. The 2015 reconciliation is also discussed
21 by Ms. Christine M. Brinkman (ComEd Exhibit (“Ex.”) 1.0).

- 22 • ComEd's "2017 Initial Rate Year Revenue Requirement" includes ComEd's 2015
23 actual costs plus 2016 projected plant additions, and the associated Accumulated
24 Reserve for Depreciation and Amortization ("depreciation reserve"), Accumulated
25 Deferred Income Tax ("ADIT") roll-forward, and depreciation expense
26 adjustments.
- 27 • Finally, the reconciliation amount and an adjustment for the Return on Equity
28 ("ROE") Collar as described by Ms. Brinkman (ComEd Ex. 1.0) is added to (or
29 subtracted from) the 2017 Initial Rate Year Revenue Requirement to determine
30 the "2017 Rate Year Net Revenue Requirement," which will go into effect in
31 January 2017.

32 Second, I present and support the specific data that "populate" the Schedules and
33 Appendices that comprise the revenue requirement formula for purposes of determining
34 the 2017 Rate Year Net Revenue Requirement to be used in setting delivery service
35 charges for the 2017 Rate Year under ComEd's Rate DSPP - Delivery Service Pricing
36 and Performance ("Rate DSPP"). This provides the support for my calculations
37 referenced above. These Schedules and Appendices include most of the data provided
38 for under Part 285 of the Illinois Commerce Commission's ("Commission" or "ICC")
39 rules, 83 Ill. Admin. Code 285 ("Part 285"), although the Schedules and Appendices may
40 differ from the Part 285 schedules. I also present additional schedules and workpapers
41 consistent with the schedules, and workpapers required to support a delivery service
42 revenue requirement in a general rate case under Part 285.

43 Support for the delivery service revenue requirement components is provided in
44 my direct testimony and that of Ms. Brinkman (ComEd Ex. 1.0), Mr. Christ Siambekos

45 (ComEd Ex. 3.0), Ms. Jennifer Montague (ComEd Ex. 4.0), and Mr. Michael C. Moy
46 (ComEd Ex. 5.0).

47 **C. Summary of Conclusions**

48 **Q. What are the conclusions of your direct testimony?**

49 **A.** The conclusions of my direct testimony are: (1) ComEd's 2015 Reconciliation Revenue
50 Requirement based upon actual 2015 costs is \$2,411,921,000; (2) ComEd's 2017 Initial
51 Rate Year Revenue Requirement is \$2,571,164,000; and (3) ComEd's 2017 Rate Year
52 Net Revenue Requirement, to go into effect in January 2017, is \$2,652,852,000. More
53 specifically:

54 1) **2015 Reconciliation Revenue Requirement:** The 2015 Reconciliation Revenue
55 Requirement of \$2,411,921,000 is based on the following components:

56 **Rate Base** – ComEd's 2015 actual rate base was \$7,779,832,000, reflecting
57 adjustments.

58 **Operating Expenses and Other Revenues** – ComEd's 2015 actual operating
59 expenses before income taxes were \$1,826,041,000, after including income taxes
60 were \$2,110,780,000, and its Other Revenues were \$133,048,000, reflecting
61 adjustments (and the exclusion of costs recovered under other tariff mechanisms
62 and costs disallowed in past ICC orders for reasons other than timing, or in certain
63 cases, insufficiency of evidence) in ComEd's revenue requirement formula as
64 referred to in Schedule ("Sch") FR A-1 - REC, attached to my direct testimony in
65 ComEd Ex. 2.01.

66 **ComEd's Overall Weighted Average Cost of Capital** – ComEd's overall
67 weighted average cost of capital (its rate of return on its rate base) is 6.69% for
68 the reconciliation calculation, the key components of which are also discussed by
69 Mr. Siambekos (ComEd Ex. 3.0).

70 2) **Reconciliation of Delivery Service Revenue Requirement for 2015:** The
71 reconciliation of the 2015 Reconciliation Revenue Requirement and the revenue
72 requirement in effect in 2015 (i.e., the former minus the latter) is \$71,471,000,
73 before interest, and \$74,585,000 with interest. These calculations are further
74 discussed by Ms. Brinkman (ComEd Ex. 1.0).

75 3) **2017 Initial Rate Year Revenue Requirement:** The 2017 Initial Rate Year
76 Revenue Requirement of \$2,571,164,000 is based on the following components:

77 **Rate Base** – ComEd's rate base is \$8,829,758,000, reflecting adjustments.
78 ComEd's projected plant additions for 2016 (discussed in more detail by ComEd
79 witnesses Ms. Montague, Mr. Moy, and Mr. Luedtke (ComEd Exs. 4.0, 5.0 and
80 6.0, respectively) are \$2,003,435,000 (gross amount).

81 **Operating Expenses and Other Revenues** – ComEd's operating expenses before
82 income taxes are \$1,884,619,000, after income taxes are \$2,209,662,000 and its
83 Other Revenues are \$133,048,000, reflecting adjustments (and the exclusion of
84 costs recovered under other tariff mechanisms and costs disallowed in past ICC
85 Orders for reasons other than timing or insufficiency of evidence) and are shown
86 in ComEd's revenue requirement in Sch. FR A-1, attached to my direct testimony
87 in ComEd Ex. 2.01.

88 **ComEd's Overall Weighted Average Cost of Capital** – ComEd's overall
89 weighted average cost of capital for the 2017 Initial Rate Year Revenue
90 Requirement is 6.71%, the key components of which are also discussed by
91 Mr. Siambekos (ComEd Ex. 3.0).

92 4) **2017 Rate Year Net Revenue Requirement:** ComEd's 2017 Rate Year Net
93 Revenue Requirement is \$2,652,852,000 and is comprised of ComEd's 2017
94 Initial Rate Year Revenue Requirement of \$2,571,164,000 and the 2015
95 reconciliation amount of \$74,585,000 (with interest) and the ROE Collar of
96 \$7,103,000. These calculations are further discussed by Ms. Brinkman (ComEd
97 Ex. 1.0).

98 5) **Gross Revenue Conversion Factor:** ComEd's gross revenue conversion factor
99 is 1.6677 for the 2015 Reconciliation Revenue Requirement, the 2017 Initial Rate
100 Year Revenue Requirement, and the 2017 Rate Year Net Revenue Requirement.

101 **D. Itemized Attachments to Direct Testimony**

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

103 1) **ComEd Ex. 2.01** contains the revenue requirement formula, populated with data
104 reflecting ComEd's 2017 Rate Year Net Revenue Requirement and its
105 components for charges to become effective with the January 2017 monthly
106 billing period:

107 a. Revenue Requirement Formula Sch FR A-1, Sch FR A-1 - REC, Sch FR
108 A-2, Sch FR A-3, Sch FR A-4, Sch FR B-1, Sch FR B-2, Sch FR C-1, Sch
109 FR C-2, Sch FR C-3, Sch FR C-4, Sch FR D-1, Sch FR D-2, Appendix

110 (“App”) 1, App 2, App 3, App 4, App 5, App 6, App 7, App 8, App 9, App
111 10, and App 11.

112 2) **ComEd Ex. 2.02** contains the workpapers that support the schedules and
113 appendices in ComEd Ex. 2.01.

114 3) **ComEd Ex. 2.03** contains the following Part 285 schedules that are required to be
115 submitted in a general rate case under Part 285 and support the revenue
116 requirement calculations associated with Sch FR A-1 - REC:

117 a. Part 285 Schedule As: A-2 RY, A-2.1, A-4 RY, and A-5 RY;

118 b. Part 285 Schedule Bs: B-1 RY, B-2 RY, B-2.1, B-2.2, B-2.3, B-2.6, B-2.7,
119 B-2.8, B-2.9, B-2.10, B-3, B-4, B-5, B-5.1, B-5.2, B-5.3, B-6, B-7, B-7.1,
120 B-7.2, B-8 RY, B-8.1, B-9, B-9.1, B-10, B-11, B-12, B-13, B-14, and B-
121 15;

122 c. Part 285 Schedule Cs: C-1 RY, C-2 RY, C-2.2, C-2.3, C-2.4, C-2.5, C-2.6,
123 C-2.7, C-3, C-4, C-5 RY, C-5.1, C-5.2, C-5.3, C-5.4 RY, C-5.5, C-6, C-6.1,
124 C-6.2, C-7, C-8, C-9, C-10, C-10.1, C-11.1, C-11.2, C-11.3, C-11.4, C-12,
125 C-13, C-14, C-15, C-16, C-17, C-18, C-19, C-20, C-21, C-22, C-23, C-24,
126 C-25, C-26, C-27, C-28, C-29, C-30, C-31, C-32, and C-33; and

127 d. Part 285 Schedule Ds: D-1 RY, D-2, D-3, D-4, D-5, D-6 RY, D-7, D-8, D-
128 9, D-10, D-11, and D-12.

129 4) **ComEd Ex. 2.04** contains workpapers that support the Part 285 schedules
130 included in ComEd Ex. 2.03.

131 5) **ComEd Ex. 2.05** contains the following Part 285 schedules that support the 2017
132 Rate Year Net Revenue Requirement presented on Sch FR A-1 to the extent that

- 133 they differ from the Part 285 schedules that support the 2015 Reconciliation
134 Revenue Requirement presented in Sch FR A-1 - REC:
- 135 a. Part 285 Schedule As: A-1 FY, A-2 FY, A-4 FY, and A-5 FY;
 - 136 b. Part 285 Schedule Bs: B-1 FY, B-2 FY, B-2.4 FY, B-2.5 FY and B-8 FY;
 - 137 c. Part 285 Schedule Cs: C-1 FY, C-2 FY, C-2.1 FY, C-5 FY, and C-5.4 FY;
 - 138 and
 - 139 d. Part 285 Schedule Ds: D-1 FY and D-6 FY.
- 140 6) **ComEd Ex. 2.06** contains workpapers that support the Part 285 schedules
141 included in ComEd Ex. 2.05.
- 142 7) **ComEd Ex. 2.07** provides support for ComEd’s 2015 pension and other
143 post-employment benefits (“OPEB”) expense and the 2015 actuarial valuation
144 reports from ComEd’s independent actuarial consultant, Towers Watson.
- 145 8) **ComEd Ex. 2.08** contains workpapers that support the rate base and revenue
146 requirement impacts of the merger-related costs to achieve (“CTA”).
- 147 9) **ComEd Ex. 2.09** is ComEd’s 2015 Facilities Allocation Study.
- 148 10) **ComEd Ex. 2.10** contains schedules for Exelon Business Services Company’s
149 (“BSC”) costs per the final Order in ICC Docket No. 13-0318.
- 150 11) **ComEd Ex. 2.11** contains schedules detailing ComEd’s rate case expenses
151 incurred in 2015 by docket number.
- 152 12) **ComEd Ex. 2.12** contains the affidavit of Ms. Anastasia O’Brien, as well as
153 invoice and general ledger evidence supporting the rate case expenses and
154 amortization incurred by ComEd in 2015.

155 Unless otherwise noted, the schedules, appendices, and work papers in ComEd Exs. 2.01
156 through 2.12 have been prepared by me or under my direct supervision.

157 **E. Background and Qualifications**

158 Q. **What are your responsibilities at ComEd?**

159 A. As Manager, Revenue Policy, I am responsible for the review and evaluation of potential
160 regulatory alternatives for ComEd, with a focus on financial issues. I am also responsible
161 for the oversight and coordination of activities related to the development of ComEd's
162 revenue requirements at both the state and federal levels.

163 Q. **What is your professional experience?**

164 A. I began my career at KPMG, LLP in Chicago, where I held various roles of increasing
165 responsibility within the external assurance practice of the firm. Prior to joining Exelon
166 Corporation ("Exelon"), I spent several years at Bankers Life and Casualty Company in
167 Chicago, where I was the Manager of Internal Audit. I have been employed in various
168 positions since 2007 with Exelon, ComEd's parent company, and ComEd, including roles
169 as Principal Internal Auditor within different functions of Exelon's Internal Audit
170 Department and Principal Regulatory Analyst in ComEd's Revenue Policy Department.
171 In my role as Principal Regulatory Analyst, I supported the preparation and filing of
172 testimony submitted as part of ICC Docket Nos. 14-0312, 14-0316 and 15-0287. In
173 April, 2015, I was promoted to my current position, Manager, Revenue Policy for
174 ComEd.

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

176 A. I received a Bachelor of Arts Degree in Accounting (with distinction) from Illinois
177 Wesleyan University and am a Registered Certified Public Accountant in Illinois.

178 Q. **Have you submitted testimony to the Commission on similar topics in prior formula
179 rate update dockets?**

180 A. Yes. In 2015, I provided testimony in ComEd's formula rate update ("FRU")
181 proceeding, ICC Docket No. 15-0287.

182 **II. DELIVERY SERVICE REVENUE REQUIREMENT**

183 **A. 2015 Revenue Requirement**

184 Q. **What was ComEd's delivery service Initial Rate Year revenue requirement in effect
185 in 2015?**

186 A. The revenue requirement in effect for 2015 was \$2,347,553,000. This amount was
187 calculated and stated in ComEd's compliance filing in ICC Docket No. 14-0312.

188 Q. **What does Sch FR A-1 – REC show?**

189 A. Sch FR A-1 – REC "Revenue Requirement Reconciliation Computation" provides the
190 final calculation of the 2015 Reconciliation Revenue Requirement for reconciliation
191 purposes, including the key revenue requirement components (operating expenses, rate
192 base, return on rate base, taxes, interest synchronization, and other revenues).

193 Q. **Please explain the entries on this schedule.**

194 A. As discussed earlier, the entries on Sch FR A-1 – REC provide the key inputs into
195 ComEd's revenue requirement calculation for the previous year (2015) now that the
196 actual costs are known. The 2015 Reconciliation Revenue Requirement is shown on

197 line 23. This amount is used as an input to Sch FR A-4 “Reconciliation Computation,”
198 which calculates the 2015 reconciliation amount (with interest and net of the ROE Collar)
199 to be included in the 2017 Rate Year Net Revenue Requirement to be effective January
200 2017.

201 **B. 2017 Rate Year Net Revenue Requirement**

202 **Q. How is ComEd’s 2017 Rate Year Net Revenue Requirement shown in the populated**
203 **revenue requirement formula schedules in ComEd Ex. 2.01?**

204 A. The key components of the 2017 Rate Year Net Revenue Requirement to be effective
205 with the January 2017 monthly billing period are shown on Sch FR A-1 “Net Revenue
206 Requirement Computation.” These include operating expenses, rate base, return on rate
207 base, taxes, interest synchronization, other revenues, the reconciliation amount as
208 calculated on Sch FR A-4, and the ROE Collar adjustment as calculated on Sch FR A-3
209 “Return on Equity (ROE) for Collar Computation.” The inputs to these components and
210 calculations are presented in supporting schedules discussed herein.

211 **Q. What other schedules are involved in the development of the 2017 Rate Year Net**
212 **Revenue Requirement?**

213 A. The “FR B,” “FR C,” and “FR D” schedules in ComEd Ex. 2.01, which relate to rate
214 base, operating expenses and revenues, and cost of capital, respectively, are also involved
215 in the development of the 2017 Rate Year Net Revenue Requirement. Additionally,
216 several appendices included in ComEd Ex. 2.01 directly support the calculation of the
217 2017 Rate Year Net Revenue Requirement presented on Sch FR A-1. These schedules
218 and the associated appendices are discussed in the remainder of my direct testimony.

219 **III. ALLOCATION OF GENERAL AND INTANGIBLE PLANT**

220 **Q. In the context of this formula rate matter, what does the term “functionalization”**
221 **mean?**

222 A. ComEd is a “wires only” utility, meaning it has both distribution and transmission
223 functions, but ComEd is not a generator of electricity and it has no “production” function.
224 This formula rate matter involves setting the charges for ComEd’s Illinois jurisdictional
225 distribution function, commonly referred to as delivery service. ComEd’s transmission
226 service charges are regulated exclusively by the Federal Energy Regulatory Commission
227 (“FERC”).

228 Most of ComEd’s costs of service are recorded in accounts in the Uniform System
229 of Accounts (“USOA”) that identify the function the costs support, *i.e.*, they are recorded
230 either in distribution (including customer) accounts or in transmission accounts.
231 However, some of ComEd’s costs – most notably, (1) the costs in its General and
232 Intangible (“G&I”) Plant Accounts; (2) the costs in its Administrative and General
233 (“A&G”) Accounts; and (3) Taxes Other Than Income – are recorded as common costs
234 and, therefore, need to be split mainly between distribution and transmission for purposes
235 of setting charges. A small amount of these costs also get allocated to the supply
236 function. The process of determining that split is called functionalization or allocation.

237 **Q. How does ComEd’s filing allocate its G&I Plant costs?**

238 A. ComEd’s filing allocates General Plant Account 397 (Communication Equipment) by
239 direct assignment (the location of equipment) as was approved in prior formula rate

240 cases. This allocation method is consistent with how these costs are allocated in
241 ComEd's transmission formula rate. ComEd's filing allocates the remaining G&I Plant
242 accounts with either of several different allocators, depending upon the account. The
243 Commission has approved use of the Wages & Salaries ("W&S") Allocator for certain
244 accounts, but directed different methods of allocation for other accounts, including FERC
245 Accounts 389 (Land and Land Rights) and 390 (Structures and Improvements).
246 Specifically, for FERC Accounts 389 and 390, the Commission directed ComEd to use a
247 facilities allocator, based upon a 2009 Facilities Allocation Study which allocated floor
248 space between transmission and delivery service. In its 2015 formula rate update,
249 ComEd presented and used an updated 2014 Facilities Allocation study. In the current
250 filing, ComEd has updated its Facilities Allocation Study for 2015; it can be found at
251 ComEd Ex. 2.09. The updated study shows that 87.98% of ComEd owned facilities
252 should be allocated to the Illinois jurisdictional delivery service function. The study also
253 shows that 86.18% of ComEd's leasehold improvements should be allocated to delivery
254 services. ComEd has allocated its G&I Plant costs consistent with the final Order entered
255 in ICC Docket No. 15-0287.

256 **IV. RATE BASE**

257 **A. Total Rate Base**

258 **Q. What is ComEd's Illinois-jurisdictional delivery service rate base?**

259 **A.** ComEd's rate base for purposes of determining the 2015 Reconciliation Revenue
260 Requirement, as of December 31, 2015, is \$7,779,832,000, and for the purposes of
261 determining the 2017 Initial Rate Year Revenue Requirement is \$8,829,758,000,
262 including 2016 net projected plant additions. As Mr. Moy (ComEd Ex. 5.0) and

263 Ms. Montague (ComEd Ex. 4.0) testify, the assets in rate base are used and useful and the
264 related investment set forth in ComEd Ex. 2.01, Sch FR B-1, is prudent and reasonable,
265 appropriately functionalized to delivery service, and appropriate for purposes of
266 determining the revenue requirements at issue in this case.

267 **Q. What is included in ComEd's rate base in this filing?**

268 A. In brief, ComEd's rate base includes:

- 269 1) Costs recorded in Distribution Plant Accounts as of December 31, 2015, such as
270 land, poles, cable, transformers, and meters;
- 271 2) Costs recorded in G&I Plant Accounts as of December 31, 2015, that support the
272 provision of distribution and customer service, such as office furniture, vehicles,
273 stores equipment, and capitalized software;
- 274 3) For the 2017 Initial Rate Year Revenue Requirement, costs of Distribution Plant
275 and G&I Plant additions (such as those described above) that are projected to be
276 placed in service by December 31, 2016, with a roll-forward to December 31,
277 2016 of the depreciation reserve for plant existing as of December 31, 2015, and a
278 corresponding adjustment to ADIT; and
- 279 4) Other assets and liabilities that pertain to the appropriate level of capital
280 investment necessary to provide distribution and customer service, as discussed
281 below.

282 **Q. What are the differences between the 2015 Reconciliation rate base and the 2017**
283 **Initial Rate Year rate base?**

284 A. The two main differences are:

- 285 1) The 2015 Reconciliation rate base includes Construction Work in Progress
286 (“CWIP”) not accruing Allowance for Funds Used During Construction
287 (“AFUDC”) (which I discuss more fully in Section IV.F), and the 2017 Initial
288 Rate Year rate base does not, consistent with the final Order in ICC Docket No.
289 11-0721; and
- 290 2) The 2017 Initial Rate Year rate base includes 2016 projected plant additions as of
291 March 31, 2016, and associated roll-forwards of the depreciation reserve and
292 ADIT, the latter as directed by the final Order in ICC Docket No. 11-0721, while
293 the 2015 Reconciliation rate base reflects only actual plant additions placed into
294 service through 2015.

295 **B. Electric Plant in Service at Original Cost**

296 **Q. How did ComEd calculate the appropriate level of electric utility plant in service at**
297 **original cost included in rate base?**

298 **A.** The level of gross investment in electric utility plant in service at original cost included in
299 ComEd’s rate base as of December 31, 2015, before projected plant additions, is
300 \$18,481,492,000. This is calculated by adding \$16,579,604,000 of Distribution Plant and
301 \$1,922,978,000 of G&I Plant and subtracting \$21,090,000 of Distribution Asset
302 Retirement Costs.

303 **Q. Is ComEd requesting an original cost finding in this proceeding?**

304 **A.** Yes. ComEd requests that the Commission approve the original cost of plant in service
305 as of December 31, 2015, before adjustments, of \$18,433,588,000. This amount is
306 calculated by totaling ComEd’s Distribution gross plant and Illinois jurisdictional

307 General and Intangible gross plant, and then subtracting from that total Asset Retirement
308 costs, capitalized incentive compensation, costs recovered in riders, other costs
309 disallowed in prior ICC orders, and such costs capitalized in 2015. The original costs
310 calculation is summarized in the table below:

311

2015 Original Cost Calculation
(in 000s)

	<u>Amount</u>	<u>Source</u>
1	Distribution Gross Plant \$ 16,579,604	FR B-1, Line 1
2	Distribution Asset Retirement Costs \$21,090	FR B-1, Line 2
3	Jurisdictional G&I Plant Before \$1,922,978	FR B-2, Line 18
4	Line 1 - Line 2 + Line 3 \$ <u>18,481,492</u>	
5	Prior Docket Adjustments \$21,496	App 1, Line 3
6	Adjustments - Assets Base Recovered in \$23,543	App 1, Lines 2, 11 and
7	2015 Test Year Adjustments \$2,865	App 1, Line 4
8	Line 5 + Line 6 + Line 7 <u>\$47,904</u>	
9	Original Cost \$ 18,433,588	Line 4 - Line 8

312 Q. **Is the original cost calculation for 2015 in compliance with the Commission's final**
313 **Order in ICC Docket No. 14-0312?**

314 A. Yes. The original cost calculation in this formula rate update excludes assets that are
315 recovered through Rider Energy Efficiency and Demand Response Adjustment (“Rider
316 EDA”), Rider Purchased Electricity (“Rider PE”) and Rider Purchase of Receivables
317 Combined Billing (“Rider PORCB”). As stated in the Commission’s final Order in ICC
318 Docket No. 14-0312 ((final Order Dec. 10, 2014) at 106), for these assets excluded from
319 original cost, the Commission will make separate original cost findings.

320 **C. Energy Infrastructure Modernization Act (“EIMA”)**

321 **Q. In 2015, what amount of operating and maintenance (“O&M”) expense did ComEd**
322 **incur as a result of its election as a participating utility under EIMA?**

323 A. In 2015, ComEd incurred \$103.8 million of O&M expense related to activities and
324 commitments under EIMA. Of this, \$102.9 million is included in ComEd’s Illinois
325 jurisdictional revenue requirements. Specifically, \$53.6 million was included in
326 distribution O&M, \$43.9 million was included in customer O&M, and \$5.4 million was
327 included in A&G expenses.

328 **Q. What plant additions included in the rate bases were incurred as a result of ComEd**
329 **being a participating utility under EIMA?**

330 A. ComEd’s 2012 (actual), 2013 (actual), 2014 (actual), 2015 (actual), and 2016 (projected)
331 EIMA related plant additions included in its delivery services rate base are \$174 million,
332 \$258 million, \$463 million, \$666 million and \$642 million, respectively, and total to a
333 gross amount of \$2,203 million. The 2015 actual and 2016 projected amounts are
334 discussed further by Mr. Siambekos (ComEd Ex. 3.0).

335 **Q. What is the effect of the 2015 and 2016 EIMA related plant additions on the revenue**
336 **requirement?**

337 A. After adjustments are made for accumulated depreciation and ADIT, the EIMA related
338 net plant included in rate base is \$1,613 million. The impact to ComEd’s 2017 Rate Year
339 Net Revenue Requirement is \$181 million.

340 Q. **What is the total impact of plant additions made as part of investment commitments**
341 **under EIMA, depreciation, and O&M to the 2017 Rate Year Net Revenue**
342 **Requirement?**

343 A. The table below provides a summary of how the EIMA plant additions (including the
344 EIMA 2016 projected plant additions) and EIMA expenses have an impact on the 2017
345 Rate Year Net Revenue Requirement. The table below includes the impacts to the 2015
346 Reconciliation Revenue Requirement.

347

EIMA Plant Additions and O&M Expenses
Revenue Requirement Impact
In Millions

		Plant Additions	Expense	Total
2016 Docket	2017 Initial Rate Year Rev Req	151	159	310
	2015 Reconciliation Rev Req	30	68	98
	2017 Net Rev Req Impact	181	227	408
2017 Net Rev Req Impact				408

348 **D. Accumulated Provisions for Depreciation and Amortization**

349 Q. **What is the total amount of ComEd’s accumulated provisions for depreciation and**
350 **amortization?**

351 A. The total amount of accumulated depreciation as of December 31, 2015, related to
352 ComEd’s rate base, was \$6,697,443,000, comprised of \$5,826,795,000 related to
353 Distribution Plant and \$870,648,000 related to G&I Plant. These amounts are
354 summarized on ComEd Ex. 2.01, Sch FR B-1 “Rate Base Summary Computation,”
355 lines 7 through 12.

356 **E. Net Plant Included in Delivery Service Rate Base**

357 Q. **How was the level of net plant included in delivery service rate base calculated?**

358 A. Net plant included in rate base as of December 31, 2015, is \$11,738,685,000, and is
359 calculated by subtracting the total amount of accumulated depreciation from the total
360 amount of gross plant as shown on ComEd Ex. 2.01, Sch FR B-1, line 13.

361 **F. Construction Work In Progress**

362 Q. **What is CWIP?**

363 A. CWIP is the amount of money, at any given time, which has been spent on rate base
364 assets that have not yet gone into service. There are always projects under construction;
365 thus, investment costs include CWIP at any given time. For projects in excess of \$25,000
366 with construction periods greater than 30 days, a carrying cost is calculated and added to
367 the overall cost of the project and capitalized. This carrying cost is referred to as
368 AFUDC.

369 Q. **Is any CWIP included in rate base?**

370 A. Yes, certain CWIP balances are properly included in the 2015 Reconciliation rate base.
371 Consistent with ComEd's agreement with Staff in ICC Docket No. 11-0721, ComEd has
372 included CWIP not accruing AFUDC in the calculation of its 2015 Reconciliation rate
373 base (Sch FR A-1 - REC, line 12). ComEd's 2015 Reconciliation rate base includes
374 ComEd's investments in small or short term projects that support the distribution and
375 customer functions, on which AFUDC is not being capitalized. The amount, as of
376 December 31, 2015, was \$40,654,000. ComEd Ex. 2.01, Sch FR B-1, line 14. Mr. Moy
377 testifies (ComEd Ex. 5.0) that the amount of CWIP included is reasonable.

378 **G. Property Held for Future Use**

379 Q. **Has ComEd included any Property Held for Future Use in its delivery service rate**
380 **base?**

381 A. Not at this time.

382 **H. Cash Working Capital**

383 Q. **What is cash working capital as it relates to ComEd?**

384 A. Cash working capital (“CWC”) is the amount of cash that is appropriate for ComEd to
385 maintain in order to meet its expenses and other cash outflow obligations. ComEd
386 determines the appropriate amount of CWC based on a lead/lag study, which is a specific
387 analysis of the timing of applicable cash inflows to and cash outflows from a utility.

388 Q. **Has ComEd included any CWC in its delivery service rate base?**

389 A. Yes. Rate base includes a deduction of \$50,426,000 for CWC for the rate year as shown
390 on ComEd Ex. 2.01, Sch FR B-1, line 16.

391 Q. **Does ComEd include a CWC calculation in the Revenue Requirement Formula for**
392 **the Filing Year?**

393 A. Yes. In accordance with the final Order in *Commonwealth Edison Co.*, ICC Docket No.
394 13-0318 (Order Dec. 18, 2013) at 18, App 3 of the formula rate includes a calculation of
395 CWC specifically for the filing year. The filing year rate base includes a deduction of
396 \$2,379,000 as shown on ComEd Ex. 2.01, Sch FR B-1, line 34a.

397 Q. **When did ComEd update the leads and lags associated with its CWC calculation?**

398 A. The Commission's final Order in ICC Docket No. 11-0721 directed ComEd to provide an
399 updated lead/lag study once every three years. The leads and lags were last updated in
400 ICC Docket No. 14-0312. ComEd Ex. 2.01, App 3 reflects the leads and lags approved in
401 that Docket.

402 **I. Accumulated Deferred Income Taxes**

403 Q. **What is ADIT?**

404 A. Generally speaking, ADIT reflects a temporary difference between when an expense (or
405 revenue) is recognized in a company's financial and accounting records, commonly
406 referred to as a company's "books," versus when the company recognizes that expense
407 (or revenue) on its tax return.

408 Q. **What amount of ADIT related to rate base investments was deducted from rate
409 base?**

410 A. The appropriate level of ADIT to be deducted from rate base as of December 31, 2015 is
411 \$3,561,591,000, after adjustments, as shown in ComEd Ex. 2.01, Sch FR B-1, line 17.
412 This amount was derived through an analysis of the components of the deferred tax
413 balances which are then either directly assigned or allocated based on the assignment or
414 allocation of the operating items to which they relate. The 2015 ADIT balance is
415 reflective of the 50% bonus depreciation applicable to 2015 capital investments as well as
416 of the current year deduction under the safe harbor method of tax accounting for repair
417 costs. The jurisdictional amounts allocated to delivery service are presented in ComEd
418 Ex. 2.01 App 4 "Accumulated Deferred Income Taxes Information." The calculation

419 complies with the determinations of the Commission and of the courts concerning this
420 issue.

421 Q. **Was there any presentation changes related to ADIT for this year?**

422 A. Yes. An Accounting Standard Update (“ASU”) was issued in November 2015 by the
423 Financial Accounting Standards Board (“FASB”) to simplify the presentation of deferred
424 income taxes by requiring that deferred tax liabilities and assets be classified as non-
425 current in a classified statement of financial position. As a result, deferred tax assets and
426 liabilities with a current and non-current designation have been combined and reflected as
427 non-current within their respective FERC accounts (190, 282 or 283) and presented as
428 such in ComEd Ex. 2.01, App 4. This presentation change does not, in any way, have an
429 impact on ComEd’s revenue requirement.

430 **J. Materials and Supplies**

431 Q. **What is included in Materials and Supplies?**

432 A. Materials and Supplies include items purchased primarily for use in the construction and
433 maintenance of utility property. These items are kept in inventory until needed, and
434 include, for example, building and construction materials, hand tools, and paints and
435 adhesives.

436 Q. **How did ComEd determine the level of Materials and Supplies to be included in
437 rate base?**

438 A. ComEd included in its rate base the year-end balance of Materials and Supplies less the
439 associated accounts payable. The balance of Materials and Supplies related to
440 distribution is \$94,730,000. ComEd Ex. 2.01, App 1, line 53. The accounts payable

441 related to distribution was calculated by multiplying the distribution-related Materials and
442 Supplies balance by the O&M factor included in cash working capital. The result of the
443 calculation is an accounts payable balance of \$22,665,000. ComEd Ex. 2.01, App 1, line
444 54. The net amount of Materials and Supplies included in rate base is \$72,065,000.
445 ComEd Ex. 2.01, Sch FR B-1, line 18. Materials and Supplies is also discussed by Mr.
446 Moy (ComEd Ex. 5.0).

447 **K. Other Assets and Liabilities**

448 **Q. What are the other assets included in ComEd's rate base?**

449 A. Other assets typically represent costs ComEd has incurred, but has not yet recovered, and
450 which increase rate base. Three categories of other assets are included in rate base.

451 The first category, shown on ComEd Ex. 2.01, Sch FR B-1, line 19, is regulatory
452 assets in the amount of \$147,089,000. These assets include a regulatory asset
453 representing the unamortized balance (as of year-end 2015) of \$7,203,000 for capitalized
454 incentive compensation costs that was approved by the Commission in its final Order in
455 ComEd's 2001 rate case, ICC Docket No. 01-0423. Additionally, unrecovered costs of
456 \$2,466,000 related to ComEd's Advanced Metering Infrastructure ("AMI") pilot
457 approved by the Commission in ICC Docket No. 10-0467 are included. Finally, the
458 unrecovered balance of the accelerated depreciation associated with ComEd's AMI
459 investment (apart from the AMI Pilot) of \$137,420,000 has been included.

460 **Q. What is the second category of other assets?**

461 A. The second category of other assets included in rate base is deferred debits totaling
462 \$34,034,000, shown on ComEd Ex. 2.01, Sch FR B-1, line 20. This sum includes (1)

463 Cook County Forest Preserve Fees of \$3,175,000, which represent pre-payments made to
464 the Cook County Forest Preserve District related to licensing fees for distribution lines;
465 (2) a Long Term Receivable From the Mutual Beneficial Association (“MBA”) Plan of
466 \$1,761,000, which relates to payments that ComEd has made to the trust on behalf of
467 union employees for short-term disability and for which it is awaiting reimbursement; (3)
468 a deferred debit associated with ComEd’s capitalized vacation pay not included in plant-
469 in-service of \$27,435,000; (4) expected recoveries from insurance on claims made by the
470 public against ComEd of \$1,019,000; and (5) payments to the Commission of \$644,000
471 for authorization fees related to future long-term debt issuances.

472 Q. **What is the third category of other assets?**

473 A. The third category of other assets included in rate base is the unamortized balances of
474 certain one-time expenses in excess of \$10 million. ComEd has removed certain storm
475 and merger expenses from its operating expenses and is amortizing them over a five-year
476 period, as required by Section 16-108.5(c)(4)(F). In particular, ComEd is amortizing
477 over five years the expenses of three 2011 storms, two 2012 storms, two 2013 storms,
478 and two 2014 storms, each of which was in excess of \$10 million. In 2011, 2012, 2013,
479 and 2014, these storms resulted in expenses of \$68,201,000, \$21,271,000, \$21,987,000,
480 and \$38,139,000, respectively. The unamortized balances of the 2011, 2012, 2013, and
481 2014 storm expenses, \$0, \$4,249,000, \$8,795,000, and \$22,883,000, respectively, are
482 included in rate base. No storm expenses were greater than \$10 million in 2015.

483 Additionally, in 2012 and 2013, ComEd incurred merger expenses of \$31,912,000
484 and \$11,432,000, respectively, and is also amortizing these amounts over five years. The

485 unamortized merger expense balances for 2012 and 2013, of \$6,291,000 and \$4,566,000
486 respectively, are included in ComEd's rate base. The total unamortized balance of
487 \$46,784,000 related to these expenses is shown on ComEd Ex. 2.01, Sch FR B-1, line 24,
488 and additional detail is provided on App 5 "Deferred Charges Information," lines 31-33.

489 **Q. What are the other liabilities included in ComEd's rate base?**

490 A. Other liabilities typically refer to costs that ComEd has not yet incurred, but that ComEd
491 has recovered some amounts associated with these costs through delivery service charges,
492 and are a reduction to rate base. The other liabilities, after adjustments, included in rate
493 base are Operating Reserves of \$311,319,000, Asset Retirement Obligations of
494 \$22,055,000, and Deferred Credits of \$115,148,000. These amounts, described further
495 below, are summarized on ComEd Ex. 2.01, Sch FR B-1, lines 21 through 23.

496 **Q. Please describe the Operating Reserves ComEd has included as a reduction to rate**
497 **base.**

498 A. Operating Reserves are recorded in FERC Account 228. The jurisdictional amounts
499 reducing ComEd's rate base total \$311,319,000 and consist of the following:

- 500 1) OPEB and other benefits of \$260,565,000;
- 501 2) Injuries and damages of \$45,092,000 related to workers compensation and public
502 claims;
- 503 3) Other miscellaneous environmental liabilities of \$1,700,000, primarily related to
504 the reserve for the remediation of Superfund sites; and
- 505 4) Management retention and incentive liabilities of \$3,962,000.

506 Q. **Please describe the Asset Retirement Obligations included as a reduction to**
507 **ComEd's rate base.**

508 A. The delivery service jurisdictional amount of Asset Retirement Obligations of
509 \$22,055,000 recorded in Account 230 represents asset removal costs recovered through
510 depreciation expense (these costs were previously recorded in Account 108 –
511 Accumulated Depreciation and were reclassified in 2005 in accordance with the USOA).
512 ComEd Ex. 2.01, Sch FR B-1, line 22.

513 Q. **Please describe the Deferred Credits included as a reduction to ComEd's rate base.**

514 A. ComEd has included the deferred credits recorded in FERC Account 253 and two
515 deferred credits recorded in FERC Account 242, which reduce rate base by a total of
516 \$115,148,000. ComEd Ex. 2.01, Sch FR B-1, line 23; ComEd Ex. 2.02, WP 5.

517 Q. **Please describe the deferred credits ComEd has included in rate base that are**
518 **recorded in FERC Account 253.**

519 A. ComEd has included jurisdictional amounts of the deferred credits recorded in FERC
520 Account 253 of \$3,650,000 for deferred rents, and \$2,963,000 for deferred revenues
521 associated with the lease of fiber optic cable.

522 **L. Customer Deposits**

523 Q. **Has ComEd accounted for Customer Deposits in its delivery service rate base?**

524 A. Yes. ComEd receives refundable deposits from certain new customers as a condition of
525 initiating electric service. ComEd's rate base is reduced by \$131,133,000 for customer
526 deposits, as shown on ComEd Ex. 2.01, Sch FR B-1, line 25. As described above,

527 ComEd applied its year-end balance of customer deposits as a reduction to rate base. *See*
528 ComEd Ex. 2.01, App 2 “Customer Deposits Information.”

529 **M. Customer Advances**

530 Q. **Has ComEd accounted for Customer Advances in its delivery service rate base?**

531 A. Yes. ComEd receives refundable distribution system extension deposits from customers
532 under the terms of Rider DE – Distribution System Extensions as customer advances to
533 begin construction. ComEd has reduced rate base for these deposits as of December 31,
534 2015 in the amount of \$107,807,000. *See* ComEd Ex. 2.01, Sch FR B-1, line 26 and App
535 1, lines 23 through 30.

536 **N. Projected Plant Additions, Accumulated Depreciation Reserve, and ADIT**

537 Q. **Are projected plant additions included in rate base?**

538 A. Yes. The 2017 Initial Rate Year rate base includes ComEd’s 2016 projected plant
539 additions as of March 31, 2015 of \$1,950,071,000. This amount consists of
540 \$1,651,085,000 of Distribution Plant additions and \$298,986,000 of G&I Plant additions.
541 These amounts are shown on ComEd Ex. 2.01, Sch FR B-1, lines 29 and 31, respectively.
542 Additional detail is provided in ComEd Ex. 2.01, App 1, lines 31 through 39.

543 Q. **Does this projection reflect projected growth in the accumulated depreciation**
544 **reserve and ADIT?**

545 A. Yes. ComEd has rolled forward its accumulated reserve for depreciation by increasing
546 the 2015 accumulated reserve by the estimated amount of depreciation expense for 2016,
547 which is \$468,689,000. This change to the accumulated reserve is accounted for on
548 ComEd Ex. 2.01, Sch FR B-1, lines 30 plus 32. Essentially, the reserve is increased by

549 the estimated 2016 Distribution Plant depreciation expense of \$351,069,000 and the
550 estimated 2016 G&I Plant depreciation expense of \$117,620,000. All amounts described
551 here are net of projected removal costs. Detailed calculations are provided on ComEd
552 Ex. 2.01, App 1, lines 40 through 48.

553 **Q. Does the projection account for the change in ADIT associated with the projected**
554 **plant additions?**

555 **A.** Yes. Similar to the change to the accumulated reserve, ComEd has also rolled-forward
556 ADIT. In December 2015, Congress passed the Protecting Americans from Tax Hikes
557 (“PATH”) Act of 2015, which extends bonus depreciation of 50% for property acquired
558 and placed in service during 2015 through 2017 and then phases down to 40% in 2018
559 and 30% in 2019. As a result of the extension into 2016, ComEd’s roll-forward
560 calculation of ADIT related to 2016 plant additions is \$388,423,000 and includes bonus
561 depreciation at 50%, per PATH. This amount is presented on ComEd Ex. 2.01, Sch FR
562 B-1, line 33.

563 **V. OPERATING EXPENSES**

564 **A. Total Operating Expenses**

565 **Q. What are ComEd’s delivery service operating expenses supporting the 2015**
566 **Reconciliation Revenue Requirement and the 2017 Initial Rate Year Revenue**
567 **Requirement?**

568 **A.** For the year ending December 31, 2015, ComEd’s delivery service operating expenses
569 before income taxes were \$1,826,041,000, reflecting adjustments (and the exclusion of
570 costs recovered under other tariff mechanisms and costs disallowed in past ICC orders for

571 reasons other than timing). ComEd Ex. 2.01, Sch FR A-3, line 16. After accounting for
572 income taxes for both the 2015 Reconciliation and the 2017 Initial Rate Year, and the
573 change in depreciation expense related to the projected plant additions (2017 Initial Rate
574 Year only), ComEd's Illinois jurisdictional delivery service operating expenses were
575 \$2,110,780,000 and \$2,209,662,000, respectively. These delivery service operating
576 expenses consist of two broad categories of expense: distribution-related and customer-
577 related.

578 **Q. Where are ComEd's delivery service operating expenses set forth in the supporting**
579 **schedules and work papers?**

580 A. Sch FR C-1 "Expenses Computation," Sch FR C-2 "Depreciation and Amortization
581 Expense Computation," and Sch FR C-3 "Pension Funding Costs Computation," App 7
582 "Expense Information," and App 8 "Depreciation Information" in ComEd Ex. 2.01
583 support ComEd's operating expenses. Their components are also reflected in the related
584 Part 285 schedules and Part 285 workpapers. In addition, operating expenses are
585 reflected in ComEd Ex. 2.01, Sch FR A-1 as indicated earlier.

586 **B. Distribution O&M Expenses**

587 **Q. Generally, what do you mean when you refer to distribution O&M expenses?**

588 A. Distribution O&M expenses are expenses recorded in FERC Accounts 580 through 598,
589 which directly relate to the distribution function.

590 **Q. What amount of distribution O&M expense is included in the revenue**
591 **requirements?**

592 A. ComEd's 2015 Distribution O&M expenses were \$465,652,000. After reflecting
593 adjustments, a total of \$460,437,000 in distribution O&M expenses recorded in FERC
594 Accounts 580-598 is included in the revenue requirements. See ComEd Ex. 2.01, Sch FR
595 A-1, line 1; Sch FR A-1 – REC, line 1; and Sch FR C-1, lines 1-3. The prudence,
596 reasonableness, and need to incur these expenses to provide delivery services are
597 addressed by Mr. Moy (ComEd Ex. 5.0).

598 **C. Customer-Related O&M Expenses**

599 **Q. What are customer-related O&M expenses?**

600 A. Customer-related O&M expenses are expenses recorded in FERC Accounts 901-910,
601 which include the costs of maintaining and servicing customer accounts, e.g., meter
602 reading, customer service, and billing and credit activities. These activities and related
603 expenses are explained in detail by Ms. Montague (ComEd Ex. 4.0).

604 **Q. What adjustments to customer-related O&M expenses are included in the revenue**
605 **requirements?**

606 A. The total customer-related O&M expense for 2015 is \$498,865,000. In determining the
607 revenue requirements, ComEd has adjusted its customer-related O&M expenses for the
608 following:

- 609 1) \$213,348,000 reduction to remove the costs associated with ComEd's energy
610 efficiency and demand response program recovered under Rider EDA;
- 611 2) \$38,762,000 reduction to reflect the total amount of uncollectible accounts
612 expense recorded in FERC Account 904, costs recovered through Rider UF;

- 613 3) \$13,106,000 reduction to remove customer care costs related to supply, which are
614 addressed by Ms. Montague (ComEd Ex. 4.0);
- 615 4) \$481,000 reduction to remove the non-jurisdictional amount of Outside Agency
616 Collection Fees related to uncollectibles;
- 617 5) \$17,000 increase to include interest on customer deposits in operating expenses;
- 618 6) \$1,437,000 reduction to remove costs recovered under Rider PORCB;
- 619 7) \$959,000 reduction to remove customer assistance expenses incurred as part of
620 the \$10,000,000 EIMA customer assistance program;
- 621 8) \$124,000 reduction for company credit card costs;
- 622 9) \$2,661,000 increase for the statutorily recoverable portion of an EIMA required
623 donation to the Illinois Science and Technology Foundation; and
- 624 10) \$826,000 reduction to remove costs associated with the 401(k) profit sharing
625 match.

626 Adjustments 1 - 10 can be found on ComEd Ex. 2.01, App 7, page 1, lines 5
627 through 22, and additional detail is provided on ComEd Ex. 2.02, WP 7, page 2. After
628 these adjustments, \$232,500,000 of FERC Accounts 901-910 directly relate to and
629 support the delivery service function and are included in the revenue requirements as
630 shown in ComEd Ex. 2.01, Sch FR A-1, lines 2 and 3 and Sch FR A-1 - REC, lines 2 and
631 3. The prudence, reasonableness and need to incur these expenses are addressed by Ms.
632 Montague (ComEd Ex. 4.0).

633 Q. **Why has ComEd excluded costs associated with providing Purchase of**
634 **Receivables/Combined Billing (“PORCB”) Services from its delivery service**
635 **revenue requirement?**

636 A. ComEd has excluded the capital and deferred O&M costs associated with the PORCB
637 program from its rate base, as these costs are recovered through Rider PORCB. The
638 adjustments to exclude these costs can be found on ComEd Ex. 2.02, WP 1, Page 1,
639 Column K and ComEd Ex. 2.02, WP 5, Page 1, line 13. ComEd has also excluded
640 certain on-going costs (such as electronic data interchange (“EDI”)) associated with the
641 program that are also recovered through Rider PORCB. The adjustments to exclude these
642 expenses can be found on ComEd Ex. 2.02, WP 7, Page 2, Line 21, Column D.

643 **D. Administrative and General Expenses**

644 Q. **What types of expenses are included in the A&G expenses category?**

645 A. Under the USOA, A&G Expenses are recorded in Accounts 920-935. Costs included in
646 those Accounts generally represent a wide variety of corporate support and overhead
647 costs that benefit or derive from more than one business function. Major A&G support
648 areas include the Human Resources, Finance, Legal, Supply Management, Information
649 Technology, and Corporate Governance functions. Additionally, the costs of employee
650 pensions and benefits, including health care for active and retired employees, as well as
651 rents, injuries and damages expenses, and regulatory expenses are included in these A&G
652 Accounts. Finally, as I mentioned earlier, certain other non-operational costs are
653 recorded in other accounts. All of these types of costs represent expenses ComEd incurs
654 in providing delivery services to its retail customers. They are managed carefully and

655 with systems of cost control and review similar to those applied to distribution and
656 customer operational expenses. A&G expenses that support operations are also discussed
657 by Mr. Moy (ComEd Ex. 5.0) and Ms. Montague (ComEd Ex. 4.0), and Mr. Siambekos
658 (ComEd Ex. 3.0) discusses the A&G costs that support non-operational functions.

659 **Q. Who provides the services included within A&G expenses?**

660 A. Services are provided either internally by ComEd employees or by other service
661 providers, which includes BSC and other contractors. BSC provides corporate
662 governance, technical, and numerous other support services to the Exelon companies.
663 The costs of the services that BSC provides are identified and addressed by Mr.
664 Siambekos (ComEd Ex. 3.0).

665 **Q. What amount of A&G expenses is included in the revenue requirements?**

666 A. The amount of A&G expenses included in the revenue requirements is \$375,078,000 as
667 shown on ComEd Ex. 2.01, Sch FR A-1, line 4. These expenses are discussed in large
668 part by Mr. Siambekos (ComEd Ex. 3.0), Mr. Moy (ComEd Ex. 5.0) and Ms. Montague
669 (ComEd Ex. 4.0), though I discuss certain A&G expenses – pension, other post-
670 employment benefits and merger CTA – below.

671 **Q. What amount of pension expense is included in A&G expenses?**

672 A. As shown on ComEd Ex. 2.07, page 1, ComEd's total 2015 pension cost was
673 \$205,265,000, of which \$105,045,000 was expensed. The jurisdictional amount included
674 in ComEd's A&G expenses is \$91,883,000. These amounts are supported by, and
675 reconciled to, the Towers Watson actuarial studies also included in ComEd Ex. 2.07.

676 Q. **Can you describe the change in jurisdictional pension expense from 2014 to 2015?**

677 A. ComEd's delivery service jurisdictional pension expense in 2015 of \$91,883,000
678 represents an increase of \$18 million compared to the 2014 jurisdictional pension
679 expense included in ComEd's revenue requirements in ICC Docket No. 15-0287.

680 Q. **What accounts for this increase?**

681 A. The primary driver of the increase in pension expense was the impact of a decrease in the
682 discount rate that was roughly 90 basis points lower in 2015 than in 2014.

683 Q. **The final Commission Order in Docket No. 13-0318 disallowed pension costs**
684 **associated with disallowed or excluded incentive compensation. Has ComEd made**
685 **an adjustment to pension cost in the current proceeding related to previously**
686 **disallowed incentive compensation?**

687 A. Yes. ComEd has reduced the revenue requirement by approximately \$0.1 million
688 (jurisdictional) as shown on ComEd Ex. 2.02 WP 7 page 2, line 34, related to pension
689 cost attributable to previously disallowed incentive compensation. Exhibit 2.02, WP 7,
690 page 16 contains the calculation of the total impact of previously disallowed AIP on 2015
691 pension costs.

692 Q. **What amount of OPEB cost is included in A&G?**

693 A. OPEB costs mainly consist of retiree health care costs and are accounted for separately
694 from pension costs. As shown on ComEd Ex. 2.07, page 1, ComEd's total 2015 OPEB
695 cost was \$3,161,000, of which \$1,692,000 was expensed. The jurisdictional amount
696 included in ComEd's A&G expenses was \$1,480,000. These amounts are supported by,
697 and reconciled to, the Towers Watson actuarial studies also included in ComEd Ex. 2.07.

698 Q. **Can you describe the change in jurisdictional OPEB expense from 2014 to 2015?**

699 A. ComEd's delivery service jurisdictional OPEB expense in 2015 of \$1,480,000 represents
700 a decrease of \$2 million compared to the 2014 jurisdictional pension expense included in
701 ComEd's revenue requirements in ICC Docket No. 15-0287.

702 Q. **What accounts for the decrease in OPEB expense?**

703 A. In April 2014, Exelon announced plan design changes for certain of its OPEB plans that
704 capped benefits for active employees and retirees. The plan design changes required a
705 remeasurement of the obligation and costs for those plans pursuant to Accounting
706 Standards Codification Topic 715-60. The remeasurement resulted in a decrease of
707 ComEd's OPEB costs starting in May of 2014, which was primarily driven by the
708 reduced benefits as a result of the plan design changes discussed above. The decrease in
709 2015 reflects the impact of these plan changes being in effect for a full year versus a
710 partial year in 2014.

711 Q. **What are the actuarially determined net periodic benefit costs incurred by ComEd?**

712 A. ComEd Ex. 2.07 consists of documents produced by Towers Watson, ComEd's
713 independent actuarial consultant, that show the total actuarially determined net periodic
714 benefit costs incurred by ComEd for the pension and post-retirement welfare plans in
715 which ComEd employees and retirees participate. The exhibit also shows the derivation
716 of jurisdictional pension and post-retirement welfare expenses from the actuarially
717 determined costs.

718 Q. **The final Commission Order in Docket No. 15-0287 disallowed 401(k) profit-sharing**
719 **match costs. Has ComEd made an adjustment in the current proceeding to remove**
720 **these costs?**

721 A. Yes. ComEd has reduced the revenue requirement by approximately \$3.1 million
722 jurisdictional as shown on ComEd Ex. 2.01 App 7, line 21 and ComEd Ex. 2.02 WP 7
723 page 2, line 24 related to 401(k) profit-sharing match. The jurisdictional component of
724 this exclusion related to A&G is approximately \$1.3 million.

725 Q. **Has ComEd made an adjustment in the current proceeding to remove costs**
726 **associated with the #SmartMeetsSweet initiative?**

727 A. Yes. ComEd has reduced the revenue requirement by approximately \$33,000
728 (jurisdictional allocation) as shown on ComEd Ex. 2.01 App 7, line 21 and ComEd Ex.
729 2.02 WP 7 page 2, line 36 related to ice cream costs incurred as part of the
730 #SmartMeetsSweet initiative in 2015. ComEd has not, however, excluded the costs of
731 bringing AMI educational materials to customers. ComEd respectfully disagrees with the
732 Commission's conclusion in ICC Docket No. 15-0287 that the community-focused
733 distribution of AMI educational information was an attempt to enhance the company's
734 image through goodwill advertising. Taking the Commission's conclusion in ICC
735 Docket No. 15-0287 into account, however, ComEd has included the costs of producing
736 and delivering the educational initiative, and excluded costs of the ice cream.

737 Q. **Are any merger-related CTA included in ComEd's operating expenses?**

738 A. Yes. On April 14, 2014, Exelon and Pepco Holdings, Inc. ("PHI") signed an agreement
739 and plan of merger to combine the two companies. Final approval for the merger was

740 received on March 23, 2016. For the year 2015, ComEd incurred a total of \$10.4 million
741 in merger-related CTA. The Illinois jurisdictional amount of \$9.1 million is included in
742 ComEd's total A&G as shown in ComEd Ex. 2.01, Sch FR A-1, line 4 and FR A-1 REC,
743 line 4. There was no capital spend associated with this merger in 2015.

744 In addition, while there were no merger CTA (expense or capital) incurred in
745 2015 related to the merger with Constellation Energy ("CEG"), ComEd has included in
746 the revenue requirement the continuing amortization and return on rate base related to
747 CEG merger costs greater than \$10 million (jurisdictional) incurred in 2012 and 2013. A
748 breakdown of the expense and rate base components included in the revenue requirement
749 for the CEG merger is shown in ComEd Ex. 2.08.

750 **Q. What are the overall impacts of the CTA on ComEd's revenue requirements?**

751 A. ComEd's 2017 Net Revenue Requirement is increased by \$12.6 million in CTA related to
752 the CEG merger and \$19.4 million in CTA related to the PHI merger for a total impact of
753 \$32.0 million. ComEd's 2017 Initial Rate Year Revenue Requirement is increased by
754 \$22.7 million (\$13.6 million for CEG and \$9.1 million for PHI) and the 2015
755 Reconciliation is increased by \$9.3 million ((\$1.1) million for CEG and \$10.4 million for
756 PHI). These amounts include the amortization of CEG merger-related costs approved in
757 ICC Docket Nos. 13-0318 and 14-0312. The calculations supporting these amounts are
758 included in ComEd Ex. 2.08.

759 **E. Return on Pension Asset**

760 **Q. What amount is included for the cost associated with funding ComEd's pension**
761 **asset?**

762 A. A debt-only return is calculated on the jurisdictional portion of the pension asset net of
763 ADIT. *See* ComEd Ex. 2.01, Sch FR C-3. This amount totaled \$48,882,000.

764 Q. **How does the pension funding amount identified in this filing compare to the**
765 **amount allowed by the Commission in ICC Docket No. 15-0287?**

766 A. In its final Order in ICC Docket No. 15-0287, the Commission allowed a (debt only)
767 return on ComEd's pension asset of \$51,984,000. The decrease of just over \$3 million is
768 primarily due to a reduction in the pension asset balance.

769 **F. Sales and Marketing Expense**

770 Q. **Are sales and marketing O&M expenses included in the revenue requirements?**

771 A. No. No sales and marketing expenses are included in the revenue requirements.

772 **G. Depreciation and Amortization of Electric Utility Plant**

773 Q. **How much depreciation and amortization expense of electric utility plant is included**
774 **in the revenue requirements?**

775 A. The amount of depreciation and amortization expense of electric utility plant included in
776 the revenue requirements is \$569,067,000. The amount of 2015 depreciation and
777 amortization expenses included in the revenue requirements is \$510,489,000, comprised
778 of \$403,771,000 related to Distribution Plant and \$106,718,000 related to G&I Plant.
779 Additionally, the 2017 Initial Rate Year Revenue Requirement and 2017 Rate Year Net
780 Revenue Requirement include an additional \$58,578,000 of depreciation expense
781 associated with the 2016 projected plant additions. *See* ComEd Ex. 2.01, Sch FR C-2 for
782 calculations of both the actual 2015 and projected 2016 jurisdictional depreciation
783 expense. The depreciation rates used to calculate depreciation expense for the 2015

784 Reconciliation Revenue Requirement and the 2017 Initial Rate Year Revenue
785 Requirement are the same.

786 **H. Taxes Other than Income**

787 **Q. What taxes other than income are included in the revenue requirements?**

788 A. The amount of taxes other than income included in the revenue requirements is
789 \$146,022,000. In general, these include real estate taxes, the Illinois Electricity
790 Distribution Tax (“IEDT”), payroll taxes and several other taxes. A detailed analysis of
791 the taxes other than income included in the revenue requirements is provided on ComEd
792 Ex. 2.01, App 7, page 2, lines 41 through 62. The amounts on line 62 represent the taxes
793 prior to final jurisdictional amounts, which can be found on ComEd Ex. 2.01, Sch FR
794 C-1, line 10.

795 **Q. Have you excluded payroll taxes related to previously disallowed incentive
796 compensation?**

797 A. Yes. In compliance with the Commission’s final Order in ICC Docket No. 13-0318,
798 ComEd has excluded \$264,000 of payroll taxes related to previously disallowed incentive
799 compensation (for example, restricted stock, stock options and long-term performance
800 share awards). *See* ComEd Ex. 2.02, WP 7, page 2, line 39.

801 **Q. Do the revenue requirements in this filing include an IEDT credit?**

802 A. Yes. ComEd recorded an accrual in 2015 for an estimated IEDT credit of \$13,788,000
803 related to its actual 2015 IEDT of \$114,903,000, and a credit adjustment of \$204,000 to
804 the estimated IEDT credits for the year 2014, reflecting the net amount of \$100,911,000
805 in operating expense. This adjustment is shown as follows:

806

Illinois Electricity Distribution Tax (IEDT)
2015 Actual Amount Included in the Revenue Requirement

2015 Accrual	\$	114,903,000
2015 Estimated IEDT Credit		(13,788,000)
Adjustment for 2014 IEDT Credits Received in 2015		(204,000)
		(204,000)
Net Amount of 2015 IEDT Taxes Included in Operating Expense	\$	100,911,000

807 **I. Income Taxes**

808 **Q. What level of income taxes is included in the revenue requirements?**

809 **A.** The amount of income taxes included in the 2015 Reconciliation Revenue Requirement is
 810 \$198,457,000. ComEd Ex. 2.01, Sch FR A-1- REC, lines 15, 18 and 19. The amount of
 811 income taxes included in the 2017 Initial Rate Year Revenue Requirement, which
 812 includes the impact of the projected 2016 plant additions, is \$227,116,000. See ComEd
 813 Ex. 2.01, Sch FR A-1, lines 15, 18 and 19. Income taxes have been calculated based on
 814 the expenses and miscellaneous revenues assigned or allocated to the delivery service
 815 function. Likewise, ComEd has analyzed differences in book and tax treatment of 2015
 816 revenues and expenses and assigned or allocated those differences to the delivery service
 817 function as described in ComEd Ex. 2.01, Sch FR C-4 “Taxes Computation” and App 9
 818 “Permanent Tax Impacts Information.”

819 **Q. How is Sch FR C-4 used in developing ComEd’s delivery service revenue**
 820 **requirements?**

821 A. Sch FR C-4 provides the calculations of ComEd's effective income tax rate, gross-up
822 factor for income taxes, interest synchronization deduction, and gross revenue conversion
823 factor. Sch FR C-4 also summarizes the permanent tax differences and amortization of
824 permanent tax differences. These amounts, after application of the gross revenue
825 conversion factor, reduce the revenue requirements by \$5,178,000 (*see* ComEd Ex. 2.01,
826 Sch FR C-4, line 14), and are included in ComEd's total income taxes described
827 previously.

828 Q. **How is App 9 used in developing ComEd's delivery service revenue requirements?**

829 A. App 9 provides a detailed analysis of ComEd's Permanent Tax Differences by presenting
830 each tax difference on a line-by-line basis and applying a jurisdictional allocator. App 9
831 also identifies ComEd's Investment Tax Credits and a jurisdictional calculation of each.

832 **J. Regulatory Asset Amortization**

833 Q. **Do the revenue requirements in this filing include any amortization of regulatory**
834 **assets?**

835 A. Yes. As shown on ComEd Ex. 2.01, Sch FR C-1, line 18, ComEd included in its revenue
836 requirements \$52,633,000 of regulatory asset amortization. This amount includes the
837 effects of the Commission's final Order in ICC Docket No. 10-0467, which revised the
838 amount of amortization of several existing regulatory assets, authorized amortization of
839 new regulatory assets, and eliminated amortization of others.

840 **K. Energy Infrastructure Modernization Act Credits**

841 Q. **Did ComEd include any expenses in its revenue requirements related to the \$10**
842 **million of EIMA Credits it incurred in 2015?**

843 A. No. The vast majority of the \$10 million program credits (\$8,407,000) was recorded as
844 customer bill credits and was not included in operating expenses. Additionally, \$959,000
845 of customer assistance expense recorded in FERC Account 908 and \$621,000 of
846 advertising expenses recorded in FERC Account 930.1 were also removed from operating
847 expenses. *See* ComEd Ex. 2.02, WP 7, page 13.

848 **VI. MISCELLANEOUS REVENUES**

849 **Q. What miscellaneous revenues are reflected in the revenue requirements?**

850 A. Miscellaneous revenues of \$133,048,000, after adjustments, were directly assigned or
851 allocated to the delivery service or distribution function (as applicable) and were
852 therefore deducted from the revenue requirements. *See* ComEd Ex. 2.01, App 10 “Other
853 Revenues Information” for detailed calculations. This aggregate amount consists of:
854 miscellaneous revenues of \$26,876,000 (which includes \$9,632,000 of late payment
855 charges related to PORCB) received in connection with late payment fees and earned
856 finance charges allocated to the delivery service function based on the methodology
857 approved by the Commission in ICC Docket No. 10-0467; \$4,728,000 of miscellaneous
858 service revenues (*i.e.*, meter service fees); \$72,445,000 of rental payments for facilities
859 recorded in distribution accounts and included in the distribution rate base (*e.g.*,
860 equipment and meter rentals, pole attachments, third-party use of fiber optic cable and
861 rent from affiliates); other Electric Revenues of \$2,452,000 (fees earned from a telephone
862 referral program and reimbursements for customer requested studies); an adjustment of
863 \$4,299,000 to reflect annualized revenues to be collected from reselling municipalities as
864 compensation for their usage of a portion of the ComEd distribution system; and other

865 adjustments totaling \$22,248,000 (including cost of delivery service recovered under
866 Rider FCA - Franchise Cost Additions, detailed in ComEd Ex. 2.01, App 11 “Franchise
867 Delivery Service Value Information,”) and amounts recovered for facility lighting.

868 **VII. ADJUSTMENTS, INCLUDING PROJECTED PLANT ADDITIONS**

869 **A. Adjustments to Rate Base**

870 **Q. What is the net change to the delivery service rate base attributable to the 2016**
871 **projected plant additions and the associated increase in the depreciation reserve and**
872 **ADIT?**

873 **A.** As discussed in Section IV above, ComEd has included both the 2016 projected plant
874 additions as of March 31, 2016, and the associated estimated increase in, or the roll-
875 forward of, the depreciation reserve relating to plant in service and ADIT as of December
876 31, 2015. These amounts increased rate base by a net amount of \$1,092,959,000. The
877 projected plant additions are reasonably expected to be placed in service by December
878 2016. These additions and amounts are supported by Mr. Moy (ComEd Ex. 5.0) and Ms.
879 Montague (ComEd Ex. 4.0). The increase in the depreciation reserve is calculated by
880 adding the estimated 2016 depreciation expense to the reserve. This amount reflects the
881 estimated 2016 depreciation expense on both plant existing as of December 31, 2015, and
882 the 2016 projected plant additions. These calculations are presented on ComEd Ex. 2.01,
883 App 1, lines 38 through 55. The change in ADIT related to the projected plant additions
884 of \$388,423,000 includes the impact of 2016 bonus depreciation and is shown on ComEd
885 Ex. 2.01, Sch FR B-1, line 33 and App 1, line 39, and is calculated on ComEd Ex. 2.02,
886 WP 19.

887 Q. **Do the revenue requirements reflect any other adjustments to rate base?**

888 A. Yes. ComEd has reduced its delivery service rate base for costs recovered through other
889 tariffs (for example, costs recovered through Rider PORCB and Rider EDA, as discussed
890 earlier). Additionally, ComEd reduced rate base for amounts disallowed in prior ICC rate
891 proceedings for reasons other than timing (for example, capitalized 401(k) profit-sharing
892 match costs). These amounts are presented on ComEd Ex. 2.01, App 1, lines 1 through
893 22.

894 **B. Adjustments to Operating Expenses and Other Revenues**

895 Q. **What adjustments have been made to 2015 operating expenses reflected in ComEd's**
896 **revenue requirements?**

897 A. The costs removed from operating expenses on Sch FR C-1 and App 7 included
898 ratemaking adjustments, costs recovered through other tariffs, and voluntary exclusions.
899 Some of these adjustments have already been described above and include (among
900 others) bank fees accounted for in the cost of credit facilities and non-delivery service
901 regulatory costs. Operating expenses are also reduced for costs recovered through other
902 tariffs (for example, supply administration costs and residential real-time pricing).
903 Finally, similar to ComEd's adjustments in its last FRU case, ICC Docket No. 15-0287,
904 ComEd has voluntarily reduced its operating expenses by a portion of compensation costs
905 of certain executives, and half of its corporate jet costs. These amounts are presented on
906 ComEd Ex. 2.01, App 7, page 1.

907 Q. **What costs of charitable contributions are in the operating expenses included in**
908 **ComEd's revenue requirements?**

909 A. As allowed by Section 9-227 of the PUA, ComEd included in its recoverable operating
910 expenses the costs of certain charitable contributions. ComEd has included in its
911 operating expenses a pre-jurisdictionalized amount of \$6,920,000. Of this amount,
912 \$2,661,000 is included in customer accounts and \$4,259,000 is included in A&G
913 accounts and is jurisdictionalized based on the W&S allocator. ComEd has provided a
914 description of each charitable organization, the purpose of each donation, and how the
915 donation meets the requirements set by Section 9-227 in ComEd Ex. 2.02, WP 7, page 4 ,
916 subpages 1-32.

917 Q. **Do ComEd's revenue requirements also include any amount related to its required**
918 **donation to the Illinois Science and Energy Innovation Foundation?**

919 A. Yes. Section 16-108.6(f) of the PUA requires that a participating utility shall pay a pro
920 rata share, based upon number of customers, of a \$5 million donation to the Illinois
921 Science and Energy Innovation Foundation, 70 percent of which is recoverable. In 2015,
922 ComEd paid \$3.8 million to the Foundation and has included \$2,661,000 in its charitable
923 contributions, as referenced in Section V.C.

924 Q. **Has ComEd made any adjustments to its Other Revenues?**

925 A. Yes. Other Revenues are reduced by removing amounts applicable to transmission
926 services; in particular, ComEd has removed the amounts reflected in Accounts 450 and
927 451. *See* ComEd Ex. 2.01, App 10.

928 **VIII. OTHER**

929 **A. Rate Case Expenses**

930 **Q. Section 9-229 of the PUA requires the Commission to “specifically assess the**
931 **justness and reasonableness of any amount expended by a public utility to**
932 **compensate attorneys or technical experts to prepare and litigate a general rate case**
933 **filing.” 220 ILCS 5/9-229. Is ComEd seeking to recover amounts expended to**
934 **compensate attorneys or technical experts related to general rate case filings in this**
935 **proceeding?**

936 **A.** Yes. In this docket ComEd is seeking to recover rate case expenses totaling \$715,000,
937 comprised of the following:

938 a. Amortization of \$65,994 of allowed expenses incurred in 2013 for ICC
939 Docket No. 11-0721 and approved in ICC Docket No. 14-0312;

940 b. Amortization of \$23,691 of allowed expenses incurred in 2014 for ICC
941 Docket No. 11-0721 and approved in ICC Docket No. 15-0287;

942 c. ComEd’s rate case expenses of \$49 incurred in 2015 for ICC Docket No. 12-
943 0321;

944 d. ComEd’s rate case expenses of (\$51) incurred in 2015, or \$49 incurred in
945 2015, offset by an accrual of \$100 reversed in 2015, for ICC Docket No. 13-
946 0318;

947 e. ComEd’s rate case expenses of \$132,542 incurred in 2015 for ICC Docket No.
948 14-0312;

949 f. ComEd's rate case expenses of \$493,244 incurred in 2015 for ICC Docket No.
950 15-0287.

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

952 A. Yes. As discussed in ComEd Ex. 2.12, the Affidavit of Ms. Anastasia O'Brien, as well as
953 below, ComEd employs controls both in the Legal Department as well as in Revenue
954 Policy to obtain services that are reasonably and competitively priced as well as to
955 process payments subject to specific review and approval procedures.

956 Q. **Does the Revenue Policy department track invoices related to these expenses?**

957 A. Yes. The Revenue Policy Department reviews and tracks each invoice related to rate
958 case expenses.

959 Q. **What exactly does the Revenue Policy Department do to track invoices for legal and
960 consulting costs?**

961 A. As we prepare for a rate case filing, a unique Project ID is created in ComEd's general
962 ledger system for each proceeding and time period for which we wish to track costs. The
963 Project ID is one of 10 "codeblock" elements available in our ledger system for purposes
964 of identifying charges. For example, ComEd has four current Project ID numbers for rate
965 case expenses related to ICC Docket No. 11-0721, so that we can track costs related to
966 that Docket that were incurred in 2012, 2013, 2014 and 2015. Each subsequent case has
967 its own respective Project IDs to segregate these costs for better control and review.

968 Q. **Does the Revenue Policy department review invoices for such costs?**

969 A. Yes. After the Legal Department reviews and approves invoices from outside counsel,
970 the Legal Department electronically submits those invoices to the Revenue Policy
971 Department. Under my direction, the invoices are reviewed to determine whether they
972 are appropriately charged and to provide the appropriate codeblock to the Legal
973 Department for payment processing. Revenue Policy maintains these invoice copies
974 electronically in the department files. Further, support for other charges paid directly
975 through ComEd's accounts payable system and processed on company supply or travel
976 credit cards ("Pcards") is collected and reviewed, to determine whether they are
977 accurately charged. If they are not accurately charged, corrected journal entries are
978 processed in a timely manner.

979 Q. **Has ComEd reviewed and paid each invoice for the amounts listed on ComEd**
980 **Ex. 2.12?**

981 A. Yes.

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

984 A. ComEd included amortization of certain costs it incurred in 2013 and 2014 related to ICC
985 Docket No. 11-0721. The total amount of amortization, \$89,685, consists of one third of
986 the approximately \$198,000 (\$65,994) costs ComEd incurred in 2013, and one third of
987 the costs approximately \$71,000 (\$23,691) ComEd incurred in 2014. This is the third
988 year of the amortization for the costs incurred in 2013 and the second year of
989 amortization for the costs incurred in 2014. *See* ComEd Ex. 2.11, page 1.

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

992 A. Yes. ComEd included \$49 of total expenses incurred in 2015 associated with ICC
993 Docket No. 12-0321 in its revenue requirements. A detailed breakdown of this amount is
994 included in ComEd Ex. 2.11, page 2.

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

997 A. Yes. ComEd included a credit of (\$51) of total expenses incurred in 2015, or \$49
998 incurred in 2015, offset by an accrual of \$100 reversed in 2015, associated with ICC
999 Docket No. 13-0318 in its revenue requirements. A detailed breakdown of this amount is
1000 included in ComEd Ex. 2.11, page 3.

1001 Q. **Did ComEd include any rate cases expenses associated with ICC Docket No. 14-0312**
1002 **in its revenue requirements?**

1003 A. Yes. ComEd included \$140,042 of total expenses incurred in 2015 associated with ICC
1004 Docket No. 14-0312 in its revenue requirements. A detailed breakdown of this amount is
1005 included in ComEd Ex. 2.11, page 4.

1006 Q. **Did ComEd include any rate cases expenses associated with ICC Docket No. 15-0287**
1007 **in its revenue requirements?**

1008 A. Yes. ComEd included \$493,244 of total expenses incurred in 2015 associated with ICC
1009 Docket No. 15-0287 in its revenue requirements. A detailed breakdown of this amount is
1010 included in ComEd Ex. 2.11, page 5.

1011 Q. **Has ComEd discovered any billing entries that were not related to rate case**
1012 **expenses incurred in 2015?**

1013 A. Yes. ComEd Ex. 2.03 states that the supporting invoices include an invoice totaling
1014 \$1,564.68, which is more correctly allocated to non-rate case matters. For certain billing
1015 entries, totaling \$125.98, ComEd will not seek recovery of these expenses. ComEd will
1016 make the necessary adjustment to its revenue requirement for these items in its rebuttal
1017 filing. There is also one incorrect billing entry in the amount of \$565.70, which was
1018 credited back to ComEd and is not included in the revenue requirement.

1019 Q. **Did ComEd include any rate cases expenses associated with this proceeding in its**
1020 **revenue requirements?**

1021 A. No.

1022 **B. BSC Rate Case Expense Costs**

1023 Q. **Has ComEd included any schedules for the BSC rate case expense costs allocated to**
1024 **ComEd?**

1025 A. Yes. In accordance with the final Order in ICC Docket No. 13-0318, ComEd has
1026 included a set of schedules showing the total BSC rate case expense costs allocated to
1027 ComEd and the amount included in its revenue requirement. *See* ComEd Ex. 2.10.

1028 **IX. GROSS REVENUE CONVERSION FACTOR**

1029 Q. **What is ComEd's Gross Revenue Conversion Factor ("GRCF")?**

1030 A. ComEd's GRCF is 1.6677, the development of which is shown on ComEd Ex. 2.01, Sch
1031 FR C-4, line 13.

1032 X. **OVERALL WEIGHTED COST OF CAPITAL (RATE OF RETURN)**

1033 Q. **What is ComEd’s overall weighted cost of capital (rate of return)?**

1034 A. ComEd’s overall weighted cost of capital (rate of return) is 6.69% for the 2015
1035 Reconciliation Year and 6.71% for the 2017 Initial Rate Year. The cost of capital figures
1036 are derived from the following capital structure and costs, which reflect the full removal
1037 of goodwill from the capital structure. ComEd’s rate of return components are also
1038 addressed by Mr. Siambekos (ComEd Ex. 3.0).

1039

2015 Reconciliation Year

*Capital Structure
Component*

Common Equity

Long Term Debt

Short Term Debt

Credit Facility Cost

Total Weighted Average

<i>Weighting</i>	<i>Cost</i>	<i>Weighted Cost</i>
45.62%	8.59% ⁽¹⁾	3.92%
54.11%	5.06%	2.74%
0.27%	0.53%	0.00%
		0.03%
100.00%		6.69%

2017 Initial Filing Year

*Capital Structure
Component*

Common Equity

Long Term Debt

Short Term Debt

Credit Facility Cost

Total Weighted Average

<i>Weighting</i>	<i>Cost</i>	<i>Weighted Cost</i>
45.62%	8.64%	3.94%
54.11%	5.06%	2.74%
0.27%	0.53%	0.00%
		0.03%
100.00%		6.71%

(1) Incorporates 5 basis points penalty for missing EIMA reliability metric in 2015

1040 Q. **Which schedules in ComEd Ex. 2.01 support ComEd’s rate of return?**

1041 A. Sch FR D-1 “Cost of Capital Computation” and Sch FR D-2 “Average Yield on Treasury
1042 Securities” support ComEd’s rate of return.

1043 Q. **Please explain Sch FR D-1.**

1044 A. Sch FR D-1 summarizes ComEd's overall weighted cost of capital, and provides
1045 calculations of ComEd's capital structure, weighted costs of each capital structure
1046 component, and the overall weighted average cost of capital for both the 2015
1047 Reconciliation Revenue Requirement and the 2017 Initial Rate Year Revenue
1048 Requirement.

1049 Q. **What is the interest rate that is applied to the 2015 reconciliation balance?**

1050 A. ComEd has applied its pre-tax weighted average cost of capital of 6.69%

1051 Q. **Please explain Sch FR D-2.**

1052 A. Sch FR D-2 calculates the average monthly market yields on 30-year treasury bonds.
1053 This amount is added to the return on equity base of 580 basis points to determine
1054 ComEd's cost of equity on ComEd Ex. 2.01, Sch FR D-1.

1055 **XI. COMPARISON TO 2016 RATE YEAR NET REVENUE REQUIREMENT**

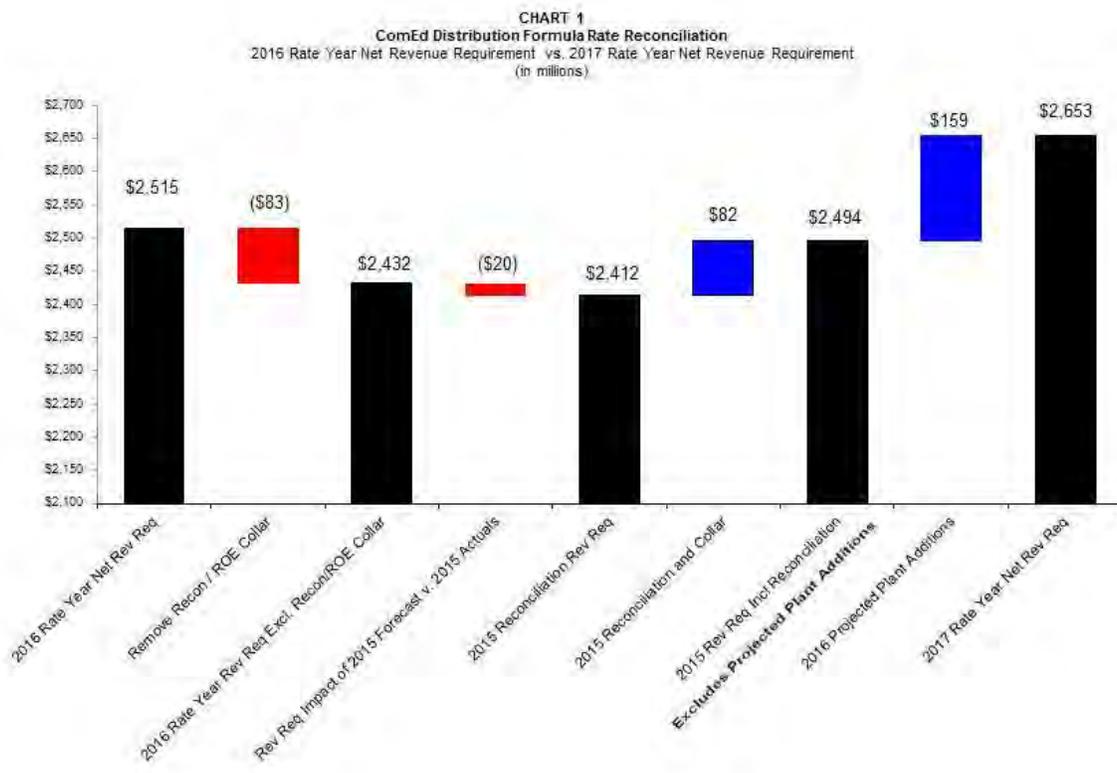
1056 Q. **How does ComEd's 2017 Rate Year Net Revenue Requirement presented in your
1057 direct testimony compare with the delivery service revenue requirement approved
1058 by the Commission in ICC Docket No. 15-0287?**

1059 A. ComEd's formula-derived 2017 Rate Year Net Revenue Requirement is \$2,652,852,000,
1060 \$137,515,000 more than the \$2,515,337,000 2016 Rate Year Net Revenue Requirement
1061 approved by the Commission in its final Order in ICC Docket No. 15-0287
1062 (*Commonwealth Edison Co.*, ICC Docket No. 15-0287 (Order Dec. 9, 2015), at 75),
1063 adjusted for Public Act 98-0015.

1064 Q. **What factors account for the differences between these two revenue requirements?**

1065 A. As shown in Chart 1, below, the majority of the difference is related to four components:

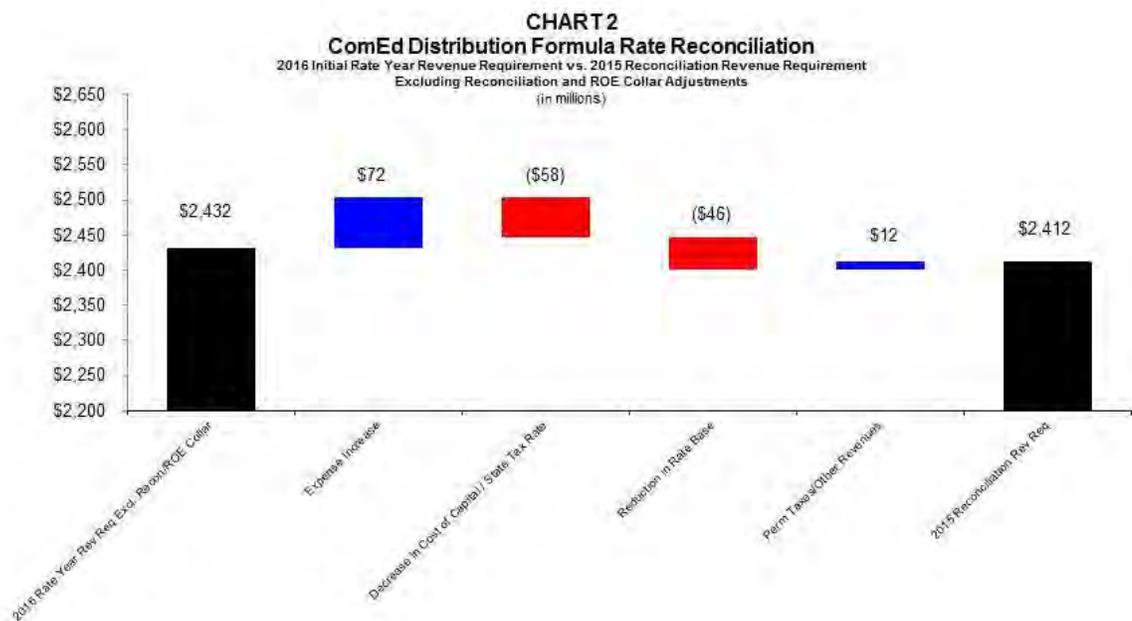
- 1066 1) The removal of prior year's reconciliation (decrease of \$83 million);
- 1067 2) A decrease associated to comparing the 2015 Reconciliation Revenue
- 1068 Requirement to the 2015 Rate Year Revenue Requirement (decrease of \$20
- 1069 million);
- 1070 3) The inclusion of the current year's reconciliation and collar (increase of \$82
- 1071 million);
- 1072 4) The inclusion of the 2016 projected plant additions, including the related
- 1073 depreciation expense and net of the change in the depreciation reserve and ADIT
- 1074 (increase of \$159 million).



1075

1076 Q. Can you summarize the key drivers behind the increase in 2015 Reconciliation
1077 Revenue Requirement over the 2016 Initial Year Revenue Requirement?

1078 A. The key driver of the increase to the 2015 Reconciliation Revenue Requirement is related
1079 to fewer large storms (over \$10 million) that are amortized over five years rather than
1080 expensed in the current year as well as increased depreciation and pension expense
1081 Additionally, there was a decrease in rate base primarily related to the impact of bonus
1082 depreciation on ADIT, a decreased rate of return and a decrease in the Illinois state
1083 income tax rate. These changes are shown in Chart 2.



1084

1085 **XII. CONCLUSION**

1086 Q. What is your overall conclusion regarding the 2017 Rate Year Net Revenue
1087 Requirement determined pursuant to the revenue requirement formula?

1088 A. Under the formula as filed and under existing Commission rulings as described by Ms.
1089 Brinkman (ComEd Ex. 1.0), the 2017 Rate Year Net Revenue Requirement is correctly
1090 calculated.

1091 Q. **What action should the Commission take in this proceeding?**

1092 A. The Commission should approve the updated cost data provided in this filing, the revenue
1093 requirement and reconciliation calculations described in this filing, and the associated
1094 update of ComEd's delivery services charges. ComEd also requests that the Commission
1095 make a finding as to the original cost of ComEd's electric utility plant in service as of
1096 December 31, 2015.

1097 Q. **Does this complete your direct testimony?**

1098 A. Yes.