

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY :
: Docket No. 15-0535
Reconciliation of revenues collected under power :
procurement riders with actual costs associated :
with power procurement expenditures. :

Direct Testimony of

SCOTT A. VOGT

Vice President, Energy Acquisition
Commonwealth Edison Company

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1 **I. INTRODUCTION AND BACKGROUND**

2 **A. Identification of Witness**

3 **Q. Please state your name and business address.**

4 A. My name is Scott A. Vogt. My business address is Commonwealth Edison Company,
5 1919 Swift Drive, Oak Brook, Illinois 60523.

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

7 A. I am employed by Commonwealth Edison Company (the “Company” or “ComEd”) as
8 Vice President – Energy Acquisition.

9 **B. Background and Experience**

10 **Q. Please summarize your duties and responsibilities in your current position.**

11 A. In my current capacity, I manage the department that is responsible for procurement of
12 wholesale electric supply, PJM Interconnection, LLC (“PJM”) wholesale market
13 settlements, and Retail Choice functions for ComEd. This includes overseeing the
14 administrative and operational processes that are used to procure electric power and
15 energy. I have held this position since May 2014.

16 **Q. Please describe your educational experience and business background.**

17 A. I have a Bachelor of Science degree in Business Analysis from Indiana University, from
18 which I graduated in 1990. I worked in three finance-related positions at the University
19 of Chicago Hospitals from 1990 to 1998. I have been employed by ComEd, Exelon
20 Corporation (“Exelon”), or their affiliates since 1998 in various positions, including, in
21 sequence: Senior Financial Analyst (ComEd), Executive Assistant (ComEd), Assistant
22 Treasurer (ComEd), Director of Project Evaluation (Exelon Enterprises), Director of

23 Financial Planning & Analysis (ComEd), Director of Corporate Financial Planning &
24 Analysis (Exelon), Director of Finance (Exelon Nuclear), Vice President of Regulatory
25 Projects (ComEd), and my current position as Vice President of Energy Acquisition
26 (ComEd).

27 **C. Purpose of Testimony and Summary of Conclusions**

28 **Q. What is the purpose of your testimony?**

29 A. The purpose of my testimony is to describe and support the reasonableness of ComEd's
30 administrative and operational costs associated with the procurement of electric power
31 and energy for retail customers served under Rider PE - Purchased Electricity ("Rider
32 PE") and under Rate BESH - Basic Electric Service Hourly ("Rate BESH") for the period
33 June 1, 2013, through May 31, 2014. In addition, I shall explain how ComEd complied
34 with the applicable procurement plan approved by the Illinois Commerce Commission
35 ("ICC" or "Commission").

36 More specifically, in my testimony, I: (1) provide a description of the types of
37 administrative and operational costs that were recovered from retail customers under the
38 provisions of Rider PE and Rate BESH; (2) explain how ComEd's administrative and
39 operational costs associated with procuring electric power and energy were allocated to
40 retail customers served under those two tariffs; (3) explain why it was reasonable for
41 ComEd to incur these costs to procure electric power and energy for those retail
42 customers; and (4) discuss compliance with the ICC-approved procurement plan,
43 including citation to specific provisions of the plan and processes for dealing with
44 counter-parties.

45 **Q. Please summarize the conclusions of your direct testimony.**

46 A. The methodology that ComEd employed to allocate costs for recovery under both Rider
47 PE and Rate BESH was reasonable. The amount of administrative and operational costs
48 that ComEd incurred in procuring electric power and energy for retail customers served
49 under Rider PE or Rate BESH was also reasonable. Last, ComEd fully complied with the
50 applicable Commission-approved procurement plan.

51 **D. Itemized Attachments to Testimony**

52 **Q. Are you sponsoring any attachments to your testimony?**

53 A. Yes, I am sponsoring the attached ComEd Exhibit (“Ex.”) 2.1, which is a general
54 description and breakdown of the various categories of administrative and operational
55 costs that ComEd incurred in procuring electric power and energy during the relevant
56 period.

57 **II. DESCRIPTION OF COMED’S ADMINISTRATIVE AND OPERATIONAL**
58 **COSTS FOR PROCURING ELECTRIC POWER AND ENERGY FOR RIDER PE**
59 **AND RATE BESH CUSTOMERS**

60 **Q. Are you familiar with the administrative and operational costs associated with the**
61 **procurement of electric power and energy for retail customers served under Rider**
62 **PE and Rate BESH for the period June 1, 2013 through May 31, 2014?**

63 A. Yes, I am.

64 **Q. Could you generally describe what those administrative and operational costs**
65 **consist of?**

66 A. Yes, these administrative and operational costs consist of two different types of costs.
67 First are the internal costs related to the procurement-related functions of ComEd’s

68 Energy Acquisition Department. Second are the costs that are external to the Energy
69 Acquisition Department that ComEd incurred to obtain products or services needed by
70 the Energy Acquisition Department to perform its procurement-related functions. A
71 summary schedule of these costs is presented in ComEd Ex. 2.1. While the
72 Commission's Order commencing this proceeding required only that ComEd address in
73 testimony its internal administrative and operational costs, in past reconciliation
74 proceedings the Commission Staff ("Staff") has inquired about other types of
75 administrative and operational costs. Accordingly, I discuss those other costs in my
76 testimony as well.

77 **A. Internal Administrative and Operational Costs**

78 **Q. Could you describe the organization of ComEd's Energy Acquisition Department?**

79 A. Yes. During the relevant period, the department consisted of five functional groups:
80 Procurement Planning and Strategy; Wholesale Billing and Credit; Wholesale Supplier
81 Operations; Wholesale Markets and Development; and Electric Supplier Services.

82 **Q. What functions are performed by the Procurement Planning and Strategy group?**

83 A. The Procurement Planning and Strategy group is responsible for developing and
84 advocating ComEd's position in the annual procurement proceedings, fulfilling ComEd's
85 responsibilities in Illinois Power Agency ("IPA") procurement events and managing the
86 nomination of Auction Revenue Rights ("ARRs") in PJM.

87 **Q. What functions are performed by the Wholesale Billing and Credit group?**

88 A. The Wholesale Billing and Credit group validates PJM's invoiced charges to ComEd and
89 initiates payments to PJM for confirmed services. They also validate charges to ComEd

90 from our wholesale suppliers and initiate payments for those deliveries. During the time
91 frame of June 2013 through May 2014, they also managed all wholesale supplier
92 contracts, including the Master Power Purchase and Sale Agreements from the annual
93 procurement events and the Master Renewable Energy Purchase and Sale Agreements,
94 also from the annual procurement events. Finally, they monitor the credit ratings of
95 ComEd's wholesale suppliers and administer daily credit processes including the
96 determination of market-to-market collateral requirements and the processing of
97 collateral payments or instruments.

98 **Q. How are the Procurement Planning and Strategy and the Wholesale Billing and**
99 **Credit groups organized and staffed?**

100 A. During the relevant period (June 1, 2013 through May 31, 2014), both groups reported to
101 a Director who oversaw the work of one full-time equivalent ("FTE") analyst in the
102 Procurement Planning and Strategy group, and four FTE analysts in addition to the
103 Manager of the Wholesale Billing and Credit group.

104 **Q. What are the costs associated with operating the Procurement Planning and**
105 **Strategy and Wholesale Billing and Credit groups?**

106 A. The costs consist primarily of labor, including benefits. Other costs include office space,
107 computer and telephone equipment, training expenses and data services such as
108 brokerage quotes and credit rating agency reports.

109 **Q. What functions are performed by the Wholesale Supplier Operations group?**

110 A. The Wholesale Supplier Operations group performs a number of daily processes. They
111 validate individual retail customer enrollments for each Retail Electric Supplier ("RES")

112 to assure that the daily load responsibilities of each RES are accurate. They calculate
113 individual retail customer Capacity Peak Load Contributions and Network Service Peak
114 Load Contributions, aggregate them by the responsible RES and submit to PJM so that
115 PJM properly bills each RES for generation capacity and transmission service. They
116 submit daily load bids for the retail load served by ComEd into the PJM Day-Ahead
117 energy market. They forecast RES hourly energy load serving responsibilities and
118 monitor the hourly load serving responsibilities submitted by each RES to PJM to ensure
119 good-faith scheduling. They forecast and submit to PJM hourly load serving
120 responsibility estimates for the load supplied by ComEd. They confirm scheduled
121 physical deliveries by ComEd's wholesale suppliers. Finally, they perform the
122 reconciliation of actual versus estimated supplier load responsibilities with PJM.

123 **Q. How is the Wholesale Supplier Operations group organized and staffed?**

124 A. During the relevant period (June 1, 2013 through May 31, 2014), there were six FTE
125 persons performing the aforementioned processes. Of these six FTE persons, five are
126 FTE analysts reporting to the Manager of the Wholesale Supplier Operations group.

127 **Q. What are the costs associated with operating the Wholesale Supplier Operations**
128 **group?**

129 A. The costs consist primarily of labor, including benefits. Other costs include office space,
130 computer and telephone equipment, training expenses, and the maintenance and support
131 of the Retail Office ("RO") software and other back office systems that store and analyze
132 customer and supplier data and are used to submit this data to PJM.

133 **Q. What functions are performed by the Wholesale Markets and Development group?**

134 A. The primary role of the Wholesale Markets and Development group is to calculate the
135 hourly load of the ComEd Zone on a daily basis. This calculation is the starting point for
136 the allocation of load responsibilities to ComEd and each RES in the ComEd Zone. This
137 calculation is done by obtaining hourly meter values for all generation meters (excluding
138 “behind-the-meter” generation) and all transmission tie-line meters associated with the
139 ComEd Zone. The hourly zonal load is calculated by taking the sum of all generation
140 within the zone, adding simultaneous imports, and subtracting simultaneous exports. In
141 addition, this group ensures compliance with certain North American Electric Reliability
142 Corporation (“NERC”) and Reliability First Corporation standards.

143 **Q. How is the Wholesale Markets and Development group organized and staffed?**

144 A. During the relevant period (June 1, 2013 through May 31, 2014), the group consisted of
145 two FTE analysts and one FTE Manager.

146 **Q. What are the costs associated with operating the Wholesale Markets and
147 Development group?**

148 A. The costs consist primarily of labor, including benefits. Other costs include office space,
149 computer and telephone equipment, and training expenses. It is important to recognize
150 that the functions of this group are required solely for the purposes of fulfilling ComEd’s
151 obligations to PJM as an electric distribution company, and all of these functions are
152 required whether or not ComEd provides supply services to any customer. There is no
153 incremental work required in this group because of ComEd’s supply responsibilities to its
154 retail customers. Therefore, none of the costs of this group have been allocated to the
155 costs recovered under Rider PE and Rate BESH.

156 **Q. What functions are performed by the Electric Supplier Services group?**

157 A. The primary responsibility of the Electric Supplier Services group is to serve as the
158 primary point of contact with RESs, including certifying new RESs and addressing RES
159 issues. The group processes customer enrollments with RESs and also processes
160 customer enrollments to ComEd's hourly service. The group also provides historical
161 customer usage data to market participants who have customer authorization to release
162 the data.

163 **Q. How is the Electric Supplier Services group organized and staffed?**

164 A. During the relevant period (June 1, 2013 through May 31, 2014), there was a Manager
165 who supervised a staff of eight and sixth tenths FTE employees.

166 **Q. What are the costs associated with the Electric Supplier Services group?**

167 A. The costs consist primarily of labor, including benefits. Other costs include computer
168 and telephone equipment, training expenses, and hosting meetings and training for RESs.

169 **Q. How are the Wholesale Markets Development, Wholesale Supplier Operations, and
170 Electric Supplier Services groups organized within the Energy Acquisition
171 Department?**

172 A. These three groups report to a Director who oversees the work performed within the
173 groups.

174 **Q. Are there any other departmental overhead costs in Energy Acquisition that are**
175 **related to procurement administrative costs?**

176 A. Yes. As Vice President of Energy Acquisition, I spend a portion of my time working on
177 procurement-related activities. My Administrative Assistant also performs some
178 procurement-related activities.

179 **Q. Referring to ComEd Ex. 2.1, what are the Energy Acquisition Department Internal**
180 **Costs?**

181 A. These are the internal costs, primarily consisting of labor, office space, and equipment,
182 which are incurred by ComEd's Energy Acquisition Department. These are the costs that
183 I have described above.

184 **B. Other Administrative and Operational Costs**

185 **Q. What are other administrative and operational costs in this context?**

186 A. In general, these are the costs, other than the internal costs of ComEd's Energy
187 Acquisition Department, and other than the direct costs of the electric supply itself, *e.g.*,
188 energy, capacity, ancillary services, transmission, that ComEd's Energy Acquisition
189 Department incurs in procuring electric power and energy to serve ComEd's customers. I
190 describe and breakdown these costs by category in ComEd Ex. 2.1.

191 **Q. What are the Information Technology Systems Costs?**

192 A. These are the costs incurred to maintain and support the RO software that is used by the
193 Energy Acquisition Department's Wholesale Supplier Operations. RO is a standard
194 industry wholesale settlements program that assists in the determination of the amount of
195 load served by ComEd pursuant to Rider PE and Rate BESH. PJM requires that ComEd

196 report this information on a daily basis. The function of the Wholesale Supplier
197 Operations group and of the RO software was addressed earlier in this testimony.
198 ComEd has needed to revise RO in response to various PJM rule changes such that
199 consistent with the Commission's approval in ICC Docket No. 05-0597, and consistent
200 with standard accounting practice, ComEd capitalized those costs and has been
201 amortizing them over a five-year period.

202 **Q. What are the PJM Credit Costs?**

203 A. PJM credit costs represent the credit facility costs for the posting of PJM-required credit.
204 PJM requires collateral of all of its members as insurance for payment of services
205 rendered to serve the load. The Procurement Plan provides for ComEd to procure the
206 electric supply to balance the load of its fixed-price customers directly from the PJM spot
207 markets. ICC Docket No. 12-0544, Illinois Power Agency Draft Power Procurement
208 Plan (Sept. 28, 2012) ("Procurement Plan") at 51. Similarly, the Public Utilities Act
209 ("PUA") requires ComEd to procure the electric supply to serve the full load of its hourly
210 customers from the "applicable market," *i.e.*, PJM, as well. In addition, ComEd procures
211 capacity, ancillary services and transmission to serve both its fixed-price and hourly
212 customers from PJM.¹ Thus, ComEd must post collateral for this load. PJM requires all
213 of its members who are in a net buyer position to post collateral in order to cover PJM's
214 exposure to possible payment default. Because ComEd has no generation of its own, it
215 will typically be in a position that requires it to buy from the market and therefore be
216 required to post collateral. Since the contracts for the block energy products, which are
217 most of the energy that ComEd procures, require the suppliers to physically deliver this

¹ See Procurement Plan at 3-4 and 70.

218 supply, ComEd is not required to post collateral for this portion of its load. This
219 requirement, which ComEd has consistently supported, serves to minimize the amount of
220 PJM credit costs that ComEd must incur.

221 **Q. What are the Renewable Energy Credits (“RECs”) Costs?**

222 A. These costs are associated with the certification and tracking services that were used to
223 manage the REC contracts. Historically, three services have been used and were used
224 during this reconciliation period to track RECs. They were the PJM Environmental
225 Information Services Generation Attribute Tracking System (“EIS GATS”), the MISO
226 Midwest Renewable Energy Tracking System (“M-RETS”) and the North American
227 Renewables Registry (“NARR”). These costs included annual fees and separate volume-
228 based fees charged for RECs delivered and retired using the systems.

229 **Q. What are the IPA Fees and Procurement Monitor Costs?**

230 A. IPA fees are billed to ComEd, as provided for in the IPA Act, to pay for consultants
231 engaged by the IPA to help in the development of the Procurement Plan. The
232 Procurement Monitor Costs were costs directly associated with the payment of bills by
233 ComEd for the professional services of a Procurement Monitor who was employed by
234 Staff for the purposes of monitoring the fixed-price procurement process. The amount of
235 costs shown on ComEd Ex. 2.1 for IPA fees and Procurement Monitor Costs includes the
236 costs related to the procurement plan proceedings, ICC Docket No. 12-0544, which were
237 incurred and passed through to customers during the period covered by this proceeding.

238 **Q. What are the Procurement Plan and Reconciliation Proceeding Costs?**

239 A. These are primarily the costs incurred in developing, obtaining approval for and
240 implementing the procurement event, covering the period June 2013 through May 2018,
241 which was approved by the Commission in ICC Docket No. 12-0544. Also included are
242 procurement-related costs that were incurred during this period and generally relate to
243 issues that arose in administering existing electric supply and renewable energy resource
244 contracts and to the reconciliation process and proceedings. These costs were incurred
245 over the period involved in this matter, *i.e.*, June 2013 through May 2014, and were
246 passed through to customers as they were incurred. These costs consist primarily of legal
247 services from counsel external to ComEd, as well as expert witnesses and consulting
248 charges.

249 **Q. What are Supply-Related Administrative Costs Identified by the ICC in Docket No.**
250 **15-0287?**

251 A. In Docket No. 15-0287, the ICC determined that a certain portion of ComEd's
252 Administrative costs previously recovered in its Distribution costs should be classified as
253 supply-related costs.² Those type of expenses were originally identified by the
254 Commission as supply-related in ICC Docket No. 11-0721 and are included in ComEd's
255 supply-related administrative and operational costs as shown in ComEd Ex. 2.1.

² ICC Docket No. 15-0287 reconciled ComEd's actual delivery service costs to the revenue requirement in effect during 2014. *Commonwealth Edison Co.*, ICC Docket No. 15-0287, Final Order (Dec. 9, 2015) at 1.

256 **Q. What are the Customer Care and Collection Agency Costs allocated to Supply in**
257 **ICC Docket No. 15-0287?**

258 A. Customer care costs are expenses that are recorded in Federal Energy Regulatory
259 Commission (“FERC”) Accounts 901-910. These expenses include the costs of
260 maintaining and servicing customer accounts such as call center personnel, meter
261 reading, recordkeeping, and billing and credit activities. Collection agency costs are the
262 fees that ComEd pays to outside collection agencies to collect unpaid amounts from
263 customers. The portion of these expenses identified by the Commission as supply-related
264 in ICC Docket No. 15-0287 are included in ComEd’s supply-related administrative and
265 operational costs as shown in ComEd Ex. 2.1.

266 **III. ALLOCATION METHODOLOGY**

267 **Q. Does the ComEd Energy Acquisition Department procure electric power and energy**
268 **for ComEd’s fixed-price customers as well as ComEd’s hourly-priced customers?**

269 A. Yes, it does.

270 **Q. How did ComEd allocate the internal administrative and operational costs that you**
271 **describe above between Rider PE and Rate BESH?**

272 A. For each group (other than the Wholesale Markets and Development group), we first
273 identified the primary work activities performed by the group and the portion of the total
274 time spent on each activity by the employees within the group. We then made an
275 assessment of whether or not each activity was related to ComEd’s procurement
276 responsibilities. In making that assessment, we considered whether the activity was
277 necessary solely because of ComEd’s load-serving responsibilities, or alternatively, if the
278 function would have been required regardless of our load serving obligation. It was

279 determined that most activities are a combination of these responsibilities. That is, some
280 amount of that activity was deemed necessary to fulfill ComEd's electric distribution
281 company responsibilities to PJM. This work activity would have been required whether
282 or not ComEd supplied any energy to retail customers. However, the fact that ComEd
283 was also a load-serving entity expanded the amount of time and resources needed to
284 perform most activities. Therefore, an estimate of the time spent on each activity was
285 made based on the incremental procurement related work. This allocation of time to the
286 procurement function was then further split between how much of the activity related to
287 serving ComEd's fixed-price load versus the hourly load. Again, this split was made on a
288 time-based assessment. For this reconciliation period, the time-weighted allocations were
289 then consolidated to the department level and used to allocate both labor and non-labor
290 costs across the entire department. The average weighted percentage that was applied to
291 the department was approximately 36% of which approximately 81% of such allocations
292 were related to ComEd's fixed-price load versus approximately 19% to hourly load.

293 **Q. Can you describe the allocations that were made for each of the groups?**

294 A. Yes, I can. With respect to the Wholesale Supplier Operations group, 30% of the overall
295 labor was determined to be procurement-related. The procurement-related activities
296 include validation of customer usage and enrollment information, calculation and
297 submission of peak load contributions to PJM, forecasting, submitting Day-Ahead
298 demand bids and submitting load serving responsibility estimates to PJM for load
299 supplied by ComEd, confirming scheduled physical deliveries by ComEd suppliers and
300 reconciliation of actual versus estimated load serving responsibilities for load supplied by
301 ComEd. Of these procurement-related activities, 76% were deemed to be associated with

302 fixed-price customers and 24% with hourly-priced customers, based on the relative
303 amount of time spent supporting each customer segment.

304 With respect to the Wholesale Billing and Credit group, 84% of the overall labor
305 was determined to be procurement-related. The procurement-related activities include
306 the accrual and processing of PJM and supplier statements, administration of supplier
307 agreements, monitoring supplier credit ratings and performing mark-to-market activities.
308 Of the procurement-related activities, 83% were deemed to be associated with fixed-price
309 customers and 17% with hourly-priced customers.

310 With respect to the Electric Supplier Services group, 5% of the overall labor was
311 determined to be procurement-related. The procurement-related activities include
312 processing and validating hourly customer enrollments and return-to-ComEd supply
313 enrollments. Of the procurement-related activities, 5% were deemed to be associated
314 with fixed-price customers and 95% with hourly-priced customers.

315 The Director who oversees the Wholesale Supplier Operations, Wholesale
316 Markets & Development and Electric Supplier Services groups and the Vice President of
317 Energy Acquisition spent 36% of their time managing procurement-related activities. Of
318 that time, 90% was deemed to be associated with fixed-price customers and 10% with
319 hourly-priced customers. The Procurement Planning and Strategy group spent
320 approximately 90% of their time managing procurement-related activities, 89% of which
321 was associated with fixed-price customers and 11% with hourly-priced customers.

322 **Q. How did ComEd allocate the other administrative and operational costs that you**
323 **describe above between Rider PE and Rate BESH?**

324 A. The Renewable Energy Costs, IPA fees, Procurement Monitor Costs and the Procurement
325 Plan Proceedings Costs were all directly allocated to the fixed-price customers as these
326 were costs incurred procuring supply for these customers. The Reconciliation
327 Proceedings costs were equally allocated to the fixed-price customers and hourly-priced
328 customers. Both PJM Credit Costs and Supply Related costs identified by the ICC were
329 allocated based on the weighted average department allocation of approximately 81% to
330 the fixed-price customers and 19% to the hourly-priced customers. Finally, 89% of the
331 Information Technology System Costs were attributed to fixed-price customers and 11%
332 to hourly-priced customers based on the nature of the IT service provided to either or
333 both supply types.

334 **IV. REASONABLENESS OF THE ADMINISTRATIVE AND OPERATIONAL**
335 **COSTS**

336 **Q. Are the internal administrative and operational costs that ComEd incurred**
337 **associated with the procurement of electric power and energy for retail customers**
338 **served under Rider PE and Rate BESH for the period June 1, 2013 through May 31,**
339 **2014 reasonable?**

340 A. Yes, they are. As described above, all of these costs relate to the operation of ComEd's
341 Energy Acquisition Department. The functions performed by the Energy Acquisition
342 Department were all necessary to procure the electric power and energy to serve Rider PE
343 and Rate BESH customers. The staff that the Energy Acquisition Department employed
344 was needed to perform these procurement functions. The salaries of the staff are set on a
345 competitive basis and utilize the same salary structure that is used throughout ComEd,

346 and they are reasonable in amount. The administrative costs associated with operating
347 the department are also reasonable in amount. The methodology that ComEd employed
348 to allocate these costs for recovery between Rider PE and Rate BESH is a fair and
349 reasonable method.

350 **Q. Are the other administrative and operational costs described above reasonable and**
351 **recoverable?**

352 A. Yes, they are. The other administrative and operational costs, described above, all fall
353 within one of two categories: (1) costs incurred in procuring power and energy for
354 fixed-price customers under the provisions of Rate BES, including the costs to develop,
355 implement and comply with any relevant procurement plan, as described in Rider PE; and
356 (2) costs incurred in procuring electric power and energy for hourly-priced customers
357 under the provisions of Rate BESH. While I am not a lawyer, I am advised by ComEd's
358 counsel that it is ComEd's legal position that the PUA specifically provides that a utility
359 shall recover its costs of procuring electric power and energy, including the costs incurred
360 by the utility in procuring a supply of electric power and energy, any just and reasonable
361 costs that the utility incurs in arranging and providing for the supply of electric power
362 and energy, all reasonable costs incurred to implement and comply with any procurement
363 plan, any fees assessed by the IPA, any costs associated with balancing load and the full
364 costs of all auction-related activities. Similarly, Rider PE and Rate BESH implement the
365 PUA and further authorize the recovery of these costs.³ As is evident from the

³ See Rider PE, Original Sheet No. 311, section on Purpose; 1st Revised Sheet Nos. 313 and 314, section on Procurement Obligation; 4th Revised Sheet No. 317, section on Purchased Electricity Price; Rate BESH, 8th Revised Sheet No. 36 and 3rd Revised Sheet No. 37, section on Miscellaneous Procurement Components Charge; 3rd Revised Sheet No. 37, 4th Revised Sheet No. 38 and 1st Revised Sheet No. 39, section on Hourly Purchased Electricity Adjustment Factor; and 6th Revised Sheet No. 46 and 3rd Revised Sheet No. 46.1, section on Miscellaneous General Provisions.

366 description of the costs that I have provided above, all the costs that ComEd recovered
367 from retail customers during this period were necessary to procure the electric power and
368 energy to serve ComEd's fixed-price and hourly-priced customers consistent with the
369 PUA, the Procurement Plan, and ComEd's tariffs. As I noted above, it is ComEd's
370 position that these costs are conclusively classified as prudent and reasonable, and are
371 fully recoverable. Last, all the costs incurred and listed on ComEd Ex. 2.1 are reasonable
372 in amount.

373 **Q. How does the amount of administrative and operational costs that ComEd**
374 **recovered from customers during this reconciliation period compare to the amount**
375 **that was recovered in the prior period of June 1, 2012 through May 31, 2013?**

376 A. In the prior period, ComEd recovered approximately \$12.4 million in administrative and
377 operational costs. In the period examined in this docket (June 1, 2013 through May 31,
378 2014), the amount recovered from customers was approximately \$18.1 million in
379 administrative and operational costs. Excluding the increase of approximately \$7.1
380 million in Customer Care and Collection Agency Costs allocated to Supply in ICC
381 Docket No. 15-0287, which was offset by a decrease of approximately \$653,000 in the
382 portion of ComEd's Administrative Costs allocated to Supply in ICC Docket No. 15-
383 0287, the difference from the prior period is a decrease of approximately \$639,000. This
384 \$639,000 difference is primarily due to decreases in PJM credit costs (approximately
385 \$488,000), IT costs (approximately \$462,000), merger-related costs (approximately
386 \$125,000) and Renewable Energy costs (approximately \$34,000) offset by an increase in
387 the Procurement Monitor Costs (approximately \$389,000) and Procurement Plan and
388 Reconciliation Proceedings costs (approximately \$81,000).

389 **V. COMPLIANCE WITH THE PROCUREMENT PLAN**

390 **Q. What are the key components of the Procurement Plan?**

391 A. They key components of the Procurement Plan are: (1) identification of pre-existing
392 contracts for supply; (2) the determination of the amounts and method for procuring the
393 residual requirements of energy, capacity and ancillary services for the eligible retail
394 customers; and (3) the procurement of renewable energy resources.

395 **Q. Please describe the pre-existing contracts for supply.**

396 A. Pre-existing contracts are contracts for energy, capacity or ancillary services that ComEd
397 entered into outside of the context of a procurement plan pursuant to either an ICC order
398 or a provision of law. The PUA provides that the utility is entitled to full cost recovery
399 for all supply procured under pre-existing contracts. *See* 220 ILCS 5/16-111.5(k) & (l).
400 During this reconciliation period, there were no pre-existing contracts. Pursuant to
401 Section 16-111.5(k) of the PUA, ComEd had entered into a five-year financial swap
402 contract with ExGen. During previous reconciliation periods, that agreement, which
403 expired at the end of May 2013, provided price certainty for 3,000 MW of around-the-
404 clock (“ATC”) energy that ComEd procured through the PJM spot markets.

405 **Q. Please describe what the Procurement Plan provided for the procurement of energy,
406 capacity and ancillary services.**

407 A. The PUA requires that the portion of the utility’s load not supplied by pre-existing
408 contracts is to be served pursuant to the procurement of standard wholesale products. To
409 meet this requirement, a procurement plan typically proposes the procurement of block
410 energy-only products that vary monthly and by on-peak and off-peak time periods. The
411 Procurement Plan for the period June 1, 2013, through May 31, 2014, however, did not

412 propose the procurement of block energy products since the previously procured block
413 energy products were sufficient to meet the hedging strategy identified in the
414 Procurement Plan. To balance the portion of the load served by existing block energy
415 products, the Procurement Plan proposed for ComEd to passively procure and sell energy
416 in the PJM administered spot markets. Similarly, the Procurement Plan proposed for
417 ComEd to procure capacity and ancillary services from the relevant PJM-administered
418 markets.

419 **Q. Please describe how the Procurement Plan proposed to procure renewable energy**
420 **resources.**

421 A. As stipulated in the PUA, the Procurement Plan proposed to procure the required
422 amounts of renewable energy resources for this reconciliation period through the
423 procurement of RECs.

424 **Q. Please describe how ComEd complied with the procurement of balancing energy,**
425 **capacity and ancillary services portion of the Procurement Plan.**

426 A. ComEd acquired balancing energy, capacity and ancillary services through the relevant
427 PJM markets. ComEd tracked that the appropriate amounts were obtained, confirmed
428 that the invoiced amounts were correct and then processed payment for these amounts.

429 **Q. Please describe how ComEd complied with the procurement of renewable energy**
430 **resources portion of the Procurement Plan.**

431 A. Several days after the ICC approved the winning bidders for the RECs, ComEd executed
432 the standard contract that the Procurement Administrator had developed with each
433 winning bidder for the amount and price approved by the ICC. During the terms of these

434 contracts, ComEd confirmed delivery of the appropriate amounts of RECs from each
435 supplier through the use of the EIS GATS, NARR or the M-RETS certification systems.
436 After deliveries were made and confirmed, ComEd made payments to the suppliers at the
437 approved prices. ComEd also validated the invoices received from the renewable
438 certification entities and then processed payments as reimbursement for those services.

439 **Q. With respect to the reconciliation period involved in the current Docket,**
440 **June 1, 2013 through May 31, 2014, can you cite the relevant portions of the ICC-**
441 **approved IPA Procurement Plan that supports ComEd's actions, including**
442 **contracts ComEd entered into that are consistent with an ICC-approved IPA**
443 **procurement event?**

444 A. Yes. For the period June 1, 2013 through May 31, 2014, ComEd complied with the
445 Procurement Plan approved by the Commission in ICC Docket No. 12-0544. Since no
446 energy procurement was warranted in accordance with the IPA Procurement Plan at 4,
447 ComEd did not enter into any contracts to procure energy.

448 **Q. With respect to the reconciliation period involved in the current Docket,**
449 **June 1, 2013 through May 31, 2014, can you describe the process in which ComEd**
450 **made and received payments to and from a) contractual counter-parties consistent**
451 **with the above-referenced contracts and b) PJM for purchases and sales consistent**
452 **with the ICC-approved IPA Procurement Plan?**

453 A. Yes, for the contracts under which deliveries were required, ComEd confirmed delivery
454 through the PJM scheduling process at least one month prior to when energy began
455 flowing for each month of the term. ComEd acquired balancing energy, capacity and
456 ancillary services through the relevant PJM markets. ComEd tracked that the appropriate

457 amounts were obtained, confirmed that invoiced amounts correctly reflected the prices
458 and quantities in the Commission-approved contracts and then processed payment for
459 these amounts.

460 **Q. With respect to the reconciliation period involved in the current Docket, June 1,**
461 **2013 through May 31, 2014, can you describe the process in which ComEd received**
462 **and retired RECs consistent with the ICC-approved contracts?**

463 A. With respect to REC's delivered under ICC-approved contracts, ComEd confirmed
464 delivery from each supplier through the use of the EIS GATS, NARR or the M-RETS
465 certification systems. After deliveries were made, renewable energy credits were
466 transferred and retired, and invoices were validated, ComEd made payments to the
467 suppliers at the approved prices. ComEd also validated that invoices from EIS GATS,
468 NARR and M-RETS for REC registry fees were correct and then processed payments as
469 reimbursement for those services.

470 **Q. Does that conclude your direct testimony?**

471 A. Yes, it does.