

DIRECT TESTIMONY

of

SCOTT TOLSDORF

Accountant

Accounting Department  
Financial Analysis Division  
Illinois Commerce Commission

Reconciliation of revenues collected under Rider EDA with the actual costs  
associated with energy efficiency and demand response programs.

Commonwealth Edison Company

Docket No. 15-0546

October 5, 2016

TABLE OF CONTENTS

**Witness Identification..... 1**  
**Schedule and Attachment Identification.....2**  
**One Change Small Commercial Power Strips.....3**  
**DCEO Cost Recovery .....5**  
**Original Cost Determination .....5**  
**Recommendations.....7**

1 **Witness Identification**

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

3 A. My name is Scott Tolsdorf. My business address is 527 East Capitol  
4 Avenue, Springfield, Illinois 62701.

5 **Q. What is your current position with the Illinois Commerce Commission  
6 (“ICC” or “Commission”)?**

7 A. I am currently employed as an Accountant in the Accounting Department of  
8 the Financial Analysis Division.

9 **Q. Please describe your educational qualifications and background.**

10 A. I received a Bachelor of Science in Liberal Studies from Excelsior College  
11 in Albany, New York. I am a Certified Public Accountant and joined the Staff  
12 of the Commission (“Staff”) in February 2010. Prior to joining the  
13 Commission, I was employed for four years as a staff accountant for a public  
14 accounting firm, where I performed financial and compliance audits of large  
15 state agencies as well as audits of small non-profit organizations. In addition  
16 to auditing and attestation services, I also prepared corporate and individual  
17 tax returns. Prior to public accounting, I spent nine years in the U.S. Navy  
18 as an operator and instructor in the Naval Nuclear Power Program.

19 **Q. What is the purpose of your testimony in this proceeding?**

20 A. The purpose of my testimony is to report the results of my review of  
21 Commonwealth Edison Company’s (“ComEd” or the “Company”)

22 reconciliation of revenues collected under Rider EDA (Energy Efficiency  
23 and Demand Response Adjustment) with the actual costs associated with  
24 energy efficiency and demand-response programs for the Program Year 7  
25 (“PY7”) reconciliation period June 1, 2014 through May 31, 2015, as  
26 presented by Company witness Mr. Michael Brandt in ComEd Exhibit 2.0  
27 and the underlying documents which support the calculations.

28 **Schedule and Attachment Identification**

29 **Q. Are you sponsoring any schedules with your testimony?**

30 A. Yes. I prepared the following schedules, which shows data for the PY 6  
31 reconciliation period:

32 Schedule 1.01 Rider EDA – Reconciliation

33 Schedule 1.02 One Change Small Commercial Power Strips

34 **Q. Please explain Staff Exhibit 1.0, Schedule 1.01.**

35 A. Schedule 1.01 presents the reconciliation statements proposed by the  
36 Company in its testimony, Staff’s adjustments, and Staff’s resulting  
37 reconciliation displayed in a format consistent with past Commission  
38 reconciliation orders. Page 1 represents a summary of Rider EDA, while  
39 pages 2 through 6 are the reconciliation statements for the applicable  
40 delivery classes EDA-R (Residential), EDA-NSN (Non-Residential-Small  
41 Load Noncompetitive), EDA-NSC (Non-Residential-Small Load  
42 Competitive), EDA-NLN (Non-Residential-Large Load Noncompetitive) and

43 EDA-NLC (Non-Residential-Large Load Competitive). The reconciliation as  
44 presented in Schedule 1.01 allows for a transparent and consistent  
45 approach for reporting the operation of Rider EDA on an on-going basis.

46 **One Change Small Commercial Power Strips**

47 **Q. Please explain Schedule 1.02, One Change Small Commercial Power**  
48 **Strips.**

49 A. Schedule 1.02 presents my adjustment to disallow 100% of the costs paid  
50 by ComEd that are associated with the One Change Small Commercial  
51 Power Strips program based on the pay-for-performance structure of the  
52 Company's contract with the vendor and the vendor's failure to achieve any  
53 energy savings.

54 **Q. What is the One Change Small Commercial Power Strips program?**

55 A. The One Change Small Commercial Power Strip program is a third party  
56 energy efficiency program designed to target 25,000 of ComEd's small  
57 commercial customers and provide each with two energy efficient power  
58 strips. The contract with the vendor, Project Porchlight, was structured as  
59 a "pay-for-performance" contract. Under the terms of the contract, the  
60 vendor would only be paid for work where the independent evaluator  
61 determined that the promised kWh savings were achieved.

62 **Q. What is the status of the One Change Small Commercial Power Strips**  
63 **program?**

64 A. The One Change Small Commercial Power Strips program was never  
65 completed nor evaluated due to the financial insolvency of the third party  
66 vendor, Project Porchlight, early in the program year. Therefore, there were  
67 no determined kWh savings and none of the costs associated with the  
68 program should be passed along to customers.

69 **Q. Has the Commission previously disallowed costs associated with the**  
70 **One Change Small Commercial Power Strips program?**

71 A. Yes. In Docket No. 14-0567, the Commission disallowed the startup costs  
72 paid by ComEd associated with the One Change Small Commercial Power  
73 Strips program which is the same program (with the same vendor, Project  
74 Porchlight) at issue in this docket. In its Final Order, the Commission stated:

75 By its own admission, ComEd negotiated, structured, and  
76 executed these contracts with its vendors. The contracts state  
77 that the vendor – not customers – are responsible for the costs  
78 of the program where the vendor fails to achieve the required  
79 kWh savings. Accordingly, these costs should not be  
80 recovered from ratepayers. These contracts were not  
81 properly designed to secure “Pay for Performance.”  
82 Ratepayers should not be responsible for the resulting losses.  
83 The Commission finds that the unrecovered costs paid by  
84 ComEd prior to performance are not recoverable from  
85 ratepayers.

86 Commonwealth Edison Co., ICC Order Docket No. 14-0567, 30 (June 21,  
87 2016).

88 **Q. What is your recommendation?**

89 A. I recommend that the costs paid by ComEd associated with the One  
90 Change Power Strips program be disallowed for recovery from ratepayers.

91 **DCEO Cost Recovery**

92 **Q. Did ComEd recover any costs on behalf of DCEO during the**  
93 **reconciliation period ended May 31, 2015?**

94 A. Yes. As explained by Mr. Brandt (ComEd Ex. 2.0, 20-21), ComEd collected,  
95 through Rider EDA charges, all DCEO energy efficiency costs related to  
96 PY7 of ComEd's Energy Efficiency and Demand Response Plan ("Plan").  
97 Accordingly, ComEd reimbursed DCEO for incremental costs incurred by  
98 DCEO in connection with DCEO's implementation of the Plan measures.  
99 For the PY7 reconciliation period ended May 31, 2015, ComEd reimbursed  
100 DCEO \$33,728,435. That amount is included in the Summary of  
101 Incremental Costs Incurred for PY 7 shown in the Corrected Annual Report.  
102 (ComEd Ex. 1.0, 4.)

103 **Original Cost Determination**

104 **Q. Why is it necessary for the Commission to make an original cost**  
105 **determination?**

106 A. Requirements for preservation of records are associated with an original  
107 cost determination. Appendix A to 83 Ill. Adm. Code Part 510, and Appendix  
108 A to 83 Ill. Adm. Code Part 420, each of which are entitled "Schedule of  
109 Records and Periods of Retention" contain requirements for the  
110 preservation of specific records. For example, journal vouchers and journal  
111 entries which support plant accounts are to be maintained "7 years prior to

112 date as of which original cost of plant has been unconditionally determined  
113 or approved by this Commission in” an original cost determination  
114 proceeding or a rate case.

115 **Q. Why is it necessary for the Commission to make an original cost**  
116 **determination in this proceeding?**

117 A. In a recent ComEd formula rate case, Docket No. 14-0312, the Commission  
118 made an original cost determination which excluded the original cost of  
119 certain capital costs recovered through Rider EDA. The Commission  
120 determined that a separate original cost determination would be made for  
121 those excluded items. This reconciliation docket is the appropriate place for  
122 such a finding.

123 **Q. What is your recommendation regarding an Original Cost**  
124 **Determination in this proceeding?**

125 A. I recommend the Commission approve \$3,269,423 as the original cost of  
126 the AC Cycling units recovered through Rider EDA as of May 31, 2015.  
127 The last capital outlay for these AC Cycling units was in June 2011. The  
128 \$3,269,423 was the amount excluded from ComEd’s most recently  
129 completed formula rate case, Docket No. 15-0287, and is consistent with  
130 the amount proposed by ComEd for exclusion in its current formula rate  
131 case, Docket No. 16-0259. I further recommend that the Commission  
132 adopt the following language in the Findings and Ordering paragraphs of  
133 its Order in this proceeding:

134 (#) The Commission, based on Staff's proposed original  
135 cost of AC Cycling units in service as of May 31, 2015,  
136 approves \$3,269,423 as the original cost of AC Cycling  
137 units whose costs are recovered through Rider EDA as  
138 of May 31, 2015.  
139

140 **Recommendations**

141 **Q. Please summarize your recommendations.**

142 A. I recommend that the Commission approve the following:

- 143 1) The Rider EDA reconciliation for PY6 as presented on ICC Staff Exhibit  
144 1.0, Schedule 1.01;
- 145 2) Page 1 of Schedule 1.01 be attached to the order resulting from this  
146 proceeding;
- 147 3) The disallowance of the costs associated with One Change Small  
148 Commercial Power Strip program; and
- 149 4) The original cost determination of \$3,269,423 for the AC Cycling units  
150 recovered through Rider EDA as of May 31, 2015.

151 **Q. Does this end your prepared direct testimony?**

152 A. Yes.

Commonwealth Edison  
 Rider EDA - Reconciliation  
 Rider EDA - Summary Reconciliation  
 For the Period June 1, 2014 through May 31, 2015 (PY-7)

Line No.	Description (A)	Per Company (B)	Staff Adjustments (C)	Per Staff (B+C) (D)
<b><u>(Over)/Under Recovery from Prior Years</u></b>				
1	Total Ordered Reconciliation Factor (ORF) [PY 1-6; Docket No. 14-0567]	\$ (4,004,605)	\$ -	\$ (4,004,605)
2	Total Automatic Reconciliation Factor (ARF) [PY 1-6; Docket No. 14-0567]	(5,590,937)	-	(5,590,937)
3	(Over)/Under Recovery from Prior Periods (Line 1 + Line 2)	<u>\$ (9,595,542)</u>	<u>\$ -</u>	<u>\$ (9,595,542)</u>
<b><u>Current Year (Over)/Under Recovery</u></b>				
4	PY-7 Recoverable EDA Costs	\$ 201,167,348	\$ (278,200)	\$ 200,889,148
5	PY-7 EDA Revenue	216,135,363	-	216,135,363
6	(Over) /Under Recovery for PY-7 (Line 4 - Line 5)	<u>\$ (14,968,015)</u>	<u>\$ (278,200)</u>	<u>\$ (15,246,215)</u>
7	Cumulative (Over)/Under Recovery (Line 3 + Line 6)	<u><u>\$ (24,563,557)</u></u>	<u><u>\$ (278,200)</u></u>	<u><u>\$ (24,841,757)</u></u>
<b><u>Disposition of Cumulative (Over)/Under Recovery</u></b>				
8	Total ORF to be (Refunded)/Recovered	\$ (4,004,605)	\$ (278,200)	\$ (4,282,805)
9	Total ARF to be (Refunded)/Recovered	<u>(20,558,952)</u>	<u>-</u>	<u>(20,558,952)</u>
10	Cumulative (Over)/Under Recovery (Lines 8 + Line 9)	<u><u>\$ (24,563,557)</u></u>	<u><u>\$ (278,200)</u></u>	<u><u>\$ (24,841,757)</u></u>

Sources:

Column (B): ComEd Exhibit 1.0 CORR., Page 1 of 6  
 Column (C): Staff Ex. 1.0, Schedule 1.02  
 Column (D): Per Staff [Column (B) + Column (C)]

Commonwealth Edison  
 Rider EDA - Reconciliation  
 Rider EDA-R - Reconciliation  
 For the Period June 1, 2014 through May 31, 2015 (PY-7)

Line No.	Description (A)	Per Company (B)	Staff Adjustments (C)	Per Staff (B+C) (D)
<b><u>(Over)/Under Recovery from Prior Years</u></b>				
1	Total Ordered Reconciliation Factor (ORF) [PY 1-6; Docket No. 14-0567]	\$ (1,772,816)	\$ -	\$ (1,772,816)
2	Total Automatic Reconciliation Factor (ARF) [PY 1-6; Docket No. 14-0567]	1,063,843	-	1,063,843
3	(Over)/Under Recovery from Prior Periods (Line 1 + Line 2)	<u>\$ (708,973)</u>	<u>\$ -</u>	<u>\$ (708,973)</u>
<b><u>Current Year (Over)/Under Recovery</u></b>				
4	PY-7 Recoverable EDA Costs	\$ 54,650,709	\$ -	\$ 54,650,709
5	PY-7 EDA Revenue	<u>70,548,081</u>	<u>-</u>	<u>70,548,081</u>
6	(Over) /Under Recovery for PY-7 (Line 4 - Line 5)	<u>\$ (15,897,372)</u>	<u>\$ -</u>	<u>\$ (15,897,372)</u>
7	Cumulative (Over)/Under Recovery (Line 3 + Line 6)	<u><u>\$ (16,606,345)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (16,606,345)</u></u>
<b><u>Disposition of Cumulative (Over)/Under Recovery</u></b>				
8	Total ORF to be (Refunded)/Recovered	\$ (1,772,816)	\$ -	\$ (1,772,816)
9	Total ARF to be (Refunded)/Recovered	<u>(14,833,529)</u>	<u>-</u>	<u>(14,833,529)</u>
10	Cumulative (Over)/Under Recovery (Lines 8 + Line 9)	<u><u>\$ (16,606,345)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (16,606,345)</u></u>

Sources:

Column (B): ComEd Exhibit 1.0 CORR., Page 1 of 6  
 Column (C): Staff Ex. 1.0, Schedule 1.02  
 Column (D): Per Staff [Column (B) + Column (C)]

**Commonwealth Edison  
 Rider EDA - Reconciliation  
 Rider EDA-NSN - Reconciliation  
 For the Period June 1, 2014 through May 31, 2015 (PY-7)**

Line No.	Description (A)	Per Company (B)	Staff Adjustments (C)	Per Staff (B+C) (D)
<b><u>(Over)/Under Recovery from Prior Years</u></b>				
1	Total Ordered Reconciliation Factor (ORF) [PY 1-6; Docket No. 14-0567]	\$ (503,641)	\$ -	\$ (503,641)
2	Total Automatic Reconciliation Factor (ARF) [PY 1-6; Docket No. 14-0567]	19,861,366	-	19,861,366
3	(Over)/Under Recovery from Prior Periods (Line 1 + Line 2)	<u>\$ 19,357,725</u>	<u>\$ -</u>	<u>\$ 19,357,725</u>
<b><u>Current Year (Over)/Under Recovery</u></b>				
4	PY-7 Recoverable EDA Costs	\$ 73,338,617	\$ (278,200)	\$ 73,060,417
5	PY-7 EDA Revenue	<u>68,154,948</u>	-	<u>68,154,948</u>
6	(Over) /Under Recovery for PY-7 (Line 4 - Line 5)	\$ 5,183,669	\$ (278,200)	\$ 4,905,469
7	Cumulative (Over)/Under Recovery (Line 3 + Line 6)	<u>\$ 24,541,394</u>	<u>\$ (278,200)</u>	<u>\$ 24,263,194</u>
<b><u>Disposition of Cumulative (Over)/Under Recovery</u></b>				
8	Total ORF to be (Refunded)/Recovered	\$ (503,641)	\$ (278,200)	\$ (781,841)
9	Total ARF to be (Refunded)/Recovered	<u>25,045,035</u>	-	<u>25,045,035</u>
10	Cumulative (Over)/Under Recovery (Lines 8 + Line 9)	<u>\$ 24,541,394</u>	<u>\$ (278,200)</u>	<u>\$ 24,263,194</u>

Sources:

Column (B): ComEd Exhibit 1.0 CORR., Page 1 of 6

Column (D): Per Staff [Column (B) + Column (C)]

Commonwealth Edison  
 Rider EDA - Reconciliation  
 Rider EDA-NSC - Reconciliation  
 For the Period June 1, 2014 through May 31, 2015 (PY-7)

Line No.	Description (A)	Per Company (B)	Staff Adjustments (C)	Per Staff (B+C) (D)
<b><u>(Over)/Under Recovery from Prior Years</u></b>				
1	Total Ordered Reconciliation Factor (ORF) [PY 1-6; Docket No. 14-0567]	\$ (764,975)	\$ -	\$ (764,975)
2	Total Automatic Reconciliation Factor (ARF) [PY 1-6; Docket No. 14-0567]	(18,839,183)	-	(18,839,183)
3	(Over)/Under Recovery from Prior Periods (Line 1 + Line 2)	<u>\$ (19,604,158)</u>	<u>\$ -</u>	<u>\$ (19,604,158)</u>
<b><u>Current Year (Over)/Under Recovery</u></b>				
4	PY-7 Recoverable EDA Costs	\$ 39,415,294	\$ -	\$ 39,415,294
5	PY-7 EDA Revenue	<u>39,650,829</u>	<u>-</u>	<u>39,650,829</u>
6	(Over) /Under Recovery for PY-7 (Line 4 - Line 5)	\$ (235,535)	\$ -	\$ (235,535)
7	Cumulative (Over)/Under Recovery (Line 3 + Line 6)	<u>\$ (19,839,693)</u>	<u>\$ -</u>	<u>\$ (19,839,693)</u>
<b><u>Disposition of Cumulative (Over)/Under Recovery</u></b>				
8	Total ORF to be (Refunded)/Recovered	\$ (764,975)	\$ -	\$ (764,975)
9	Total ARF to be (Refunded)/Recovered	<u>(19,074,718)</u>	<u>-</u>	<u>(19,074,718)</u>
10	Cumulative (Over)/Under Recovery (Lines 8 + Line 9)	<u>\$ (19,839,693)</u>	<u>\$ -</u>	<u>\$ (19,839,693)</u>

Sources:

Column (B): ComEd Exhibit 1.0 CORR., Page 1 of 6

Column (D): Per Staff [Column (B) + Column (C)]

Commonwealth Edison  
 Rider EDA - Reconciliation  
 Rider EDA-NLN - Reconciliation  
 For the Period June 1, 2014 through May 31, 2015 (PY-7)

Line No.	Description (A)	Per Company (B)	Staff Adjustments (C)	Per Staff (B+C) (D)
<b><u>(Over)/Under Recovery from Prior Years</u></b>				
1	Total Ordered Reconciliation Factor (ORF) [PY 1-6; Docket No. 14-0567]	\$ (6,742)	\$ -	\$ (6,742)
2	Total Automatic Reconciliation Factor (ARF) [PY 1-6; Docket No. 14-0567]	(53,739)	-	(53,739)
3	(Over)/Under Recovery from Prior Periods (Line 1 + Line 2)	<u>\$ (60,481)</u>	<u>\$ -</u>	<u>\$ (60,481)</u>
<b><u>Current Year (Over)/Under Recovery</u></b>				
4	PY-7 Recoverable EDA Costs	\$ 255,922	\$ -	\$ 255,922
5	PY-7 EDA Revenue	<u>310,000</u>	<u>-</u>	<u>310,000</u>
6	(Over) /Under Recovery for PY-7 (Line 4 - Line 5)	\$ (54,078)	\$ -	\$ (54,078)
7	Cumulative (Over)/Under Recovery (Line 3 + Line 6)	<u>\$ (114,559)</u>	<u>\$ -</u>	<u>\$ (114,559)</u>
<b><u>Disposition of Cumulative (Over)/Under Recovery</u></b>				
8	Total ORF to be (Refunded)/Recovered	\$ (6,742)	\$ -	\$ (6,742)
9	Total ARF to be (Refunded)/Recovered	<u>(107,817)</u>	<u>-</u>	<u>(107,817)</u>
10	Cumulative (Over)/Under Recovery (Lines 8 + Line 9)	<u>\$ (114,559)</u>	<u>\$ -</u>	<u>\$ (114,559)</u>

Sources:

Column (B): ComEd Exhibit 1.0 CORR., Page 1 of 6

Column (D): Per Staff [Column (B) + Column (C)]

Commonwealth Edison  
 Rider EDA - Reconciliation  
 Rider EDA-NLC - Reconciliation  
 For the Period June 1, 2014 through May 31, 2015 (PY-7)

Line No.	Description	Per Company	Staff Adjustments	Per Staff (B+C)
	(A)	(B)	(C)	(D)
<b><u>(Over)/Under Recovery from Prior Years</u></b>				
1	Total Ordered Reconciliation Factor (ORF) [PY 1-6; Docket No. 14-0567]	\$ (956,431)	\$ -	\$ (956,431)
2	Total Automatic Reconciliation Factor (ARF) [PY 1-6; Docket No. 14-0567]	(7,623,224)	-	(7,623,224)
3	(Over)/Under Recovery from Prior Periods (Line 1 + Line 2)	<u>\$ (8,579,655)</u>	<u>\$ -</u>	<u>\$ (8,579,655)</u>
<b><u>Current Year (Over)/Under Recovery</u></b>				
4	PY-7 Recoverable EDA Costs	\$ 33,506,806	\$ -	\$ 33,506,806
5	PY-7 EDA Revenue	<u>37,471,505</u>	<u>-</u>	<u>37,471,505</u>
6	(Over) /Under Recovery for PY-7 (Line 4 - Line 5)	\$ (3,964,699)	\$ -	\$ (3,964,699)
7	Cumulative (Over)/Under Recovery (Line 3 + Line 6)	<u>\$ (12,544,354)</u>	<u>\$ -</u>	<u>\$ (12,544,354)</u>
<b><u>Disposition of Cumulative (Over)/Under Recovery</u></b>				
8	Total ORF to be (Refunded)/Recovered	\$ (956,431)	\$ -	\$ (956,431)
9	Total ARF to be (Refunded)/Recovered	<u>(11,587,923)</u>	<u>-</u>	<u>(11,587,923)</u>
10	Cumulative (Over)/Under Recovery (Lines 8 + Line 9)	<u>\$ (12,544,354)</u>	<u>\$ -</u>	<u>\$ (12,544,354)</u>

Sources:

Column (B): ComEd Exhibit 1.0 CORR., Page 1 of 6

Column (D): Per Staff [Column (B) + Column (C)]

Commonwealth Edison  
 Rider EDA - One Change Small Commercial Power Strips  
 For the Period June 1, 2014 through May 31, 2015 (PY-7)

Line No.	Description (A)	Amount (B)	Sources (C)
1	One Change (Project Porchlight) per Staff	\$ -	
2	One Change (Project Porchlight) per Company	<u>278,200</u>	Line 8 (Agrees to ComEd Ex. 1.0, page 4)
3	Staff Adjustment	<u>\$ (278,200)</u>	Line 1 - Line 2
<hr/>			
	<u>Payments to Project Porchlight</u>		
4	One Change (Project Porchlight)	\$ 163,400	ComEd DR Response ST 1.02-Attach 1, GL Tab, Sort 1: 14, Sort 2: A, Document # 1.
5	One Change (Project Porchlight)	323,400	ComEd DR Response ST 1.02-Attach 1, GL Tab, Sort 1: 14, Sort 2: A, Document # 2.
6	One Change (Project Porchlight)	323,400	ComEd DR Response ST 1.02-Attach 1, GL Tab, Sort 1: 14, Sort 2: A, Document # 3.
7	One Change (Project Porchlight)	<u>(532,000)</u>	ComEd DR Response ST 1.02-Attach 1, GL Tab, Sort 1: 14, Sort 2: A.
8	Total	<u>\$ 278,200</u>	Sum of Lines 4-7