STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission :
On Its Own Motion :
- vs -
Commonwealth Edison Company :
Reconciliation of revenues collected under:
PORCB Rider with actual and prudent:
associated costs.

ORDER

By the Commission:

I. PROCEDURAL HISTORY

On March 18, 2019, the Illinois Commerce Commission ("Commission") issued an Order initiating a reconciliation proceeding ("Initiating Order") to conduct a reconciliation of the amounts specified in Commonwealth Edison Company's ("ComEd") Rider PORCB – Purchase of Receivables with Consolidated Billing ("Rider PORCB").

On May 15, 2019, ComEd filed the Direct Testimony of Heather N. Hopkins, Principal Rate Analyst, Retail Rates Department at ComEd (ComEd Ex. 1.0, 1.01, 1.02, 1.03, 1.04, 1.05, and 1.06) as well as the Direct Testimony of Grace M. Brigando, Director, Revenue Management at ComEd (ComEd Ex. 2.0). ComEd later filed an Errata by letter and corrected the direct testimony on July 16, 2019 (ComEd Exs. 1.0C, 1.01C, 1.05C, 2.0C). On August 12, 2019, ComEd filed the Affidavits of Heather N. Hopkins (ComEd Ex. 1.07) and Grace M. Brigando (ComEd Ex. 2.01).

Staff of the Commission ("Staff") filed the Direct Testimony of Theresa Ebrey (Staff Ex. 1.0 and accompanying Schedule ("Sched 1.01")) on August 7, 2019. On August 12, 2019, Staff filed the Affidavit of Theresa Ebrey (Staff Ex. 1.1).

On August 13, 2019, a hearing took place before an Administrative Law Judge ("ALJ") and the aforementioned testimony was admitted into the record. At the hearing, the record was marked "Heard and Taken."

ComEd filed a Draft Order on September 5, 2019, following a review by Staff. Staff expressed no concerns and there are no contested issues in this proceeding.
II. COMED’S POSITION

A. STATUTORY AND FACTUAL BACKGROUND

1. Background of the PORCB Program

ComEd witness Hopkins explained the statutory and factual background that led to the development, approval and implementation of ComEd’s purchase of receivables with consolidated billing program (“PORCB program”) and the accompanying cost-recovery tracking riders known as Rider PORCB and Rider RCA – Retail Customer Assessments (“Rider RCA”) (collectively the “Tracking Riders”) that became effective December 21, 2010, in time for the January 2011 monthly billing period. ComEd Ex. 1.0C at 5-10.

Ms. Hopkins testified that to support customer choice and the development and operation of competitive electric supply markets, the Illinois legislature amended the Public Utilities Act (“Act”) in 2007 to, among other things, provide Retail Electric Suppliers (“RESs”) with the option of selling their power and energy supply receivables for customers located in ComEd’s service territory to ComEd at a discount. See generally 220 ILCS 5/16-118. The Act also provides that ComEd shall recover all of the costs it incurs to provide this service from the RESs through the discount. Section 16-118(c) requires that ComEd must provide this through a tariffed service. ComEd Ex. 1.0C at 5. In Docket No. 10-0138 the Commission approved ComEd’s PORCB Program and the Tracking Riders. See generally Commonwealth Edison Co., Docket No. 10-0138, Final Order (Dec. 15, 2010). In Docket No. 14-0313, the Commission reviewed ComEd’s First POR Application Period Reconciliation and made an original cost finding for gross plant, as discussed further below. See generally Commonwealth Edison Co., Docket No. 14-0313, Final Order (Sept. 10, 2015).

Ms. Hopkins explained that the PORCB Program has a two-part structure that ensures that charges applicable to participating RESs are not so high as to discourage participation while also ensuring that ComEd receives full and timely cost recovery. ComEd Ex. 1.0C at 5-6. First, Ms. Hopkins explained that Rider PORCB facilitates ComEd’s purchase of receivables from RESs. The receivables at issue are for the electric power and energy supply service provided by the RESs to retail customers whose receivables are eligible for purchase under the program. Rider PORCB sets forth the discount rate and terms and conditions of such purchases. The discount rate incorporates: (1) a percentage reduction for the recovery of uncollectible costs associated with the purchased receivables that is based on ComEd’s actual net charge off data; and (2) a fixed per bill charge known as the Cost Recovery Amount (“CRA”) for the recovery of start-up and administrative costs associated with ComEd’s purchase of receivables. ComEd Ex. 1.0C at 20-21. She explained that to ensure charges applied to participating RESs were not prohibitively high, Rider PORCB initially sought to recover only a portion of the costs from the RESs through application of the discount rate – namely those costs associated with the purchase of receivables. ComEd Ex. 1.0C at 6. Second, Ms. Hopkins testified that Rider RCA initially sought to recover a different portion of the
costs of the PORCB program from retail customers with demands under 400 kilowatts ("kWs") — i.e., those costs associated with producing consolidated bills. Rider RCA accomplished this through a Consolidated Billing Adjustment ("CB Adjustment") applied to the monthly delivery service Customer Charge in accordance with Rider RCA. Additionally, Ms. Hopkins explained that if the amounts recovered from the RESs fell short of the costs associated with the purchase of receivables, a second mechanism of Rider RCA, a Purchase of Receivables Adjustment ("POR Adjustment"), would cover the shortfall until switching levels were high enough to facilitate recovery of these costs. As RES participation increased, however, amounts received from RESs were used to credit retail customers for the costs they initially bore. ComEd Ex. 1.0C at 6.

2. Overview of the Reconciliation Process

ComEd provided an overview of the Rider PORCB reconciliation process, including the categories of costs that are recovered through the Tracking Riders and sources of revenues to recover those costs. ComEd averred that the purpose of the reconciliation process is to reconcile the costs to be recovered and revenues received under the PORCB program. ComEd Ex. 1.0C at 8-10.

Ms. Hopkins testified that ComEd incurred developmental, implementation, administrative, uncollectible, and operational costs associated with the implementation and administration of purchase of receivables and consolidated billing service. First, there are costs associated with purchasing RESs’ receivables. Ms. Hopkins averred that these can be thought of as purchase of receivables, or POR, costs. Second, ComEd incurred costs associated with modifying and administering ComEd’s billing systems to enable it to reflect the charges associated with the purchased receivables on applicable retail customers’ bills. Ms. Hopkins claimed that these can be thought of as consolidated billing, or CB, costs. ComEd Ex. 1.0C at 11-13.

Ms. Hopkins testified that following each POR Application Period, ComEd submits a Reconciliation and Audit Report that examines the costs incurred and revenues received pursuant to the Tracking Riders in the relevant POR Application Period. The First POR Application Period was three years consisting of the January 2011 through December 2013 monthly billing periods. The Second POR Application Period was also three years consisting of the January 2014 through December 2016 monthly billing periods. The Third PORCB Application period was two years, consisting of the January 2017 through December 2018 monthly billing periods, which is the subject of this reconciliation proceeding. Rider PORCB sets forth the required contents of the report in detail. ILL. C. C. No. 10, 1st Revised Sheet No. 401. ComEd initially submitted this Reconciliation Report for the Third POR Application Period to the Commission in an informational filing on February 27, 2019. ComEd later submitted a Revised Reconciliation Report for the Third POR Application Period to the Commission in an informational filing on July 12, 2019 and attached it to Ms. Hopkins’s corrected direct testimony as ComEd Ex. 1.01C, ComEd Ex. 1.0C at 8.
Ms. Hopkins further explained that the report (ComEd Ex. 1.01C) breaks down the costs ComEd has incurred and the revenues ComEd has received as follows: (1) implementation costs (these are also known as start-up costs), including deferred operating and maintenance (“O&M”) costs; (2) POR Application Period costs (these are also known as administrative costs); and (3) Revenues. ComEd Ex. 1.0C at 9. The report further delineates between POR costs and CB costs and revenues in each of those categories, and drills down further to show how those costs break down among Developmental and Implementation Costs (“DICs”), Administrative and Operational Costs (“AOCs”) (including net actual uncollectible costs) and Billing System Modification and Implementation Costs (“BSMICs”). ComEd Ex. 1.0C at 11-13. As of the end of the Third POR Application Period, ComEd has not incurred any new Billing System Administrative and Operational Costs (“BSAOCs”). The report also shows the depreciation and carrying charges related with those costs. Scheds. 1 through 10 accompanying the report provide supporting information for the data contained in the report itself. ComEd Ex. 1.0C at 9. See also ILL. C. C. No. 10, 1st Revised Sheet No. 393, 1st Revised Sheet No. 394; ComEd Ex. 1.0C at 9, 11-13. The sum of the revenues less the POR Application Period costs is the net (over)/under recovery of costs. ComEd Ex. 1.0C at 9.

Within 90 days after ComEd submits the report, the Commission has the option of initiating a proceeding to reconcile these costs and revenues and potentially order adjustments to the calculation or application of the Tracking Riders. The Commission initiated this reconciliation proceeding on March 18, 2019. See Initiating Order (March 18, 2019).

B. THIRD POR APPLICATION PERIOD RECONCILIATION

1. Costs

Ms. Brigando testified to the prudence and reasonableness of the costs ComEd incurred to administer the PORCB program pursuant to the Tracking Riders, the uncollectible costs incurred under the PORCB program, and collection agency costs. See generally ComEd Ex. 2.0 at 2-27. Specifically, Ms. Brigando explained that the PORCB program was designed to implement the purchase of receivables and consolidated billing services required by Section 16-118 of the Act. ComEd Ex. 2.0 at 2. No party disputed this evidence of prudence and reasonableness.

Ms. Hopkins testified that there are three main categories of costs at issue in the Third POR Application Period: (1) depreciation, carrying, and amortization charges; (2) net actual uncollectible costs (“NAUC”); and (3) on-going O&M expenses or AOCs, which include payment, review, verification, and other costs; EDI and Information Technology (“IT”) support costs; and collection agency costs. Ms. Hopkins explained that these costs for the Third POR Application Period are shown on lines 9 through 20 of the Revised Reconciliation and Audit Report and the cumulative total is $10,308,567. ComEd Ex. 1.0C at 15-20; ComEd Ex. 1.01C, lines 9-21a; Staff Ex. 1.0, Sched. 1.01, line 6, column (B). As discussed in more detail below, the bulk of these costs are made up of the first and second categories of costs: the accrued depreciation expense, carrying charges,
and amortization expense of $4,252,551 associated with the PORCB implementation costs and the NAUC expense of $4,147,810. ComEd Ex. 1.01C, lines 9-12 and 17-20. The third category of costs: ongoing O&M expenses, accounts for a smaller portion of these costs: $1,908,206. ComEd Ex. 1.01C, lines 13-16.

Regarding the first category of costs, Ms. Hopkins testified that the total implementation cost of the PORCB program subject to amortization, as determined in the First POR Application Period Reconciliation, is $18,513,342, which includes DICs, BSMICs, and deferred O&M expense related to DICs and BSMICs. Ms. Hopkins further testified that ComEd did not incur any new DICs or BSMICs, or deferred O&M expense related to DICs and BSMICs, during the Third POR Application Period. ComEd Ex. 1.0C at 13-14; ComEd Ex. 1.01C, lines 1-8 and Sched. 1. Ms. Hopkins further explained that the total amount subject to amortization is comprised of $16,503,391 of plant in service (for which ComEd received an original cost finding in Docket No. 14-0313) and $2,009,951 of Deferred O&M. ComEd Ex. 1.0C at 14-15; ComEd Ex. 1.01C and Scheds. 1 through 3. Ms. Hopkins also explained that the deferred O&M costs included in the total implementation costs are simply those implementation costs incurred by ComEd after enactment of Section 16-118(c) but prior to adoption of Rider PORCB. ComEd Ex. 1.0C at 15. Deferred O&M costs are shown on lines 5 through 7 of the Revised Reconciliation and Audit Report. ComEd testified that pursuant to the Commission’s order in Docket No. 10-0138 and the terms of Rider PORCB, these implementation costs are being amortized over a 10-year period. See ILL. C. C. No. 10, 1st Revised Sheet No. 394. ComEd Ex. 1.0C at 16-17. These costs are thus reflected as depreciation and carrying charges (cost of capital), and the portion of such charges that is accrued during the applicable POR Application Period is included in that period’s costs.

Regarding the second category of costs, Ms. Hopkins testified that Rider PORCB defines NAUC as the amount written off by ComEd for receivables purchased from RESs during the prior POR Application Period, less the total amount such receivables were reduced for uncollectible costs during that POR Application Period. See ILL. C. C. No. 10, 1st Revised Sheet No. 395 and 3rd Revised Sheet No. 400. In simple terms, she explained that this reconciles the amount of uncollectibles ComEd recovered through the first portion of the discount rate – the percentage reduction for the recovery of uncollectible costs that is based on ComEd’s historic supply uncollectibles – with the actual uncollectible costs that ComEd incurred in the POR Application Period. ComEd’s NAUC for the Third POR Application Period was $4,147,810.1 ComEd Ex. 1.0C at 19-20; ComEd Ex. 1.01C.1, lines 17-20 and Scheds. 5 and 6.

Regarding the third category of costs, Ms. Hopkins testified that ComEd incurred $38,958 of payment, review, verification, and other costs; $1,487,260 of EDI/IT costs; and $381,988 of Collection Agency Costs. ComEd Ex. 1.0C at 18-19.

1 This amount is comprised of the uncollectible discount applied to the receivables purchased, $15,694,299 (as discussed further in Section 2, Revenues, infra), and the actual uncollectible cost associated with the purchased receivables, $19,842,109.
2. Revenues

Ms. Hopkins testified that ComEd's revenues under the PORCB program for the Third POR Application Period are comprised of $15,694,299 of discounts taken on the receivable purchased under Rider PORCB and $129 accounting adjustment to the amount collected from RESs through the CRA portion of the discount rate prior to January 1, 2017. ComEd collected $0.00 from retail customers with demands under 400 kW through the CB Adjustment. ComEd Ex. 1.0C at 21-24; ComEd Ex. 1.01C, lines 21-23.

3. Analysis of Cost Recovery

As of the end of the Third POR Application Period, ComEd is in a cumulative over recovery position of $15,393,685, a reduction of $10,230,234 from the over recovery position of $25,623,919 as of the end of the Second POR Application Period. ComEd Ex. 1.0C at 24-25; Staff Ex. 1.01. Ms. Hopkins testified that ComEd is monitoring the Rider PORCB program costs with respect to the over recovery balance and may decide to adjust either the uncollectible cost factor and/or CRA as necessary to recover its costs during the next Application Period. ComEd will notify Staff if either the uncollectible cost factor or CRA needs to be adjusted to ensure cost recovery in advance of the informational filing. ComEd Ex. 1.0C at 26. Staff is satisfied with ComEd's efforts to reduce the over-recovery balance. Staff Ex. 1.0 at 3.

III. STAFF’S POSITION

Staff witness. Ebrey submitted direct testimony, Staff Exhibit 1.0, which reported the results of her review of ComEd's reconciliation of its Rider PORCB in effect during the reconciliation period. She also sponsored Schedule 1.01. Ms. Ebrey recommended that the Commission approve the reconciliation for the period of January 2017 through December 2018 as reflected on Schedule 1.01. She also recommends that Schedule 1.01 be attached to the Final Order as an Appendix.

IV. COMMISSION ANALYSIS AND CONCLUSION

The Commission finds that the conclusion proposed by the parties is reasonable and is supported by the record. The Commission concludes that for the period January 2017 through December 2018, the reconciliation reflects a total net over recovery of $15,393,685. Staff Ex. 1.0 at 2-3 and Sched. 1.01, page 1, line 17; ComEd Ex. 1.0C at 24-25. The Commission notes that ComEd has reset the cost recovery amount to zero for 2019 and will use the over recovery to fund the program in 2019. ComEd estimates that the over recovery balance should be resolved sometime in 2020.

V. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having given due consideration to the entire record and being fully advised in the premises, is of the opinion and finds that:
Commonwealth Edison Company is an Illinois corporation engaged in the transmission, sale, and distribution of electricity to the public in Illinois, and is a public utility as defined in Section 3-105 of the Public Utilities Act;

the Commission has jurisdiction over Commonwealth Edison Company and the subject matter of this proceeding;

the recitals of fact and conclusion of law reached in the prefatory portion of this Order are supported by the evidence of record, and are hereby adopted as findings of fact and conclusions of law; and

for the period January 2017 through December 2018, the reconciliation reflects a total net over recovery of $15,393,685.

IT IS THEREFORE ORDERED that the reconciliation of revenues and costs under the Purchase of Receivables with Consolidated Billing-PORCB Rider of Commonwealth Edison Company for the Reconciliation Period January 1, 2017 through December 31, 2018, is hereby approved as shown in Appendix A attached hereto.

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

IT IS FURTHER ORDERED that pursuant to Section 10-113(a) of the Public Utilities Act and 83 Ill. Adm. Code 200.880, any application for rehearing shall be filed within 30 days after service of the Order on the party.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this 14th day of November, 2019.

(SIGNED) CARRIE ZALEWSKI
Chairman