By the Commission:

I. PROCEDURAL HISTORY

On September 24, 2018, the Illinois Commerce Commission ("Commission") entered an Order ("2018 Initiating Order") commencing Docket No. 18-1539. Among other things, the 2018 Initiating Order found that Commonwealth Edison Company ("ComEd") "shall reconcile revenue collected under each of the … tariffs [named therein], or under successive tariffs authorizing the recovery of power supply costs for the reconciliation period [of June 1, 2016 through May 31, 2017], with costs incurred in connection with procurement activities as defined in the tariffs of each utility." 2018 Initiating Order at 2.

On January 9, 2019, the Commission entered an Order ("2019 Initiating Order") commencing Docket No. 19-0031. Among other things, the 2019 Initiating Order found that ComEd "shall reconcile revenue collected under each of the … tariffs [named therein], or under successive tariffs authorizing the recovery of power supply costs for the reconciliation period [of June 1, 2017 through May 31, 2018], with costs incurred in connection with procurement activities as defined in the tariffs of each utility." 2019 Initiating Order at 3.

Both Docket Nos. 18-1539 and 19-0031 present the same issue of law, involving the same parties and witnesses. On February 28, 2019, ComEd filed an Agreed Joint Motion to Consolidate the two proceedings. The Agreed Joint Motion to Consolidate was granted on March 5, 2019.

On May 10, 2019, ComEd filed the Direct Testimony of Gerald J. Kozel (ComEd Exs. 1.0 and 1.1 through 1.6), the Direct Testimony of Scott A. Vogt (ComEd Exs. 2.0, 2.1, and 2.2), and the Direct Testimony of John Hengtgen (ComEd Exs. 3.0 and 3.1
On December 3, 2019, ComEd filed the Affidavits of Gerald J. Kozel (ComEd Ex. 4.0), Scott A. Vogt (ComEd Ex. 5.0), and John Hengtgen (ComEd Ex. 6.0).

Commission Staff ("Staff") filed the Direct Testimony of Bonita A. Pearce (Staff Ex. 1.0 and accompanying Schedules 1.01 and 1.02) on November 20, 2019. On December 3, 2019, Staff filed the Affidavit of Bonita A. Pearce (Staff Ex. 2.0).

Pursuant to proper notice, status hearings were held in Docket Nos. 18-1539 and 19-0031 before duly authorized Administrative Law Judges ("ALJs") of the Commission at its offices in Chicago on November 7, 2018, March 5, 2019, and November 6, 2019. On December 3, 2019, an evidentiary hearing was held, and the aforementioned testimony was admitted into the record. Subsequently, on December 3, 2019, the record was marked “Heard and Taken.” ComEd filed an Agreed Draft Order that same day, following a review by Staff. There are no contested issues in this proceeding.

II. BACKGROUND

In the final order entered in Docket No. 05-0159 on January 24, 2006, the Commission approved, with modifications, the initial series of tariffs under which ComEd would purchase and deliver electricity to its customers following the January 1, 2007 expiration of the mandatory rate freeze. Among the approved tariffs were Rider CPP, Competitive Procurement Process; Rider PPO—MVM, Power Purchase Option (Market Value Methodology); and Rider TS—CPP, Transmission Services (Competitive Procurement Process). The retail charges computed in accordance with these three riders applied to service provided on and after January 2, 2007, and all three riders required annual reconciliation proceedings, as provided for in the January 24, 2006 order. See generally, Commonwealth Edison Co., Docket No. 05-0159, Final Order (Jan. 24, 2006).

The three riders were later superseded, in part, by Rider AAF—Accuracy Assurance Factor and through revisions to Rate BES-H—Basic Electric Service-Hourly Energy Pricing ("Rate BES-H"), which were approved by the Commission in an order entered on December 19, 2007, in Docket Nos. 07-0528 and 07-0531 (Cons.). Rider AAF – Accuracy Assurance Factor ("Rider AAF") took effect on February 13, 2008, and was applicable to full-requirements electric supply procurement through May 31, 2008. The revisions to Rate BES-H also took effect on February 13, 2008. In accordance with those revisions, ComEd began including transmission and supply administration costs and revenues in the calculation of the Hourly Purchased Electricity Adjustment Factor ("HPEA") for the November 2007 determination period, which were reflected in the bills for hourly-priced customers beginning with the March 2008 billing period. Rider AAF and Rate BES-H similarly provided for annual reconciliation proceedings. Rider AAF was superseded by ComEd’s Rider PE – Purchased Electricity ("Rider PE") beginning with the June 2008 determination period, as reflected in the bills for October 2008. Rider PE calculates one Purchased Electricity Adjustment Factor ("PEA"), applicable to all customers served under Rate BES—Basic Electric Service ("Rate BES"). Rider PE also requires a yearly reconciliation. Effective January 15, 2009, Rate BESH – Basic Electric Service – Hourly Energy Pricing ("Rate BESH"), replaced Rate BES-H.

These are the tenth and eleventh power supply cost reconciliations for ComEd. The periods from June 1, 2016 through May 31, 2017, and June 1, 2017 through May 31,
2018, are the reconciliation periods. The purpose of these consolidated dockets is to reconcile revenues collected under the operative above-named tariffs, which authorize the recovery of power supply costs for a reconciliation period with costs incurred in connection with those procurement activities as defined in ComEd’s tariffs.

Additionally, the Commission has directed ComEd to: (1) include a schedule presenting cumulative totals of incremental costs and cumulative totals of recoveries by wholesale product to the extent such information was reasonably available; (2) address in testimony specifically how it complied with the applicable procurement plan approved by the Commission for the period under review; (3) include a summary schedule detailing the internal administrative and operational costs associated with the procurement of electric power and energy for retail customers during the period under review; (4) provide in testimony a conclusion about the reasonableness of these costs and the basis for that conclusion; and (5) provide for the correction of any accounting errors that might have occurred in the application of the provisions of Rider PE and Rate BESH. 2018 Initiating Order at 3; 2019 Initiating Order at 3.

III. RECONCILIATION OF REVENUES COLLECTED UNDER RIDER PE AND RATE BESH AND ACCOMPANYING SCHEDULE

As set forth by ComEd witness Kozel, ComEd presented a reconciliation of revenues during the reconciliation periods for: (1) its PEAs under ComEd’s Rider PE and (2) its HPEAs under Rate BESH. ComEd Exs. 1.0, 1.1, and 1.2 (and updated in ComEd Exs. 1.3 and 1.4). The PEAs pertained to bundled electric supply service that is purchased by ComEd for certain retail customers, as described in Rider PE, and for which the applicable periods are June 1, 2016 through May 31, 2017 (ComEd Ex. 1.1 and ComEd Ex. 1.3) and June 1, 2017 through May 31, 2018 (ComEd Ex. 1.2 and ComEd Ex. 1.4). The HPEAs, like the PEAs, pertained to electric power and energy that was directly procured by ComEd for customers taking service under ComEd’s bundled service tariff with hourly pricing for the same time period. ComEd Ex. 1.0 at 2.

Mr. Kozel described the operations relating to the PEAs under Rider PE and HPEAs under Rate BESH. The PEAs and HPEAs were designed as part of Rider PE and Rate BESH so that the expenses which ComEd incurred for the direct procurement of electric power and energy required by retail customers for which ComEd was providing such supply, would equal the revenues from those retail customers for such supply, based on changes in those customers’ actual usage and demands on ComEd’s system. ComEd Ex. 1.0 at 7.

As provided in Rider PE and Rate BESH, ComEd conducted internal audits and prepared reports that summarized the results of the audits and submitted those reports to the Commission as informational filings. ComEd Ex. 1.0 at 7. Additionally, the Supplemental Reports Relating to 2017 and 2018 ComEd Purchased Electricity Cost Recovery Review, included in ComEd Ex. 1.1 and ComEd Ex. 1.2, both contained Appendix I, which are schedules of “Cumulative Totals of Incremental Expenses, Revenues, and Recoveries.” ComEd attached the reports to Mr. Kozel’s testimony as ComEd Ex. 1.1 and ComEd Ex. 1.2. The schedules within those Supplemental Reports were updated in ComEd Ex. 1.3 and ComEd Ex. 1.4. ComEd provided these schedules for purposes of complying with both the 2018 and 2019 Initiating Orders’ directive that
ComEd shall “include a schedule presenting cumulative totals of incremental costs and cumulative totals of recoveries, by wholesale product.” 2018 Initiating Order at 3; 2019 Initiating Order at 3. A copy of Staff Ex. 1.0, Schedules 1.01 and 1.02, which are another version of this schedule, are attached as the Appendix to this Order.

To calculate the PEAs and HPEAs under Rider PE and Rate BESH, ComEd calculated the difference between revenues and expenses associated with each product on a monthly basis. Any amounts that were over/under recovered in a given period were reflected in a subsequent period on customers’ bills and any amounts that were credited to or recovered from customers were incorporated into the next applicable monthly calculation of the PEAs and HPEAs. At the end of any accounting period, ComEd recorded a cumulative regulatory asset (under-recovery) or regulatory liability (over-recovery) for each product offering. ComEd Ex. 1.0 at 7-8.

ComEd witness Hengtgen testified that the Cash Working Capital (“CWC”) costs incurred by ComEd for the procurement of electric power and energy for retail customers served under Rider PE and Rate BESH are reasonable. ComEd Ex. 3.0 at 2. Mr. Hengtgen explained that ComEd performed a study similar to what was done by Navigant Consulting in recent reconciliations for Rider PE and Rate BESH. ComEd Ex. 3.0 at 4-5. Specifically, ComEd determined the lead and lag to be applied to the various components of the supply costs and therefore calculated the cash working capital amounts that should be included in ComEd’s costs incurred under Rider PE and Rate BESH. ComEd Ex. 3.0 at 5-15. Mr. Hengtgen stated the methodology used by ComEd appears consistent with other lead-lag studies. In addition, he stated that ComEd’s internal audit department reviewed the cost recovery process performed by ComEd’s Revenue Accounting group and determined that it is consistent with the requirements in Rider PE and Rate BESH. ComEd Ex. 3.0 at 14-15.

IV. COMPLIANCE WITH PROCUREMENT PLAN

The Initiating Orders directed ComEd to “address in testimony specifically how it complied with the applicable procurement plan approved by the Commission for the period under review.” 2018 Initiating Order at 3; 2019 Initiating Order at 3. Section 16-111.5(l) of the Public Utilities Act (“Act”) provides in part that:

A utility shall recover through the tariff all reasonable costs incurred to implement or comply with any procurement plan that is developed and put into effect pursuant to Section 1-75 of the Illinois Power Agency Act and this Section, including any fees assessed by the Illinois Power Agency (“IPA”), costs associated with load balancing, and contingency plan costs. The electric utility shall also recover its full costs of procuring electric supply for which it contracted before the effective date of this Section in conjunction with the provision of full requirements service under fixed-price bundled service tariffs subsequent to December 31, 2006. All such costs shall be deemed to have been prudently incurred.

220 ILCS 5/16-111.5(l).
ComEd witness Vogt testified as to how ComEd complied with the procurement plans approved by the Commission. Mr. Vogt testified that the key components of the Plans are: (1) the identification of pre-existing contracts for supply; (2) the determination of the amounts and method for procuring the residual requirements of energy, capacity and ancillary services for the eligible retail customers; and (3) the procurement of renewable energy resources. ComEd Ex. 2.0 at 22. He also testified as to how ComEd complied with each component of the Plans. ComEd Ex. 2.0 at 22-30.

As to the first component of the Plans, Mr. Vogt testified that, during the relevant time period, there were no pre-existing contracts. ComEd Ex. 2.0 at 22.

With regard to the second component of the Plan, Mr. Vogt testified that the Plans call for the procurement of block energy-only products, which vary monthly and by on-peak and off-peak time periods. To balance the portion of the load served by the existing block energy products, he stated that the Plan called for ComEd to passively procure and sell energy in the PJM-administered spot markets, and similarly, to procure capacity and ancillary services from the relevant PJM-administered markets. ComEd Ex. 2.0 at 22-23. Mr. Vogt testified that ComEd complied with the procurement of the electricity supply portion of the Plan by acquiring balancing energy, capacity and ancillary services through the relevant PJM markets. ComEd ensured the appropriate amounts were obtained, confirmed that invoiced amounts were correct, and then processed payment for these amounts. ComEd Ex. 2.0 at 23.

As to the third component of the Plan, Mr. Vogt testified that the Plan called for procurement of the required amounts of renewable energy resources through the procurement of renewable energy credits (“RECs”). ComEd Ex. 2.0 at 23. Mr. Vogt testified that ComEd complied with the procurement of renewable energy resources portion of the Plan in Docket No. 15-0541 by executing the standard contract, developed by the Procurement Administrator, with each winning bidder for the RECs for the amount and price approved by the Commission. During the terms of these contracts, ComEd confirmed delivery of the appropriate amount of RECs from each supplier through the use of the PJM Environmental Information System Generation Attribute Tracking System (“EIS GATS”), the MISO Midwest Renewable Energy Tracking System (“M-RETS”), or the North American Renewables Registry (“NARR”) certification systems. After deliveries were made and confirmed, ComEd paid the suppliers at the approved prices. ComEd also validated that invoices from the renewable certification entities were correct and then processed payments as reimbursement for those services. ComEd Ex. 2.0 at 23-24.

V. ADMINISTRATIVE AND OPERATIONAL FUNCTIONS AND COSTS – OVERVIEW

The Initiating Orders state that:

each utility shall include a summary schedule detailing the internal administrative and operational costs associated with the procurement of electric power and energy for retail customers during the period under review. Moreover, each utility shall provide in testimony a conclusion about the
Mr. Vogt testified that during the reconciliation periods, ComEd’s Energy Acquisition Department consisted of five groups: Procurement Planning and Strategy; Wholesale Billing and Credit; Wholesale Supplier Operations; Wholesale Markets and Development; and Electric Supplier Services. The Procurement Planning and Strategy group is responsible for developing and advocating ComEd’s position in annual procurement proceedings; fulfilling ComEd’s responsibilities in the Illinois Power Agency (“IPA”) procurement events; and managing the nomination of Auction Revenue Rights in PJM. ComEd Ex. 2.0 at 5.

Mr. Vogt explained that the Wholesale Billing and Credit group performed three primary functions: (1) validating PJM invoiced charges to ComEd and initiating payments to PJM for confirmed services; (2) validating charges to ComEd from its wholesale suppliers, initiating payments for those deliveries, and managing all wholesale contracts including the Master Power Purchase and Sale Agreements from the IPA procurement events and the Master Renewable Energy Purchase and Sale Agreements, also from the IPA procurement events; and (3) monitoring the credit ratings of ComEd’s wholesale suppliers and administering daily credit processes, including the determination of market-to-market collateral requirements and the processing of collateral payments or instruments. ComEd Ex. 2.0 at 5.

Mr. Vogt stated that the Wholesale Supplier Operations group performs a number of daily functions, such as: (1) validating individual retail customer enrollments for each retail electric supplier (“RES”) to ensure that the daily load responsibilities of each RES are accurate; (2) calculating individual retail customer Capacity Peak Load Contributions and Network Service Peak Load Contributions and aggregating them by the responsible RES so that PJM can properly bill each RES; (3) submitting daily load bids for the retail load served by ComEd into the PJM day-ahead energy market; (4) forecasting RES hourly energy load serving responsibilities and monitoring RES estimates submitted to PJM to ensure good faith scheduling; (5) forecasting hourly load-serving responsibility estimates for the load supplied by ComEd; (6) confirming scheduled physical deliveries by ComEd’s wholesale suppliers; and (7) performing the reconciliation of actual versus estimated supplier load responsibilities with PJM. ComEd Ex. 2.0 at 6-7.

Mr. Vogt testified that the primary responsibility of the Wholesale Markets and Development group is to calculate the hourly load of the ComEd Zone on a daily basis,
which is the starting point for the allocation of load responsibility for the load-serving entities in the ComEd Zone. ComEd Ex. 2.0 at 7. As explained below, no incremental administrative and operational costs associated with this group were collected from retail customers through Rider PE or Rate BESH. ComEd Ex. 2.0 at 8.

Mr. Vogt also explained that the main responsibility of the Electric Supplier Services group is to serve as the primary point of contact with RESs, including certifying new RESs and addressing RES issues. Additionally, this group processes customer enrollments with RESs as well as customer enrollments to ComEd’s hourly-priced service; it also provides historical customer usage data to market participants with customer authorization to obtain such information. ComEd Ex. 2.0 at 8.

Mr. Vogt stated that these groups generally report to a Director or Manager who oversees the work performed within these groups. ComEd Ex. 2.0 at 6, 7, and 9. The costs associated with these groups consist primarily of labor, office space, and equipment. ComEd Ex. 2.0 at 8. Other departmental overhead costs in Energy Acquisition that relate to procurement administrative costs are those associated with activities performed by the Vice President of Energy Acquisition and his Administrative Assistant, as they spend a portion of their time working on procurement-related activities. ComEd Ex. 2.0 at 8.

**B. Other Administrative and Operational Costs**

Mr. Vogt also provided a description and breakdown of the various categories of administrative and operational costs which are costs other than those that are internal to ComEd’s Energy Acquisition Department and other than the direct costs of the supply itself (e.g., energy, capacity, ancillary services, transmission) that ComEd incurred in procuring power and energy during the relevant period. These “other” administrative and operational costs are described below, and are listed by category, along with the costs expended for each category, in ComEd Exhibits 2.1 and 2.2. ComEd Ex. 2.0 at 9.

Mr. Vogt stated that the Information Technology System Costs are the costs incurred to maintain and support the Retail Office (“RO”) software used by the Energy Acquisition Department’s Wholesale Supplier Operations, which is a standard industry wholesale settlements program that assists in the determination of the amount of load served by ComEd pursuant to Rider PE and Rate BESH. He further explained that ComEd needed to revise RO software in response to various PJM rule changes. Mr. Vogt stated that, consistent with the approval in Docket No. 05-0597 and with standard accounting practice, ComEd has capitalized those costs and has been amortizing them over a five-year period. ComEd Ex. 2.0 at 10.

PJM Credit Costs represent the credit facility costs for the posting of PJM-required collateral for the load that ComEd procures from PJM. Mr. Vogt said the Plan requires ComEd to procure the supply needed to balance the load of its fixed-price customers directly from the PJM spot markets, and that ComEd also procures capacity, ancillary services and transmission to serve both its fixed-price and hourly-priced customers from PJM pursuant to the Plan and Rate BESH, respectively. He stated that ComEd is not required to post collateral for the portion of its load related to the contracts for the block
energy products, which are most of the energy products that ComEd procures. ComEd Ex. 2.0 at 10-11.

Renewable Energy Certificate ("REC") costs are incurred as a result of the certification and tracking services that are used to manage the REC contracts and include a fixed annual membership fee and a separate volume-based fee charged for each REC delivered and retired using the systems. As set forth in the Plan, ComEd used three services during this period to track RECs: EIS GATS, M-RETS, and NARR. ComEd Ex. 2.0 at 11-12.

IPA fees are billed to ComEd, pursuant to the IPA Act (20 ILCS 3855/1-1 et seq.), in order to pay for consultants engaged by the IPA to help in the development of the procurement plan. Procurement Monitor Costs are the costs directly associated with payment of bills by ComEd for the professional services of a Procurement Monitor who monitored the fixed-price procurement process. The amount of costs shown on ComEd Exhibits 2.1 and 2.2 for IPA fees and Procurement Monitor Costs include the costs related to the procurement plan proceeding, Docket Nos. 15-0541 and 16-0453. ComEd Ex. 2.0 at 12.

Mr. Vogt stated that the Procurement Plan and Reconciliation Proceedings Costs are primarily the costs incurred developing, obtaining approval for and implementing the procurement event, covering the period of time from June of 2016 through May of 2021, which was approved by the Commission in Docket Nos. 15-0541 and 16-0453. Also included are procurement-related costs associated with the issues that arose in administering existing supply and renewables contracts and the reconciliation process and proceedings. These costs were incurred over the time periods involved in this matter, June of 2016 through May of 2017 and June 2017 through May 2018, and were passed through to customers as they were incurred. They consisted primarily of legal services from counsel external to ComEd, as well as expert witnesses and consulting charges. ComEd Ex. 2.0 at 12-13.

Mr. Vogt testified that Supply-Related Administrative Costs identified by the Commission in Docket Nos. 17-0196 and 18-0808 are a certain portion of ComEd's Administrative costs previously recovered in its Distribution costs but that the Commission now classifies as supply-related costs. Those types of costs were originally identified in Docket No. 11-0721 and are included in ComEd's supply-related administrative and operational costs as shown in ComEd Exhibits 2.1 and 2.2. ComEd Ex. 2.0 at 13.

Mr. Vogt further testified regarding the Customer Care and Collection Agency Costs allocated to supply in Docket Nos. 17-0196 and 18-0808. He stated that customer care costs are expenses recorded in FERC Accounts 901-910. These expenses include the costs of maintaining and servicing customer accounts such as call center personnel, meter reading, recordkeeping, and billing and credit activities. Collection agency costs are fees ComEd pays to outside collection agencies to collect unpaid amounts from customers. Mr. Vogt explained that the Commission identified a portion of these are reflected in ComEd Exhibits 2.1 and 2.2. ComEd Ex. 2.0 at 14.
C. Allocation of Administrative and Operational Costs

Mr. Vogt described the process used to: (1) allocate internal administrative and operational costs to the Energy Acquisition Department function, and (2) apportion or split those allocated costs between the fixed-price load served under Rider PE and the hourly-priced load served under Rider BESH. ComEd Ex. 2.0 at 14-15.

For each group in the Energy Acquisition Department – other than the Wholesale Markets and Development group which imposes no incremental administrative costs on retail customers receiving supply service under Rider PE or Rate BESH – ComEd first identified the primary work activities performed by the group and the portion of the total time spent on each activity by the employees within the group. ComEd then made an assessment as to whether each activity was related to ComEd’s procurement responsibilities. In making that assessment, ComEd considered whether the activity was necessary solely because of ComEd’s load-serving responsibilities, or alternatively, if the function would have been required regardless of its load-serving obligation. ComEd Ex. 2.0 at 14.

It was determined that most activities are a combination of these responsibilities. That is, some amount of that activity was deemed necessary to fulfill ComEd’s electric distribution company responsibilities to PJM. This work activity would have been required whether ComEd supplied any energy to retail customers; however, the fact that ComEd was also a load-serving entity expanded the amount of time and resources needed to perform most activities. Therefore, an estimate of the time spent on each activity was made based on the incremental procurement-related work. This allocation of time to the procurement function was then further split between how much of the activity related to serving the fixed-price load in Rider PE versus the hourly-priced load in Rate BESH in the period of June 1, 2016 through May 31, 2017. For the relevant period of June 1, 2017 through May 31, 2018, we again further split this allocation of time to the procurement function between how much of the activity related to serving ComEd’s fixed-price load in Rider PE, hourly-priced load in Rate BESH, the RECs under Rider REA, and ZECs under Rider ZEA. These allocations were made on a time-based assessment. The time-weighted allocations were then consolidated to the department level and used to allocate both labor and non-labor costs across the entire department. ComEd Ex. 2.0 at 14-15. The resulting allocation percentages for each group in the Energy Acquisition Department were described by Mr. Vogt. ComEd Ex. 2.0 at 16-18.

Mr. Vogt also explained the methodology used to allocate the “Other Administrative and Operational Costs” (described above) between Rider PE and Rate BESH. The IPA fees, the Procurement Monitor Costs, and the Procurement Plan Proceedings Costs were all directly allocated to the fixed-price customers because these are costs incurred for procuring supply for those customers. Mr. Vogt notes that since the Renewable Energy Costs were 100% allocated to Rider REA beginning June 1, 2017, such costs were only allocated to the fixed-price and hourly-priced customers during the period of June 1, 2016 through May 31, 2017. The Information Technology System Costs were equally allocated to fixed-price customers and to hourly-priced customers based on the nature of the IT service provided to either or both supply types. Approximately 78% of the PJM Credit Costs, Supply Related costs identified by the Commission, and Merger-related costs were allocated to the fixed-price customers and
22% were allocated to the hourly-priced customers based on a weighted average department allocation for the period of June 1, 2016 through May 31, 2017 and 71% to the fixed-price customers and 29% to the hourly-priced customers for the period of June 1, 2017 through May 31, 2018. Reconciliation Proceedings costs were allocated equally to fixed-price customers and hourly-priced customers. ComEd Ex. 2.0 at 18.

ComEd Exhibits 2.1 and 2.2 identifies the amounts allocated to Rider PE and to Rate BESH for the Energy Acquisition Department and for the remaining eight categories in the “Other Administrative and Operational Costs.” For the reconciliation period of June 1, 2016 through May 31, 2017, the total administrative and operational costs incurred in procuring energy and power were $19,821,396, of which $2,106,196 was incurred by the Energy Acquisition Department. Of the $19,821,396 total, $18,581,583 was allocated to Rider PE. ComEd Ex. 2.1. For the reconciliation period of June 1, 2017 through May 31, 2018, the total administrative and operational costs incurred in procuring energy and power were $18,526,698, of which $1,506,374 was incurred by the Energy Acquisition Department. Of the $18,526,698 total, $17,238,425 was allocated to Rider PE. ComEd Ex. 2.2.

Mr. Vogt’s testimony supported the conclusion that internal administrative and operational costs that ComEd incurred associated with the procurement of electric power and energy for retail customers served under Rider PE and Rate BESH for the periods June 1, 2016 through May 31, 2017 and June 1, 2017 through May 31, 2018 were reasonable. He explained all of these costs relate to the operations of ComEd’s Energy Acquisition Department. The functions performed by the Energy Acquisition Department were all necessary to procure the electric power and energy to serve Rider PE and Rate BESH customers. The staff that the Energy Acquisition Department employed was needed to perform these procurement functions. The salaries of the staff are set on a competitive basis, utilize the same salary structure that is used throughout ComEd, and are reasonable in amount. The administrative costs associated with operating the department are also reasonable in amount. The methodology ComEd employed to allocate these costs between Rider PE and Rate BESH is a fair and reasonable method. ComEd Ex. 2.0 at 18-19.

Mr. Vogt’s testimony also supported the conclusion that the “Other Administrative and Operational Costs” all fall within one of two categories: (1) costs incurred in procuring power and energy for fixed-price customers under the provisions of Rate BES, including the costs to develop, implement and comply with any relevant procurement plan, as described in Rider PE; or (2) costs incurred in procuring electric power and energy for hourly-priced customers under the provisions of Rate BESH. The Act specifically provides that a utility shall recover its costs of procuring electric power and energy, including: the costs incurred by the utility in procuring a supply of electric power and energy; any just and reasonable costs that the utility incurs in arranging and providing for the supply of electric power and energy; all reasonable costs incurred to implement and comply with any procurement plan; any fees assessed by the IPA; any costs associated with balancing load; and the full costs of all auction-related activities. Similarly, Rider PE and Rate BESH implement the Act and further authorize the recovery of these costs. As is evident from the description of the costs that Mr. Vogt provided, all the costs recovered from retail customers during this period were necessary to procure
the electric power and energy to serve ComEd’s fixed-price and hourly-priced customers consistent with the Act, the Procurement Plan, and ComEd’s tariffs. These costs are conclusively classified as prudent and reasonable, and are fully recoverable. ComEd Ex. 2.0 at 19-20.

Mr. Vogt stated that, in the prior period, June 1, 2015 through May 31, 2016, ComEd recovered $18.2 million in administrative and operational costs. In the period examined in this docket, June 1, 2016 through May 31, 2017, the administrative and operational costs recovered from customers were approximately $19.8 million. Excluding the Customer Care and Collection Agency Costs and Administrative Costs allocated to Supply in Docket Nos. 17-0196 and 18-0808, the difference from the prior period is a decrease of approximately $214,000, primarily due to decreases in the IPA Fees and Procurement Monitor Costs, Procurement Plan and Reconciliation Proceedings costs and PJM credit costs offset by an increase ComEd’s Energy Acquisition Departmental Costs, IT costs, merger-related costs, and Renewable Energy Credits costs. ComEd Ex. 2.0 at 20-21; ComEd’s Response to Staff Data Request BAP 1.08 and BAP 1.08_Attach 1.

Mr. Vogt further stated that, in the period examined in this docket, June 1, 2016 through May 31, 2017, ComEd recovered approximately $19.8 million in administrative and operational costs. In the period also examined in this docket, June 1, 2017 through May 31, 2018, the administrative and operational costs recovered from customers were approximately $18.5 million. Excluding the Customer Care and Collection Agency Costs and Administrative Costs allocated to Supply in Docket Nos. 17-0196 and 18-0808, the difference from the prior period is a decrease of approximately $226,000, primarily due to decreases in ComEd’s Energy Acquisition Departmental Costs, Renewable Energy Credits costs, Procurement Plan and Reconciliation Proceedings costs, IT costs, and merger-related costs offset by an increase in the IPA Fees and Procurement Monitor Costs and PJM credit costs. ComEd Ex. 2.0 at 21-22.

VI. STAFF’S POSITION

Staff witness Pearce testified that ComEd provided sufficient information concerning the Company’s compliance with the procurement plans, and recommended that, in the future, ComEd should continue to provide detailed information in testimony to support power procurement reconciliations. Staff Ex. 1.0 at 3.

Ms. Pearce also described the inclusion of Supply-Related Administrative Costs identified by the Commission in Docket No. 15-0287 and Customer Care and Collection Agency Costs in this reconciliation and stated that the method and amount of cost reallocation were reasonable. Staff Ex. 1.0 at 3-5.

VII. COMMISSION ANALYSIS AND CONCLUSION

The Initiating Orders directed ComEd to present a “reconciliation of revenues collected under the respective tariffs with costs incurred in connection with proper procurement activities as defined in the tariffs.” 2018 Initiating Order at 3; 2019 Initiating Order at 3. Based on the evidence presented, including the internal audit and supplemental report, the Commission finds that, for the reconciliation periods June 1, 2016 through May 31, 2017 and June 1, 2017 through May 31, 2018, the reconciliations
of revenues collected under the above-referenced procurement tariffs with actual costs incurred in connection with procurement activities as defined therein, as shown in the Appendix attached hereto, are accurate, and are hereby approved. The correct tariffs were applied and the charges were accurately calculated and collected.

The Commission further finds that ComEd complied with the applicable procurement plan approved by the Commission for the periods under review. With regard to the internal administrative and operational costs associated with the procurement of electric power and energy for retail customers serviced under Rider PE and Rate BESH for the periods June 1, 2016 through May 31, 2017 and June 1, 2017 through May 31, 2018, the Commission finds that such activities and costs were reasonable. The Commission also approves the inclusion of customer care and collection agency costs allocated to Rider PE and Rate BESH.

For the reconciliation period June 1, 2016 through May 31, 2017 at issue here, accrued expenses were $1,233,606,387 for the fixed segment and $207,500,154 for the hourly segment, totaling $1,441,106,541. Accrued revenues were $1,281,292,938 for the fixed segment and $218,093,535 for the hourly segment, totaling $1,499,386,473. After reflecting recoveries and other adjustments, the total cumulative under-recovery is $7,636,942, as reflected on page 1, line 8, column (d) of the Appendix attached hereto.

For the reconciliation period June 1, 2017 through May 31, 2018 at issue here, accrued expenses were $1,493,305,109 for the fixed segment and $252,057,371 for the hourly segment, totaling $1,745,362,480. Accrued revenues were $1,556,685,580 for the fixed segment and $260,308,540 for the hourly segment, totaling $1,816,994,120. After reflecting recoveries and other adjustments, the total cumulative over-recovery is $18,740,216, as reflected on page 2, line 8, column (d) of the Appendix attached hereto.

VIII. 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:

1. 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;

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

3. the statements of fact set forth in the prefatory portion of this Order are supported by the evidence and the record and are hereby adopted as findings of fact; and

4. for the reconciliation periods of June 1, 2016 through May 31, 2017, and June 1, 2017 through May 31, 2018, the reconciliations of revenues collected under the above-referenced procurement tariffs with actual costs incurred in connection with procurement activities as defined therein, as shown in ComEd Exhibits 1.3 and 1.4 and in the Appendix attached hereto, is accurate, and hereby approved.
IT IS THEREFORE ORDERED that for the reconciliation periods of June 1, 2016 through May 31, 2017, and June 1, 2017 through May 31, 2018, the reconciliations of revenues collected under the above-referenced procurement tariffs with actual costs incurred in connection with procurement activities as defined therein, as shown in ComEd Exhibits 1.3 and 1.4 and as shown in the Appendix attached hereto, are hereby approved.

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 19th day of December, 2019.

(SIGNED) CARRIE ZALEWSKI

Chairman