

Attachment E

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Commonwealth Edison Company	:	
	:	
Annual formula rate update and revenue	:	12-0321
requirement reconciliation authorized by	:	
Section 16-108.5 of the Public Utilities Act.	:	

ORDER

December 19, 2012

year cost savings are estimated to be \$66 million. The record establishes that substantial net savings resulting from these costs are reasonably likely to occur; that both shareholders and ComEd customers face risks and that ComEd's customers have been allocated savings that are reasonably proportional to the risks they face; that Section 7-204(c) does not prohibit recovery of the costs at issue; and that nothing in the orders of the FERC or the MPSC upon which the AG/AARP and CUB rely preclude recovery of these costs. For the reasons above, the Commission agrees with ComEd and Staff and finds that the \$7,213,346 of costs related to the merger of Exelon and Constellation were incurred in order to and were necessary to realize future savings, and were prudently incurred and are reasonable in amount.

VI. RATE OF RETURN

A. Overview

Staff and ComEd agreed that the appropriate rate of return for setting rates to be effective January 1, 2013 is as shown in the following table:

	Amount (\$ Thousands)	In	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	\$ 17,947		0.18%	0.71%	0.00%
Long-Term Debt	5,702,622		57.27%	5.78%	3.31%
Common Equity	4,236,935		42.55%	9.71%	4.13%
Credit Facility Fees					0.10%
Total	\$ 9,957,503		100.00%		7.54%

Staff Ex. 9.0 at 5; ComEd Ex. 19.1.

Staff and ComEd also agreed that the rate of return for the 2011 reconciliation should be as is shown below:

	Amount (\$ Thousands)	In	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	\$ 17,947		0.18%	0.71%	0.00%
Long-Term Debt	5,702,622		57.27%	5.78%	3.31%
Common Equity	4,236,935		42.55%	9.81%	4.17%
Credit Facility Fees					0.10%
Total	\$ 9,957,503		100.00%		7.58%

Staff Exhibit 9.0 at 5; ComEd Ex. 19.1. No party took issue with the position taken by Staff and ComEd. Therefore ComEd's rate of return is approved.

B. Capital Structure

The capital structure is not disputed, as is stated above. As presented in Staff witness McNally's rebuttal testimony, the capital structure, and the cost of capital components, for purposes of determining the revenue requirement for the 2013 rate year are as follows:

	<u>Amount</u>	<u>Percent of Total Capital</u>	<u>Cost</u>	<u>Weighted Cost</u>
Short-Term Debt	\$17,947	0.18%	0.71%	0.00%
Long-Term Debt	\$5,702,622	57.27%	5.78%	3.31%
Common Equity	\$4,236,935	42.55%	9.71%	4.13%
Credit Facility Fees				0.10%
Total Capital	\$9,957,503	100.00%		
Weighted Average Cost of Capital				7.54%

Staff Ex. 9.0 at 4-5.

As presented in Staff witness McNally's rebuttal, the capital structure, and the cost of capital components, for purposes of determining the reconciliation adjustment are as follows:

	<u>Amount</u>	<u>Percent of Total Capital</u>	<u>Cost</u>	<u>Weighted Cost</u>
Short-Term Debt	\$17,947	0.18%	0.71%	0.00%
Long-Term Debt	\$5,702,622	57.27%	5.78%	3.31%
Common Equity	\$4,236,935	42.55%	9.81%	4.17%
Credit Facility Fees				0.10%
Total Capital	\$9,957,503	100.00%		
Weighted Average Cost of Capital				7.58%

Id. at 5.

The Commission approves this uncontested capital structures.

X. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having considered the entire record herein 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, distribution, and sale 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 subject-matter jurisdiction and jurisdiction over the parties;
- (3) the recitals of fact and conclusions 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; the Appendices attached hereto provides supporting calculations;
- (4) for purposes of this proceeding, as adjusted, Commonwealth Edison Company's average rate base is \$6,079,770,000 for the 2011 reconciliation year and \$6,367,025,000 for the 2012 filing year;
- (5) the rate of return which Commonwealth Edison Company should be allowed to earn on its net original cost rate base is 7.58% for the 2011 reconciliation year, this rate of return incorporating a return on common equity of 9.81%, on long-term debt of 5.78%, and on short term debt of 0.71%; and the rate of return which Commonwealth Edison Company should be allowed to earn on its net original cost rate base is 7.54% for the 2013 rate year, this rate of return incorporating a return on common equity of 9.71%, on long-term debt of 5.78%, and on short term debt of 0.71%;
- (6) the rates of return set forth in Finding (5) result in tariffed operating revenues of \$2,023,269,000 (which reflect the Reconciliation and ROE Collar adjustments) and net annual operating income of \$480,074,000 as shown on Appendix A;
- (7) the Commission, based on Commonwealth Edison Company's proposed original cost of plant in service as of December 31, 2011, before adjustments, of \$15,036,912,000, and reflecting the Commission's determination adjusting that figure, approves \$14,996,019,000 as the composite original cost of jurisdictional distribution services plant in service as of December 31, 2011;
- (8) Commonwealth Edison Company is authorized to place into effect tariff sheets and associated informational sheets designed to produce annual tariffed revenues of \$2,023,269,000, which represent an increase of \$89,334,000 over total revenues established in Docket 11-0721 on rehearing; such revenues in addition to other revenues will provide

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December 18, 2013

ComEd's argument that quantifying the impact of the disallowance is difficult is not persuasive. If the Commission were to adopt that argument, it would effectively require ratepayers to pay costs that the Commission believes should not be borne by them. Additionally, the suggestion that the Commission should wait for an appellate court decision on a related incentive issue cannot be accepted. While ComEd presumably believes it will prevail in court, the Commission does not agree. In the Commission's view, it would be unfair to ratepayers to burden them with costs that are not their responsibility while a related issue is litigated. Therefore, the Commission adopts the disallowance as proposed by Staff and quantified in Staff's initial brief. The Commission does, however, encourage ComEd to work with Staff on an agreeable method for quantifying any future disallowance.

VI. RATE OF RETURN

A. Overview

The parties mutually recommend a 6.94% rate of return on rate base for both 2014 rate setting and the 2012 reconciliation for ComEd's electric delivery services, based on the following capital structure and capital costs:

Capital Component	Percent of Total Capital	Cost	Weighted Cost
Short-term Debt	0.00%	0.50%	0.00%
Long-term Debt	54.72%	5.39%	2.95%
Common Equity	45.28%	8.72%	3.95%
Credit Facility Fees			0.04%
Total	100.00%		6.94%

Staff Ex. 6.0 Revised, 7; ComEd Ex. 14.01, Sch FR D-1.

B. Capital Structure

Staff and the Company agree that an end-of year 2012 capital structure comprising 0.00% short-term debt, 54.72% long-term debt and 45.28% common equity (excluding goodwill) is appropriate for setting rates in 2014 and the reconciliation for 2012, as supported by ComEd's Capital Structure Report filed pursuant to the Final Order in ICC Docket No. 11-0721. Specifically, based on the Company's business risk and financial risk, Standard and Poor's has assigned ComEd a BBB credit rating with a stable outlook. Likewise, Moody's has assigned ComEd its equivalent credit rating, Baa2, also with a stable outlook. This indicates that ComEd maintains a reasonable degree of financial strength, as reflected in the Company's capital structure. Further, as noted in ComEd Ex. 4.01, the ratings agencies have indicated that ComEd enjoys strong financial metrics for its current rating.

XII. CONCLUSION

For the reasons stated herein, the Commission approves Commonwealth Edison Company's annual formula rate update and revenue requirement reconciliation, including the ROE Collar adjustment relating to 2012, as set forth in the attached appendices, to be applicable to delivery services provided by ComEd beginning on the first day of its January 2014 billing period, subject to ComEd's final compliance filing and the rulings in this Order.

XIII. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having considered the entire record herein 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, distribution, and sale 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 the parties and the subject matter herein;
- (3) the recitals of fact and conclusions 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; the Appendices attached hereto provide supporting calculations;
- (4) for purposes of this proceeding, as adjusted, Commonwealth Edison Company's rate base is \$6,389,170,000 for the 2012 Reconciliation Year Revenue Requirement and \$6,701,622,000 for the Initial 2014 Rate Year Revenue Requirement;
- (5) the rate of return which Commonwealth Edison Company should be allowed to earn on its net original cost rate base is 6.94% for both the 2012 Reconciliation Revenue Requirement and the 2014 Rate Year Initial Revenue Requirement, this rate of return incorporating a return on common equity of 8.72%, on long-term debt of 5.39%, and on short term debt of 0.50%;
- (6) the rates of return set forth in Finding (5) result in tariffed operating revenues of \$2,349,742,000 (reflecting the reconciliation and ROE Collar adjustments) and net annual operating income of \$465,093,000;
- (7) the Commission, based on ComEd's proposed original cost of plant in service as of December 31, 2012, before adjustments, of \$15,654,123,000, and reflecting the Commission's determination adjusting that figure, unconditionally approves \$15,654,123,000 as the composite

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December 10, 2014

Commonwealth Edison Co., Docket 10-0138, Order on Rehearing at 5 (August 17, 2011). Also, in that Docket, the Commission denied an intervenor's request to have these costs borne by all eligible ComEd customers. Docket 10-0138, Order at 27 (December 15, 2010). It is clear that the administrative costs associated with PORCB are to be recovered from RESs through Rider PORCB.

The collection agency costs at issue here are administrative costs related to supply service and should be recovered through Rider PORCB or Rider PE. If a RES did not take service under PORCB, these are costs that a RES would incur itself. Staff's proposal is consistent with this reasoning and is adopted.

With respect to ICEA's argument regarding the term "retail customer" in Section 5/16-118, the Commission does not find it to support recovering these costs from all delivery service customers. Although, the definition of "retail customer," contained in Section 5/16-102, appears to encompass all of ComEd's delivery customers, the Commission finds that as used in Section 5/16-118 the meaning is less definite. It states:

The electric utility retains the right to impose the same terms on retail customers with respect to credit and collection, including requests for deposits, and retain the electric utility's right to disconnect the retail customers, if it does not receive payment for its tariffed services or purchased receivables, in the same manner that it would be permitted to if the retail customers purchased power and energy from the electric utility.

220 ILCS 5/16-118. This first use of "retail customer" in this sentence must mean RES customers on Rider PORCB or it does not make sense. The second use of "retail customer" defines itself as those customers on ComEd supply. So in this sentence "retail customers" are those customers receiving supply from a RES that has signed up for Rider PORCB as opposed to if "retail customer purchased power and energy from the electric utility", who are customers on ComEd supply. To be consistent then, in the very next sentence the administrative costs that are permitted to be recovered from "retail customers" should only be recovered from RES customers receiving service pursuant to Rider PORCB.

The Commission adopts Staff's position, and ComEd is directed to adjust its revenue requirement to reflect the Commission's finding that these costs are properly recovered through Rider PORCB and Rider PE. This is consistent with the statute and the general principle of rate design based on cost causation. Accordingly, ComEd is authorized to file corresponding Rider PORCB, Rate BESH and Rider PE tariff changes and informational sheets, as applicable, reflecting this finding with its compliance filing.

VI. Rate of Return

A. Overview

Staff and the Company both recommend a 7.06% rate of return on rate base for 2015 rate setting and a 7.04% rate of return on rate base for 2013 reconciliation for

ComEd's electric delivery services, based on the following capital structure and capital costs:

Filing Year:

<u>Capital Component</u>	<u>Percent of Total Capital</u>	<u>Cost</u>	<u>Weighted Cost</u>
Short-term Debt	0.22%	0.40%	0.00%
Long-term Debt	54.01%	5.16%	2.79%
Common Equity	45.77%	9.25%	4.23%
Credit Facility Fees			<u>0.04%</u>
Total	<u>100.00%</u>		<u>7.06%</u>

Reconciliation Year:

<u>Capital Component</u>	<u>Percent of Total Capital</u>	<u>Cost</u>	<u>Weighted Cost</u>
Short-term Debt	0.22%	0.40%	0.00%
Long-term Debt	54.01%	5.16%	2.79%
Common Equity	45.77%	9.20%	4.21%
Credit Facility Fees			<u>0.04%</u>
Total	<u>100.00%</u>		<u>7.04%</u>

Staff Ex. 3.0 at 4; ComEd Ex. 3.01, Schedule FR D-1.

B. Capital Structure

Staff and the Company agree that an end-of year 2013 capital structure comprising 0.22% short-term debt, 54.01% long-term debt and 45.77% common equity (excluding goodwill) is appropriate for setting rates in 2015 and the reconciliation for 2013. Specifically, Staff agrees that ComEd's capital structure is appropriate for the reasons set forth in Docket No. 13-0318, ComEd Ex. 4.01 at 23-25. Staff Ex. 3.0 at 2.

ComEd has updated its rate of return through agreement with Staff. Therefore, the Commission approves ComEd's rates of return for the 2013 Reconciliation Year and the 2015 Initial Rate Year.

C. Cost of Capital Components

1. Rate of Return on Common Equity

Staff and ComEd agree that the cost of equity is 9.25% for the 2015 filing year revenue requirement and 9.20% for the 2013 reconciliation year revenue requirement. The 9.25% return equals the 3.45% monthly average 30-year U.S. Treasury bond yield, plus 580 basis points, as required under Section 16-108.5 of the Act. ComEd did not meet a service reliability target outlined in Section 16-108.5, therefore, it incurred a five basis point penalty reduction to the cost of equity applied to the reconciliation year revenue requirement. Staff Ex. 3.0 at 4; ComEd Ex. 5.0 at 5.

- (1) Commonwealth Edison Company is an Illinois corporation engaged in the transmission, distribution, and sale 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 the parties and the subject matter herein;
- (3) the recitals of fact and conclusions 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; the Appendices attached hereto provide supporting calculations;
- (4) for purposes of this proceeding, as adjusted, Commonwealth Edison Company's rate base is \$6,574,279,000 for the 2013 Reconciliation Year Revenue Requirement and \$7,344,017,000 for the Initial 2015 Rate Year Revenue Requirement;
- (5) the rate of return which Commonwealth Edison Company should be allowed to earn on its net original cost rate base is 7.04% for the 2013 Reconciliation Year and 7.06% for the 2015 Rate Year Initial Revenue Requirement, this rate of return incorporating a return on common equity of 9.20% and 9.25%, respectively, on long-term debt of 5.16%, and on short term debt of 0.40%;
- (6) the rates of return set forth in Finding (5) result in tariffed operating revenues of \$2,582,014,000 (reflecting the reconciliation and ROE Collar adjustments) and net annual operating income of \$518,488,000;
- (7) the Commission, based on ComEd's proposed original cost of distribution plant in service as of December 31, 2013, before adjustments, of \$16,299,132,000, and reflecting the Commission's determination adjusting that figure, unconditionally approves \$16,275,590,000 as the composite original cost of jurisdictional distribution services plant in service as of December 31, 2013. The Commission will make separate original cost findings with respect to the assets excluded from the original cost determination in this case;
- (8) Commonwealth Edison Company is authorized to place into effect tariff sheets and associated informational sheets designed to produce annual tariffed revenues of \$2,347,549,000 (in addition to the \$129,785,000 of Other Revenues), which represent an increase of \$160,232,000 over total revenues established in Docket No. 13-0318 for the 2014 Rate Year Net Revenue Requirement. Such revenues in addition to other revenues will provide ComEd with an opportunity to earn the rates of return set forth in Finding (5);
- (9) the determinations regarding other subjects contained in the prefatory portion of this Order are reasonable for purposes of this proceeding; the compliance filing to be filed by Commonwealth Edison Company shall incorporate such determinations to the extent applicable;

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Commonwealth Edison Company	:	
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ORDER

December 9, 2015

USWAG indicating the amount of association dues it spends on lobbying activities for the relevant year.

Regarding the IERG Lobbying Statement, this is an undated document that states members should report that 1% of dues are spent on lobbying activities as a general provision. The Lobbying Statement further provides that any changes in this amount will be reported to members. ComEd provides no further proof that only 1% of IERG dues are related to lobbying activities for 2014. ComEd would have the Commission assume that this Lobbying Statement was in effect in 2014 and that there were no further reports by IERG to its membership indicating any changes to this amount for 2014. The Commission declines to make any such assumption. The Commission adopts Staff's proposed 100% disallowance of industry association dues for IERG.

VI. RATE OF RETURN

ComEd provided its capital structure and cost for the purpose of determining both the 2014 Reconciliation Year and the 2016 Initial Rate Year. Staff did not recommend any adjustments to ComEd's proposed capital structure. ComEd and Staff agree and mutually recommend a 7.02% rate of return on rate base for the 2014 Reconciliation Year and a 7.05% rate of return on rate base for the 2016 Initial Rate Year. Staff Ex. 3.0 at 3; ComEd Ex. 2.0 at 45; ComEd Ex. 2.01, Sch FR D-1, line 21; ComEd Ex. 2.01, Sch FR D-2. ComEd has updated its rate of return through agreement with Staff. No other party objected to the proposed capital structure. Therefore, the Commission approves ComEd's rate of return for the 2014 Reconciliation Year and the components for the 2016 Initial Rate Year as indicated in the following chart:

2014 Reconciliation Year

<i>Capital Structure Component</i>	<i>Weighting</i>	<i>Cost</i>	<i>Weighted Cost</i>
<i>Common Equity</i>	46.25%	9.09% ⁽¹⁾	4.20%
<i>Long Term Debt</i>	53.18%	5.24%	2.79%
<i>Short Term Debt</i>	0.57%	0.33%	0.00%
<i>Credit Facility Cost</i>			0.03%
<i>Total Weighted Average</i>	100.00%		7.02%

2016 Initial Filing Year

<i>Capital Structure Component</i>	<i>Weighting</i>	<i>Cost</i>	<i>Weighted Cost</i>
<i>Common Equity</i>	46.25%	9.14%	4.23%
<i>Long Term Debt</i>	53.18%	5.24%	2.79%
<i>Short Term Debt</i>	0.57%	0.33%	0.00%
<i>Credit Facility Cost</i>			0.03%
<i>Total Weighted Average</i>	100.00%		7.05%

(1) Incorporates 5 basis points penalty for missing EIMA reliability metric in 2014

- (3) the recitals of fact and conclusions 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; the Appendices attached hereto provide supporting calculations;
- (4) for purposes of this proceeding, as adjusted, Commonwealth Edison Company's rate base is \$7,081,391,000 for the 2014 Reconciliation Year Revenue Requirement and \$8,276,940,000 for the Initial 2016 Rate Year Revenue Requirement;
- (5) the rate of return which Commonwealth Edison Company should be allowed to earn on its net original cost rate base is 7.02% for the 2014 Reconciliation Year and 7.05% for the 2016 Rate Year Initial Revenue Requirement, these rates of return include a return on common equity of 9.09% and 9.14%, respectively, on long-term debt of 5.24%, and on short term debt of 0.33%;
- (6) the rates of return set forth in Finding (5) result in tariffed operating revenues of \$2,515,337,000 (reflecting the reconciliation and ROE Collar adjustments) and net annual operating income of \$583,524,000;
- (7) the Commission, based on Commonwealth Edison Company's proposed original cost of plant in service as of December 31, 2014, before adjustments, of \$17,199,997,000, and reflecting the Commission's determination adjusting that figure, unconditionally approves \$17,198,474,000 as the composite original cost of jurisdictional distribution services plant in service as of December 31, 2014;
- (8) Commonwealth Edison Company is authorized to place into effect tariff sheets and associated informational sheets designed to produce annual tariffed revenues of \$2,515,337,000. Such revenues in addition to other revenues will provide ComEd with an opportunity to earn the rates of return set forth in Finding (5);
- (9) the wages and salaries allocator applicable to supply of 0.43%, as calculated in this proceeding, should be used to develop charges determined and filed with the Commission under Rider PE and Rate BESH to be effective with the January 2016 monthly billing period. Subsequent calculations of the wages and salaries allocator applicable to supply made in subsequent Commonwealth Edison Company formula rate update proceedings must be applied in the corresponding subsequent determination and filing of charges under Rider PE and Rate BESH.
- (10) the determinations regarding other subjects contained in the prefatory portion of this Order are reasonable for purposes of this proceeding; the compliance filing to be filed by Commonwealth Edison Company shall include such determinations to the extent applicable;

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Commonwealth Edison Company	:	
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December 6, 2016

2015 Reconciliation Year

<i>Capital Structure Component</i>	<i>Weighting</i>	<i>Cost</i>	<i>Weighted Cost</i>
<i>Common Equity</i>	45.62%	8.59% ⁽¹⁾	3.92%
<i>Long Term Debt</i>	54.11%	5.06%	2.74%
<i>Short Term Debt</i>	0.27%	0.53%	0.00%
<i>Credit Facility Cost</i>			0.03%
<i>Total Weighted Average</i>	100.00%		6.69%

2017 Initial Filing Year

<i>Capital Structure Component</i>	<i>Weighting</i>	<i>Cost</i>	<i>Weighted Cost</i>
<i>Common Equity</i>	45.62%	8.64%	3.94%
<i>Long Term Debt</i>	54.11%	5.06%	2.74%
<i>Short Term Debt</i>	0.27%	0.53%	0.00%
<i>Credit Facility Cost</i>			0.03%
<i>Total Weighted Average</i>	100.00%		6.71%

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

ComEd Ex. 2.0 at 50; ComEd Init. Br. at 43-44.

C. Cost of Capital Components**1. Rate of Return on Common Equity**

See Section VI.B., *supra*. Staff and ComEd agree that the cost of equity is 8.64% for the 2017 revenue requirement and 8.59% for the 2015 reconciliation year revenue requirement. The 8.64% return equals the 2.84% monthly average 30-year U.S. Treasury bond yield, plus 580 basis points, as required under Section 16-108.5 of the Act. ComEd did not meet a service reliability target outlined in Section 16-108.5, therefore it incurred a five basis point penalty reduction to the cost of equity for the 2015 reconciliation revenue requirement. ComEd Ex. 3.0 at 5; Staff Ex. 3.0 at 6-7.

2. Cost of Long-Term Debt

See Section VI.B., *supra*. Staff and the Company agree that a cost of long-term debt of 5.06% is appropriate for both the 2017 rate setting and the 2015 reconciliation. ComEd Ex. 3.0 at 4; Staff Ex. 6.0 at 4.

3. Cost of Short-Term Debt

See Section VI.B., *supra*. Staff and ComEd agree that a cost of short-term debt of 0.53% is appropriate for both the 2017 rate setting and the 2015 reconciliation. ComEd Ex. 3.0 at 4; Staff Ex. 6.0 at 4. In addition, ComEd's annual credit facility commitment fees, when divided by total capitalization, produce a credit facility fee of 3 basis points,

which should be added to ComEd's overall cost of capital. ComEd Ex. 9.02 at 79; Staff Ex. 6.0 at 4.

4. Overall Weighted Cost of Capital

See Section VI.B., *supra*. Staff and ComEd agree that the fair rate of return on rate base for ComEd is 6.71% for the filing year (based on an 8.64% return on common equity) and 6.69% for the reconciliation year (based on an 8.59% return on common equity).

VII. REVENUES

The record shows that ComEd deducted a total of \$134,383,000, after adjustments, of miscellaneous revenues from its revenue requirement. ComEd Ex. 13.01 at App 10, line 59. None of the individual revenue amounts reflected in this total are contested. ComEd Init. Br. at 45. The Commission approves ComEd's revenue amount.

VIII. COST OF SERVICE AND RATE DESIGN

Cost of service issues in formula rate proceedings are traditionally uncontested. This docket is intended to evaluate the prudence and reasonableness of the costs incurred by ComEd to be recovered during the 2017 Rate Year. ComEd supported all of the cost of service issues in this docket, and neither Staff nor any Intervenor has disagreed. Basic rate design issues are not at issue in this formula rate update case – instead, they were addressed in the rate design tariff filing that was filed on April 30, 2013 in Docket No. 13-0387, the 2013 Rate Design Investigation. The Commission entered a final Order in that docket on December 18, 2013 and the Order was affirmed by the Appellate Court of Illinois for the Second District on March 6, 2015. See *Coalition to Request Equitable Allocation of Costs Together (REACT) v. Ill. Commerce Comm'n*, 2015 IL App (2d) 140202 (Ill. App. Ct. March 6, 2015). ComEd Init. Br. at 45. The cost of service and rate design issues are uncontested and are therefore approved.

IX. OTHER

A. Original Cost Finding

ComEd requests that the Commission, as it has in past FRU Orders (2011 Rate Case Order at 178; 2012 Rate Case Order at 106; 2013 Rate Case Order at 88-89; 2014 Rate Case Order at 8; 2015 Rate Case Order at 5-6), approve ComEd's original cost of plant in service as of the end of the reconciliation rate year which, in this case, is as of December 31, 2015. See ComEd Ex. 2.0 at 14-15. ComEd states that the record shows that the original cost of gross investment in electric utility plant in service in ComEd's rate base as of December 31, 2015 is \$18,481,492,000. *Id.* at 14. Subtracting Asset Retirement costs, capitalized incentive compensation, costs recovered in riders, other costs disallowed in prior Commission orders, and such costs capitalized in 2015, from the total of ComEd's Distribution gross plant and Illinois jurisdictional General and Intangible gross plant results in the original cost of plant in service as of December 31, 2015, of \$18,436,012,000. ComEd Ex. 13.0 at 7; Staff Ex. 4.0 at 7. The Commission approves this amount.

prepared and provided them. These comments have been considered by the Commission in reaching its decisions in this Order, to the extent permitted by the law.

XI. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having considered the entire record herein 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, distribution, and sale 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 the parties and the subject matter herein;
- (3) the recitals of fact and conclusions 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; the Appendices attached hereto provide supporting calculations;
- (4) for purposes of this proceeding, as adjusted, Commonwealth Edison Company's rate base is \$7,781,506,000 for the 2015 Reconciliation Year Revenue Requirement and \$8,831,360,000 for the Initial 2017 Rate Year Revenue Requirement;
- (5) the rate of return which Commonwealth Edison Company should be allowed to earn on its net original cost rate base is 6.69% for the 2015 Reconciliation Year and 6.71% for the 2017 Rate Year Initial Revenue Requirement, these rates of return incorporating a return on common equity of 8.59% and 8.64%, respectively, on long-term debt of 5.06%, and on short term debt of 0.53%;
- (6) the rates of return set forth in Finding (5) result in tariffed operating revenues of \$2,642,836,000 (reflecting the reconciliation and ROE Collar adjustments) and net annual operating income of \$592,584,000;
- (7) the Commission, based on Commonwealth Edison Company's proposed original cost of plant in service as of December 31, 2015, before adjustments, of \$18,481,492,000, and reflecting the Commission's determination adjusting that figure, approves \$18,436,012,000 as the composite original cost of jurisdictional distribution services plant in service as of December 31, 2015;
- (8) Commonwealth Edison Company is authorized to place into effect tariff sheets and associated informational sheets designed to produce annual tariffed revenues of \$2,642,836,000. Such revenues in addition to other revenues will provide Commonwealth Edison Company with an opportunity to earn the rates of return set forth in Finding (5);

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Commonwealth Edison Company	:	
	:	
Annual formula rate update and revenue	:	17-0196
requirement reconciliation under	:	
Section 16-108.5 of the Public Utilities Act.	:	

ORDER

December 6, 2017

	Weight	Cost	Weighted Cost
Common Equity	45.89%	8.34%	3.83%
Long-Term Debt	54.11%	4.81%	2.60%
Short-Term Debt	0.00%	0.77%	0.00%
Cost of Credit Facilities			0.02%
Total Weighted Average	100%		6.45%

ComEd Ex. 1.0 at 75; see *also* ComEd Ex. 8.01, Sch FR D-1, line 21. The 8.34% cost of common equity incorporates a reduction of six basis points for missing EIMA reliability metric in 2016. ComEd Ex. 3.0 at 5.

The overall weighted cost of capital in the 2018 Initial Rate Year is correctly determined as follows:

	Weight	Cost	Weighted Cost
Common Equity	45.89%	8.40%	3.85%
Long-Term Debt	54.11%	4.81%	2.60%
Short-Term Debt	0.00%	0.77%	0.00%
Cost of Credit Facilities			0.02%
Total Weighted Average	100%		6.47%

ComEd Ex. 1.0 at 75; see *also* ComEd Ex. 8.01, FR-D-1, line 21. No party contests ComEd's overall weighted cost of capital, and it is therefore approved.

VII. REVENUES

The record shows that ComEd deducted a total of \$137,978,000, after adjustments, of miscellaneous revenues from its revenue requirement. ComEd Ex. 8.01, App. 10, line 59. None of the individual revenue amounts reflected in this total have been contested and this amount is supported in the record. ComEd Init. Br. at 45. The Commission approves ComEd's revenue amount.

appendices, approves the original costs of ComEd's electric plant in service as of December 31, 2016, makes the required factual findings in support thereof, and authorizes and directs ComEd to make a compliance filing implementing the resulting rates and charges. These updates are applicable to delivery services provided by ComEd beginning on the first day of its January 2018 billing period, subject to ComEd's final compliance filing and the rulings in this Order.

XII. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having considered the entire record herein 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, distribution, and sale 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 the parties and the subject matter herein;
- (3) the recitals of fact and conclusions 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; the Appendices attached hereto provide supporting calculations;
- (4) for purposes of this proceeding, as adjusted, Commonwealth Edison Company's rate base is \$8,807,023,000 for the 2016 Reconciliation Year Revenue Requirement and \$9,661,978,000 for the 2018 Initial Rate Year Revenue Requirement;
- (5) the rate of return which Commonwealth Edison Company should be allowed to earn on its net original cost rate base is 6.45% for the 2016 Reconciliation Year and 6.47% for the 2018 Rate Year Initial Revenue Requirement; these rates of return incorporating a return on common equity of 8.34% and 8.40%, respectively, on long-term debt of 4.81%, and on short term debt of 0.77%;
- (6) the rates of return set forth in Finding (5) result in tariffed operating revenues of \$2,720,884,000 (reflecting the reconciliation and ROE Collar adjustments) and net annual operating income of \$625,130,000;
- (7) the Commission, based on Commonwealth Edison Company's proposed original cost of plant in service as of December 31, 2016, before adjustments, of \$19,912,370,000, and reflecting the Commission's determination adjusting that figure, approves \$19,912,370,000 as the composite original cost of jurisdictional distribution services plant in service as of December 31, 2016;

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Commonwealth Edison Company	:	
	:	
Annual formula rate update and revenue	:	18-0808
requirement reconciliation under	:	
Section 16-108.5 of the Public Utilities Act.	:	

ORDER

December 4, 2018

	Weight	Cost	Weighted Cost
Common Equity	47.11%	8.69%	4.09%
Long-Term Debt	52.89%	4.56%	2.41%
Short-Term Debt	0.00%	1.24%	0.00%
Cost of Credit Facilities			0.02%
Total Weighted Average	100%		6.52%

ComEd Ex. 2.01, Sch. FR D-1, line 21.

ComEd states that the overall weighted cost of capital in the 2019 Initial Rate Year is identical, and correctly determined as follows:

	Weight	Cost	Weighted Cost
Common Equity	47.11%	8.69%	4.09%
Long-Term Debt	52.89%	4.56%	2.41%
Short-Term Debt	0.00%	1.24%	0.00%
Cost of Credit Facilities			0.02%
Total Weighted Average	100%		6.52%

ComEd Ex. 2.01, Sch. FR D-1, line 21.

No party contests ComEd's overall weighted cost of capital, and it is therefore approved.

VII. REVENUES¹

The Commission approves ComEd's revenue amount.

VIII. COST OF SERVICE AND RATE DESIGN

Cost of service issues are generally uncontested in FRU proceedings. This docket is intended to evaluate the prudence and reasonableness of the costs incurred by ComEd to be recovered during the 2019 Rate year. Rate design matters are not at issue in this formula rate update case; instead they were addressed in a separate rate design tariff filing. See, e.g., *Commonwealth Edison Co.*, Docket No. 13-0318, Order (Dec. 18, 2013); *Commonwealth Edison Co.*; Docket No. 17-0049, Order (July 26, 2017). The cost of

¹ To the extent there are any contested issues regarding the revenues generated by the Marketplace, net of expenses, these issues are addressed in Section V.B.1, above.

- (2) the Commission has jurisdiction over the parties and the subject matter herein;
- (3) the recitals of fact and conclusions 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; the Appendices attached hereto provide supporting calculations;
- (4) for purposes of this proceeding, as adjusted, Commonwealth Edison Company's rate base is \$9,512,652,000 for the 2017 Reconciliation Year Revenue Requirement and \$10,675,257,000 for the 2019 Initial Rate Year Revenue Requirement;
- (5) the rate of return which Commonwealth Edison Company should be allowed to earn on its net original cost rate base is 6.52% for the 2017 Reconciliation Year and 6.52% for the 2019 Rate Year Initial Revenue Requirement; these rates of return incorporating a return on common equity of 8.69% in each year, on long-term debt of 4.56%, and on short term debt of 1.24%;
- (6) the rates of return set forth in Finding (5) result in tariffed operating revenues of \$2,696,799,000 (reflecting the reconciliation and ROE Collar adjustments) and net annual operating income of \$696,027,000;
- (7) the Commission, based on Commonwealth Edison Company's proposed original cost of plant in service as of December 31, 2017, before adjustments, of \$21,245,845,000, and reflecting the Commission's determination adjusting that figure, unconditionally approves \$21,189,824,000 as the composite original cost of jurisdictional distribution services plant in service as of December 31, 2017;
- (8) Commonwealth Edison Company is authorized to place into effect tariff sheets and associated informational sheets designed to produce annual tariffed revenues of \$2,696,799,000. Such revenues in addition to other revenues will provide ComEd with an opportunity to earn the rates of return set forth in Finding (5);
- (9) the determinations regarding other subjects contained in the prefatory portion of this Order are reasonable for purposes of this proceeding; the compliance filing to be filed by Commonwealth Edison Company shall incorporate such determinations to the extent applicable;
- (10) new charges authorized by this Order shall become effective beginning with the first day of the January 2019 monthly billing period consistent with the requirements set forth in Section 16-108.5 of the Act; Commonwealth Edison Company shall be allowed four business days after the issuance of this Order to submit its compliance filing for informational purposes; the new tariff sheets and associated informational sheets authorized to be filed by this Order shall take effect the next business day after the date of filing, with updated charges listed on said tariff sheets, and associated informational sheets to be effective with the first day of the January 2019 monthly billing period; Commonwealth Edison Company shall provide supporting work