In response to the IPA's request for comments on Full Requirements Products, ComEd offers the following:

Question 4.

For the purposes of modeling the full requirements approach, there was discussion at the June 5th workshop about modeling for the 2015/16 delivery year an implementation of full requirements that would account for the existing block contracts as well as separately modeling (for the 2015/16 delivery year or future implementation years) an approach consisting entirely of full requirements contracts. Please discuss any limitations or adjustments to those two models, and how the existing contracts should be treated in the first model.

Response:

If the approach consisting of entirely full requirements contracts considers the selling of the energy previously procured by ComEd, ComEd believes such selling would cause ComEd to be deemed by FERC to have a "Market Function" forcing us to wall off personnel from the rest of the department thereby imposing added internal costs and administrative burden. ComEd has not attempted to quantify such costs because the internal disruption caused by walling off personnel was deemed sufficient to want to avoid such an outcome.

Question 5.

Please suggest models for how full requirements procurement could be phased into the existing ComEd and Ameren portfolios previously procured by the IPA.

Response:

Since ComEd does not want to be deemed to have a "market function", the IPA would need to request Full Requirements products that complement the existing contract commitments. If the IPA chooses this path, it could be done by assigning a certain percentage of the ComEd load that has not yet been procured as the supplier's responsibility.

Question 8.

The IPA's traditional procurement approach hedges in the forward market a percentage of expected load taking into account market conditions. In the 2014 Procurement Plan, the IPA hedged 106% of average load for the summer months to mitigate shaping risk, and for the first time, the IPA is planning a fall procurement for ComEd to adjust the balance of the current delivery year supply to balance an updated summer load forecast. The goal of this second procurement is to reduce load risk. Given the legislative mandate of the Agency to "develop electricity procurement plans to ensure adequate, reliable, affordable, efficient, and environmentally sustainable electric service at the lowest total cost over time, taking into account

any benefits of price stability," are there strategies other than full requirements procurement and the IPA's current approach that the IPA could consider for managing risks?

Question 9.

During the workshop the idea was raised that there may be ways to achieve rate stability other than utilizing a full requirements supply strategy. How could the utilities provide firm prices for a defined period through a tariff mechanism? Could the utilities adjust the PEA on an annual basis, as opposed to a monthly basis? Would a "rate stabilization account" approach add unnecessary costs? Are there ways to achieve additional utility price/rate certainty while utilizing the IPA's current competitively-bid block procurement strategy?

Response to Questions 8 & 9 (also impacts #1):

ComEd's current retail supply rate is derived by taking all expected supply related costs for a period and dividing by the expected sales of such period. This results in some relatively large "fixed" costs being recovered through a variable charge which increases the volatility of such recoveries. For example, looking at the entire 2014-15 plan year, ComEd's expected capacity and transmission charges are roughly 40% of expected costs for the period. If sales are lower than forecast due to mild weather, ComEd's posted supply rate will not produce enough revenue to collect these costs and, other things being equal, will result in a future monthly PEA charge to make up the difference. Conversely, if sales are higher than expected due to weather, a PEA credit will likely result in the future. Note that changes in sales volumes due to switching do not result in these over/under recoveries as the capacity/transmission obligations follow the customers to their new supplier when they switch.

One of the reasons that ComEd uses a monthly PEA recovery approach is to prevent large balances of either charges or credits building up over time. By aligning our rates with the fixed nature of these costs, ComEd could significantly reduce the volatility of under/over recovered energy costs. This reduced volatility may make it possible for ComEd to forgo the monthly PEA adjustments that currently impact ComEd's fixed price customers and instead just roll any accumulated credit or debit balance into rates when reset each June (although there would likely need to be a provision to reinstate such monthly true-ups in extreme circumstances).

The above benefit can be achieved by "unbundling" ComEd's supply charge into energy, capacity and transmission charges. This is something that ComEd is already investigating at the request of the RES community and is a natural progression of the rate structure because of the way the market is charged for these costs. For example, PJM charges all Retail suppliers based on their peak load contribution (PLC) which is determined annually. A PLC obligation for a customer is set based on last year's data and does not change in the current year regardless of

the customer's actual usage in the current year. A similar procedure is used to collect transmission revenues.

By unbundling rates and eliminating monthly purchased energy adjustments, ComEd can achieve the rate stability that some parties are seeking (although ComEd does not believe the current PEA adjustments which are limited to 0.5 cents/kwh are an issue for its customers) while at the same time moving the market towards it's natural end state whereby customers will be billed based on the actual costs they incur and will have the ability to directly reduce such costs by participating in demand response and other such programs.