



May 9, 2025

Debbie-Anne A. Reese, Esq.  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

**Re: Commonwealth Edison Company and Commonwealth Edison Company of Indiana, Inc., Informational Filing of Formula Rate Annual Update  
Docket No. ER09-1145-000**

Dear Secretary Reese:

Attached for informational purposes in the above-referenced proceeding, please find the 2025 Annual Update of Commonwealth Edison Company and Commonwealth Edison Company of Indiana, Inc. (collectively, "ComEd"). This informational filing is required pursuant to the Settlement Agreement approved by the Federal Energy Regulatory Commission ("Commission") on January 16, 2008 in Docket No. ER07-583,<sup>1</sup> and Section 1(b) of the Formula Rate Implementation Protocols in Attachment H-13B of PJM Interconnection, L.L.C.'s ("PJM") Open Access Transmission Tariff ("OATT"). Under Attachment H-13B and the Settlement Agreement, on or before May 15 of each calendar year, ComEd recalculates its Annual Transmission Revenue Requirement and submits an Annual Update for the upcoming Rate Year. See Attachment H-13B §§ 1(a)-(b). Consistent with the March 12, 2010 Letter Order accepting ComEd's 2009 Annual Update and establishing procedures for future filings,<sup>2</sup> the 2025 Annual Update is being submitted for informational purposes only in Docket No. ER09-1145.

Attachment 1 to this Annual Update is a copy of the ComEd Formula Rate (Attachment H-13A to the PJM OATT). ComEd has requested PJM to post this informational filing on the PJM website. As required by the implementation protocols, notice of an Annual Meeting to be held on May 23, 2025, is also being provided on the PJM website.

ComEd has prepared the 2025 Annual Update in a manner consistent with its protocols, as set forth in Attachment H-13B of the PJM OATT and Section 4.7 of the Settlement Agreement.

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<sup>1</sup> *Commonwealth Edison Co.*, 122 FERC ¶ 61,030 (2008).

<sup>2</sup> Letter Order Accepting Commonwealth Edison Company's 2009 Formula Rate Annual Update, Docket No. ER09-1145 (Mar. 12, 2010) ("March 12 Order").

**I. Items to note in this year's filing related to protocols:**

**A. 2024 FERC Form No. 1**

In accordance with Section 1(g)(iii)(1) of the protocols, a copy of ComEd's FERC Form No. 1 is available for download through the Commission's eLibrary, accessible at [eLibrary.ferc.gov](http://eLibrary.ferc.gov). ComEd submitted the 2024 FERC Form No. 1 to FERC on March 26, 2025.

**B. Factors Influencing Change in Annual Revenue Requirement**

In conformance with Section 1(g)(iii)(9) of the protocols, ComEd states the following:

ComEd's 2024 Annual Update included a net zonal revenue requirement of \$865.7M, applicable from June 2024 through May 2025. ComEd's 2025 Annual Update includes a net zonal revenue requirement of \$992.3M.

The increase in the revenue requirement is driven by a higher rate base and depreciation expense due to plant additions. The plant additions are in large part attributable to transmission line builds and refurbishments, and reliability and system performance projects such as installation of various physical substation security updates and enhancements.

An additional driver was an adjustment made to accumulated deferred income taxes (ADIT) and the income tax regulatory liability included in rate base to comply with the "Normalization" provisions under federal tax law. In June 2024, the Internal Revenue Service (IRS) published a series of private letter rulings (PLRs) requested by another taxpayer that provide guidance with respect to the application of the "Normalization" rules and the proper treatment of income tax benefits associated with tax net operating losses among affiliates within a consolidated group for ratemaking purposes. In the PLRs, the IRS concluded that an individual utility, for ratemaking purposes only, should reflect the utilization of its tax net operating losses, which are attributable to accelerated tax depreciation deductions, in future years (or within the carryback period) when it has sufficient separate company taxable income, irrespective of the income of the consolidated group. Given that ComEd's fact pattern is identical to the one described in the PLRs, ComEd is required to change its methodology and take corrective action to comply with the "Normalization" provisions or be subject to the penalty for a "Normalization" violation. For ratemaking purposes, adopting the methodology prescribed in the PLRs requires ComEd to make adjustments that will increase rate base and reduce the amount of excess deferred income taxes (EDIT) being passed through to customers.

ComEd submitted its own PLR request with the IRS to confirm the proper application of the "Normalization" rules with respect to net operating losses.

The revenue requirement increase is partially offset by a reduction in transmission plant balance in accordance with the Settlement Agreement ("FA21-5 Settlement") approved by the

Commission on April 4, 2025 to resolve the labor and labor-related overheads accounting matter in Docket No. FA21-5.<sup>3</sup>

The drivers are presented in Attachment No. 13.

The changes referenced above resulted in updated network service rate of \$46,025 MW/Year effective June 1, 2025 compared to the current rate of \$38,531.

### **C. Changes in Accounting Policies, Practices and Procedures**

Section 1(g)(iii)(10) of the protocols requires a description of material changes, if any, in ComEd's accounting policies, practices and procedures in 2024 that could or did affect the charges under the formula rate.

In 2024, ComEd implemented two material accounting changes. First and as described above, ComEd changed its regulatory accounting for ADIT and income tax regulatory liability to comply with the "Normalization" provisions under federal tax law. Second, ComEd changed its accounting for overhead costs consistent with the FA21-5 Settlement. Specifically, ComEd used the result of a time study to allocate labor and labor-related overhead costs between capital and expense.

### **D. Other**

On May 1, 2025, ComEd filed revised rate schedules reflecting an update to the formula rate (Attachment H-13-A of the PJM OATT) governing ComEd's Asset Retirement Obligations in Docket No. ER25-2129 consistent with Order 631.<sup>4</sup> The only revision to the formula rate is the inclusion of a new footnote that clarifies Commission acceptance of the ARO treatment that has always been in the formula. The tariff change makes no substantive changes to the ComEd rate or the formula rate, and thus does not alter in any way the amount of recovery by ComEd.

## **II. Conclusion**

This Annual Update provides the information required by the implementation protocols contained in the Settlement Agreement approved by the Commission in Docket No. ER07-583-000 and now in effect under Attachment H-13B of the PJM OATT. Consistent with the March 12 Order, the 2025 Annual Update is being submitted for informational purposes only in Docket No. ER09-1145.

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<sup>3</sup> Letter Order approving Commonwealth Edison Company's 02/11/2025 filing of a Settlement Agreement addressing the allocation of labor and labor-related "overhead costs" to "Construction Work in Progress" etc. under FA21-005 (April 4, 2025).

<sup>4</sup> *Accounting, Financial Reporting, and Rate Filing Requirements for Asset Retirement Obligations*, Order No. 631, 103 FERC ¶ 61,021 (2003)



Thank you for your attention to this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "BRL", written in a cursive style.

Bradley R. Perkins  
Director, Rates and Revenue Policy  
3 Lincoln Centre,  
Oakbrook Terrace, IL 60181  
779-231-3033

Enclosures