

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission :
On Its Own Motion :
: 16-NOI-01
Notice of Inquiry Regarding Utility :
Adoption of Cloud-Based Solutions :

REPLY COMMENTS OF COMMONWEALTH EDISON COMPANY

Commonwealth Edison Company (“ComEd”) hereby submits these Reply Comments in response to the Illinois Commerce Commission’s (“ICC” or “Commission”) Notice of Inquiry (“NOI”).¹

I. COMMENTS

A. Cost and Reliability

As noted in ComEd’s Initial Comments, there are many different types of costs involved with both on-premise and Cloud-based solutions. Total cost depends on many factors, not the least of which includes loss of control of the system, or a reduction in the flexibility or agility of the system. Moreover, there is no single answer. Each application and each solution should be evaluated on its individual merits depending on the functionality needed, the level of control needed, and the flexibility in the system architecture required. There should not be an overarching assumption that there is a one-size-fits-all approach to implementing IT systems, as there are merits to both on-premise and Cloud-based solutions. While Cloud-based solution adoption is growing,

¹ ComEd responds generally to the comments submitted by other parties in response to the NOI. The comments submitted reflect multiple viewpoints and show that no one cloud-based solution is necessarily superior to another. What might be appropriate for one utility may not be for another utility. The fact that ComEd does not reply to every comment or issue does not imply that ComEd agrees with or accepts the positions on which it does not expressly comment. For example, ComEd does not respond to the comments of vendors who viewed this NOI as a forum for the promotion of their products.

choosing these solutions should be the result of a robust evaluation of options, including operational need, maturity of technology, integration with other systems, and migration plans, just as with on-premise solutions. In addition, with regard to replacing existing systems, the lifecycle of the current system should be considered.

Further, the impact of a cloud-based solution on a utility's safety and reliability is largely dependent on a given utility's IT availability, data reliability practices, and security rigor and maturity. Safety and reliability impacts should be a priority whether a cloud-based or on-premise solution is adopted.

B. Cybersecurity

As discussed throughout the Initial Comments of ComEd and most respondents, Cloud computing offers scale, monitoring, update, and threat protection capabilities that can be difficult to achieve in an on-premise environment due to staffing and level of investment needed. Cybersecurity is an area in which Cloud-based solutions offer many benefits; however, utilities should approach the decision to move data to the Cloud through an evaluation of the sensitivity of the data, the necessary control needed over the data, and the security framework, protocols and compliance of the cloud provider. Again, a one-size-fits-all policy may not be a best practice. Appreciation for the benefits that cloud providers can offer balanced by the needs of the utility for the specific solution should be weighed.

C. Regulatory Barriers

When evaluating information technology solutions, decisions on solutions should be driven by operational considerations with cost as a secondary factor. The accounting guidance clarification published by the Financial Accounting Standards Board ("FASB"), along with current ratemaking practice, may result in adverse financial

consequences as the adoption of cloud-based services grows in the utility industry. The bottom line on the ratemaking treatment issue is that if costs are capitalizable with an on-premise solution, there should be a mechanism available to capitalize those same types of costs in a cloud-based solution.

The host of options offered by the various respondents to the NOI provides the Commission with the backdrop to further review the distinct types of costs involved in both on-premise and cloud-based solutions and the different ways the costs may be characterized with each solution. ComEd currently favors the alternative regulatory treatment offered in its Initial Comments. See ComEd Init. Comments at 18. Specifically, if a cloud-based solution is treated as expense, ComEd supports allowing utilities to record the upfront and implementation costs that would have otherwise been able to be capitalized with an on-premise solution to FERC Account 303000 – General Intangible Plant. The cost of the solution would be depreciated over its expected useful life and FERC Account 303000 is included in rate base; thus, utilities would be allowed to earn a return on these investments just as with any other asset included in rate base. This would allow utilities to be indifferent with regard to ratemaking.

As an alternative to the treatment described above, allowing utilities to record the costs related to cloud-based solutions in a regulatory asset, amortized over the useful life of the solution, would also be a way to include the costs in rate base, earning a return just as any other asset included in rate base. However, ComEd understands that other alternatives may be worth exploring at a deeper level as well.

II. CONCLUSION

ComEd appreciates the Commission's engagement on the subject of cloud computing. This is an area with many benefits for utility operations as well as for customers. ComEd will continue to evaluate on-premise and cloud-based solutions using a balanced scorecard approach to ensure that the product chosen is best suited for the needs of the utility and its customers for the specific situation. ComEd expects that as cloud computing continues to emerge in the utility industry, that there will be even more opportunities to invest in cloud-based solutions.

Dated: May 27, 2016

Respectfully submitted,
Commonwealth Edison Company