

## ComEd clears hurdle toward \$269-mil. rate jolt

By Steve Daniels  
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(Crain's) — Commonwealth Edison Co. appears to have the inside track for approval of a delivery rate hike of at least \$269 million, which would raise the average homeowner's monthly power bill by about \$4.50.

In an unusual "partial settlement" with the staff of the Illinois Commerce Commission, ComEd earlier this month won the staff's endorsement for the \$269-million increase, up from the \$112 million recommended by the ICC staff in earlier testimony. The agreement is a big victory for the utility because the ICC, the state's utility regulatory agency, rarely approves less in rate requests than the staff recommends—and frequently more.

The settlement addresses some but not all of the issues in the case. While the utility agreed to drop its rate request hike from \$361 million, it is still seeking a \$314-million increase, more than the ICC staff would endorse.

The agreement "is a constructive step in the right direction," said Robert McDonald, ComEd's chief financial officer.

But the deal was criticized by David Kolata, executive director of the consumer watchdog Citizens Utility Board. "We think the facts show a big increase isn't warranted," he said. "We're going to be doing everything we can to litigate the case aggressively" before the ICC.

CUB recommends a \$39-million increase for ComEd.

If approved by the commissioners, the rate hike will take effect in September. Amounting to a 6% increase in average residential electric bills, the delivery hike would be on top of a 2.5% increase taking effect in June following a new round of power-procurement contracts ComEd negotiated earlier this year.

Following the end last year of a decade-long freeze on electric rates, power bills now are divided into two components: the cost of electricity procured at market rates and the regulated rates ComEd collects for distributing it. ComEd's current rate-hike request pertains only to the delivery fees, which typically account for about a third of a normal bill.

Even as a big rate hike becomes more likely, ComEd says to expect more-frequent rate increases in the future. "Unfortunately, rates will have to keep pace with continued (higher) costs" of furnishing electricity, Mr. McDonald said. "Coming off the 10-year rate freeze, we have a lot of catching up to do."

John Rowe, CEO of ComEd parent Exelon Corp., lauded the deal in a conference call last week with analysts and said it was evidence that ComEd's relations with state regulators were improving after a bruising battle last year over how high electric rates would go following the end of the rate freeze. The settlement with the ICC staff "took a great deal of work," he said, "but I think it shows not only a healing set of numbers (at ComEd) but a healing set of relationships."

The news caused Dan Ford, utility analyst at Lehman Bros. Inc. in New York, to raise his estimate of Exelon's 2009 earnings by about 2%, to \$4.87 per share from \$4.78, and to raise his target stock price to \$103 per share from \$92.

Exelon shares closed at \$84.33, down 84 cents or nearly 1%, Tuesday on the New York Stock Exchange.

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