



Appellate-Court Decision May Jeopardize ComEd Smart Grid Plans

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Illinois-based Commonwealth Edison (ComEd) has joined the ranks of utilities whose rate cases have come under fire because of dubious cost-recovery mechanisms. However, ComEd's experience is unique in that the utility's plans had the blessing of the Illinois Commerce Commission (ICC).

In late 2008, the ICC gave ComEd the green light to institute \$274 million in cumulative rate increases, which were aimed at recovering the costs associated with projects such as a large advanced metering infrastructure (AMI) pilot program.

But in the complicated arena of general rate cases, the waters tend to get muddied. In its 2007 application to the ICC, ComEd initially sought \$360 million in cost recovery. When the ICC cut that figure down by nearly \$100 million, the utility initiated an appeal with the Illinois Appellate Court, mainly on matters related to labor costs.

At the same time, a number of groups intervened in the case. Most notably for ComEd's smart grid plans, the Illinois attorney general and Citizens Utility Board (CUB) petitioned to the court, claiming that the ICC's approval of a rider enabling the utility to immediately recover the costs associated with the AMI rollout was erroneous.

Documents released this week describe how ComEd explained to the ICC that the rider was "new and innovative and created a mechanism for funding discretionary projects that are not necessary for the distribution service." ComEd had also argued that the rider would "give customers the benefits of the technology earlier than might otherwise occur."

The ICC agreed and approved the rider for the pilot project. At the time, the ICC complimented the utility's plans but also criticized ComEd for "taking a project-by-project approach without a clear goal."

The attorney general and CUB argued against the ICC's decision and sought to have the rider eliminated. In its ruling last week, the appellate court noted that the ICC "abused its discretion in approving [the rider], because the rider amounts to improper single-issue rate-making."

Barring a successful appeal of the court's decision, it seems likely that the costs related to the pilot program that ComEd has recovered thus far will need to be credited back to ratepayers. However, it is uncertain where the utility will go from here, in terms of the smart meter rollout itself. The company has already begun the pilot project, having installed advanced meters in

more than a half dozen communities in its service area.

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