

Proposal to lock in rate hikes, profit for ComEd

Utility says consumers would see annual 2.2% increase

By Julie Wernau, Tribune reporter

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Commonwealth Edison and other state utilities would be able to lock in profit margins above 10 percent under a bill to be introduced Tuesday in the General Assembly.

The legislation also proposes that rate hikes for consumers, which typically undergo an 11-month regulatory review, could be decided in as little as 45 days.

ComEd, which helped write the legislation, is pitching the regulatory changes as a better, more streamlined process that would allow utilities to reliably plan for capital investments aimed at modernizing the electrical grid.

But consumer advocacy group Citizens Utility Board said the legislation does not provide strong enough protections for consumers.

"At the end of the day, it really is a recipe for automatic rate increases," said David Kolata, CUB executive director. "It essentially guts our traditional regulatory framework that's been in place for 100 years and replaces it with an automatic formula. This bill is not what we hoped it would be."

Anne Pramaggiore, ComEd president and chief operating officer, said her hope is that the legislation would open up a policy discussion about the future of smart-grid technology and other infrastructure improvements.

She estimated the bill, if passed, would mean annual 2.2 percent rate hikes for consumers. As a point of comparison, the utility is asking for a 7 percent increase, which works out to about \$7 a month for an average consumer, in its current rate case. From 1999 to 2009, ComEd rates have gone up more than 30 percent.

The current process, Pramaggiore said, has ComEd investing to modernize the grid without any direction from the state. The policy debate is mostly limited to the utility's rate cases, which leaves it up to the Illinois Commerce Commission to decide whether the state's ratepayers should buy into the new technology, which includes everything from smart meters for consumers to "self-healing" electrical lines that can pinpoint outages.

As part of the legislation, according to ComEd, the utility would agree to invest \$2.6 billion over the next 10 years to modernize the grid, an outlay above the utility's usual capital costs. The company would also guarantee the creation of more than 2,000 full-time (or equivalent) jobs.

Other utilities are given the option to opt in under the legislation by making similar promises. If promises aren't met, the utility would be required to return to the old process or pay hefty fines.

"We think we can run our business better if we have a more stable regulatory platform," said Pramaggiore. "Right now, we start a program one year and we shut it down the next year because we don't have a rate-case outcome that supports it. That's a terrible way to run a business."

Under the legislation, sponsored by Rep. Kevin McCarthy, D-Orland Park, each year the ICC would have the option to review ComEd's investment plans in further detail, a process that could last up to nine months from start to finish. The following year, the ICC would review the actual costs of those investments and charge, or subtract, the difference on consumers' bills.

Utilities also must meet certain performance metrics aimed at aligning their interests with that of consumers.

"It will be a lot less cumbersome, and, in the end, the rate to the end user will be very close to the same," said McCarthy. "The commission will be able to look over everything and make sure the costs are a lot more reasonable."

Kolata said the watchdog group is cautiously optimistic about the potential of smart-grid technology to reduce costs for consumers. While he could not support the bill as written, he said he hoped to work with ComEd to improve it in a way that would protect consumers.