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CUB Testimony Recommends $914 Million Reduction in ComEd Rate-hike Request
Watchdog expects total reductions recommended by consumer advocates to eclipse $1 billion

CHICAGO–Commonwealth Edison’s proposed four-year electric rate hike should be cut by at least $914.5 million, or more than 60 percent, the Citizens Utility Board (CUB) said Tuesday, citing expert testimony it filed in the rate case.

CUB Executive Director David Kolata said the watchdog expects to support additional reductions uncovered by the Illinois Attorney General’s Office and other parties to recommend that ComEd’s proposed increase get slashed by a total of more than $1 billion.

"It’s immediately apparent that the company is pushing for an excessive profit rate for its shareholders,” CUB Executive Director David Kolata said. "ComEd has to maintain its system, but it never deserves a blank check. We urge state regulators to make deep cuts in ComEd’s rate-hike proposal.”

Kolata asked ComEd customers to visit CUBHelpCenter.com to sign a petition to the Illinois Commerce Commission (ICC) against the proposed increase.

On Jan. 17, ComEd filed for a four-year, $1.5 billion rate hike. The hike would increase ComEd delivery rates by an average of $4.25 a month each year, for a cumulative increase of about $17 a month by 2027.

In 2020, ComEd became embroiled in a corruption scandal involving the passage of legislation that led to close to $1 billion in rate hikes over the last decade, including $45.8 million in 2022 and $199 million in 2023. Since 2020, ComEd’s parent company has made about $5.6 billion in profits.

The Climate and Equitable Jobs Act (CEJA) implemented reforms, creating a more transparent rate-setting system that gives state regulators more authority to oppose rate hikes and challenge the company’s push for a higher profit rate for its shareholders.

ComEd and other major Illinois gas and electric utilities are pushing for a record six rate hikes totaling $3.7 billion in 2023. In response to this unprecedented barrage, several parties are challenging increases, including the Illinois Attorney General’s Office, Environmental Defense Fund, Illinois PIRG and CUB.

In the ComEd case, CUB, the Illinois Industrial Energy Consumers (IIEC) group, Environmental Defense Fund, Community Development Corporation of Pembroke-Hopkins Park and People for Community Recovery partnered to commission expert testimony. The analysis, filed late Monday, came from Brubaker & Associates, Inc., a Missouri-based consulting firm that specializes in utility regulation, and the environmental sustainability consulting firm Energy Futures Group out of Vermont. The testimony makes several recommendations to slash the rate hike by nearly a billion dollars.

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Return on Equity. ComEd has proposed an excessive jump in its “return on equity” (ROE)—or profit rate for shareholders—from about 7.85 percent to 10.5 percent, and then rising to 10.65 percent by 2027. That’s the highest of any electric utility in Illinois. CUB argues for a more reasonable 9.4 percent ROE, which would reduce the rate hike by $570.4 million.

In the rate-setting process, ROE is the most important component of a utility’s “rate of return,” which is the rate at which the utility recovers the cost of financing physical assets, such as electric meters, substations and wires.

Capital Structure. CUB’s expert testimony also found problems with another key component of rate of return: “capital structure”—basically how it finances infrastructure projects. ComEd’s proposed "common equity ratio"—how much of the utility’s financing comes from issuing stocks—was too high, CUB argued. The more reasonable equity ratio CUB recommends would reduce the rate hike by another $65 million.

Residential Sales Forecast. ComEd calculated its rate increase proposal based on a forecast of its usage per residential customer that is unrealistically low, thereby overstating ComEd’s revenue requirement. The expert witnesses recommended a reasonable forecast based on the most recent available ComEd customer data. This change would save ratepayers an additional $194.7 million.

Other adjustments amounted to about $84.4 million, for a total recommended reduction of at least $914.5 million. As the case proceeds, CUB expects the total amount of reductions proposed by consumer advocates to go beyond $1 billion.

The ICC will rule on the rate-hike request around November, after an 11-month rate case. The proposed increase would take effect on Jan. 1, 2024 and impact delivery rates—what the utility charges to cover the costs of delivering electricity to customer homes, plus a profit. Those rates take up about a third to a half of electric bills.

Commonwealth Edison Company (ComEd) provides service to more than 4 million customers across northern Illinois, or 70 percent of the state's population.

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Citizens Utility Board (CUB) is Illinois’ leading nonprofit utility watchdog group. Created by the Illinois Legislature, CUB opened its doors in 1984 to represent the interests of residential and small-business utility customers. Since then, CUB has saved consumers more than $20 billion by helping to block rate hikes and secure refunds. For more information, call CUB’s Consumer Hotline at 1-800-669-5556 or visit CUB’s award-winning website, www.CitizensUtilityBoard.org.