

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY :
 :
Proposed tariff establishing a market value : No. 05-____
methodology, pursuant to Section 16-112(a) of the :
Public Utilities Act, to be effective post-2006 and :
related revisions to Rider PPO and other tariffs, :
including provisions that would enable subsequent :
restructuring of rates and unbundling of prices for :
bundled services pursuant to Sections 16-109A and :
16-111(a) of the Act. :

Exhibit 1.6

Direct Testimony of
Frank M. Clark, Jr.
Executive Vice President and Chief of Staff, Exelon Corporation
and
President, Commonwealth Edison Company

**ILLINOIS RETAIL MARKET-DRIVEN
STATEMENTS TO BE INCLUDED IN A POST-2006
PRE-FILING MEMORANDUM OF UNDERSTANDING**

The transition period specified in the Illinois restructuring law will expire at the beginning of 2007. Although Illinois has made significant advances towards competition, the ending of the transition period creates new uncertainties for customers, utilities and other suppliers. Commonwealth Edison Company ("ComEd") and the other parties signing this Memorandum of Understanding ("MOU") (collectively the "Parties" and each individually a "Party") recognize that retail customers in the ComEd service area have and should continue to have the right to choose a retail electric supplier ("RES") other than ComEd. A certain level of certainty is desirable to facilitate actions that Illinois retail electric market participants need to take in anticipation of the end of the transition period, including, for example, customers' and RESs' need to enter into retail contracts that extend beyond 2006 and ComEd's need to arrange for commodity supply for those customers not choosing a RES.

The Parties are committed to continue to work together to explore ways in which additional certainty can be brought to the Illinois retail electric market. To that end, the Parties have had substantive discussions about the topics addressed in this MOU. These discussions have led to the development of commitments and this MOU represents a compromise that the Parties believe will result in achievement and implementation of a result that the Parties expect to be a reasonable and equitable approach to their respective concerns and interests. The events and circumstances that form the basis for the Parties' determination to enter into this MOU are highly unique and pertain solely to the state of restructuring and regulation in the Illinois electricity market, particularly as related to ComEd, at this time. This MOU is the result of give and take among the Parties, all of whom have been represented by, or have affirmatively chosen not to be represented by, counsel. This MOU is a result of the Parties desire to memorialize those commitments. Thus, the Parties, intending to be bound and acknowledging the benefit to be derived from the mutual commitments contained herein, agree as follows:

The Parties commit to support or endorse (which shall not be construed to imply an affirmative obligation to intervene in, or file testimony in, any proceeding discussed below) those portions of ComEd filings that ComEd will make to seek to implement the operative paragraphs of this MOU (i.e., this paragraph and numbered paragraphs 1 through 10, the latter, collectively, the "Positions") in upcoming proceedings, including, but not necessarily limited to, a proceeding to implement a full-requirements commodity procurement process that utilizes a vertical-tranche, descending clock auction (the "Procurement Process") and an associated general rate case pertaining to rates that will take effect beginning on January 1, 2007 (collectively, together with any related appeals and proceedings on remand until a final and nonappealable conclusion has been reached, the "Proceedings"). Except as otherwise provided in this MOU, the Parties reserve all rights to take any position concerning any issue addressed in this MOU in any future proceedings. The Parties further agree that nothing herein is intended to limit the rights

of any Party from advocating any positions regarding the implementation details of the items contained in this MOU to the extent such details are not addressed herein. Likewise, nothing herein shall preclude any Party from taking actions which such Party deems necessary to fulfill its statutory obligations. In addition, the Parties agree that each Party may advocate or otherwise advance any other position not specifically delineated in the operative paragraphs of the MOU and that this MOU shall not apply to positions that Parties may take with respect to any utility other than ComEd. The Parties also agree that they will not be bound to advocate such Positions in conjunction with, or in response to, an alternative to the Procurement Process or Positions (including but not limited to alternatives proposed in the Proceedings or legislatively). The Parties agree that, except as set forth in the immediately prior sentence, at no time within the Proceedings, and at no time prior to January 1, 2007 in any other proceeding or forum, will they initiate, cause to be initiated, or support the initiation of, an alternative to the Procurement Process or the Positions. If any future law or regulation is enacted that any Party believes, in good faith, has a material impact on the rights and obligations arising under this MOU, the Parties shall meet to discuss what action, if any, should be taken.

1. **No Additional Collection of CTCs**
ComEd will not collect customer transition charges after December 31, 2006.
2. **Distribution Rate Synchronization**
Distribution rates for all customers should be synchronized, so that regardless of a customer's supply origination (i.e., power purchase option (PPO), bundled services, RES supply), the customer will pay the same distribution rates to ComEd unless there is a legitimate difference in the costs of the services provided to the customer, or where synchronization creates inappropriate rate shock (in which case a phased-in transition may be appropriate).
3. **Customer Class Synchronization**
Unbundled services rate classes and bundled services rate classes should be synchronized, to facilitate the synchronization of distribution rates.
4. **Commodity Component Synchronization**
The commodity component of ComEd's PPO rates should mirror in all material respects the commodity component of ComEd's bundled services rates.
5. **Procurement Process Should Work Within PJM Planning Cycle**
ComEd's procurement proposal should be constructed in a manner that recognizes that PJM's planning period runs from June 1 – May 31. As a result, ComEd's initial procurement auction should be for a supply period of either five months or 17 months. Then, at a minimum, the procurement process should result in the commodity component of ComEd's PPO rates and bundled services rates being set annually in conjunction with PJM's planning period.
6. **The Commodity Component of ComEd's Rates Should Reflect Seasonality**

The commodity component of ComEd's PPO rates and bundled services rates, at a minimum, should include seasonal adjustments to reflect the different costs associated with procuring the commodity at different times during the year.

7. **ComEd Bill Structure**

All of ComEd's PPO rates and bundled rates should include (and; therefore, its bills should include) unbundled prices, to reflect, at a minimum, the following separate categories of charges: commodity supply, distribution, transmission and metering. Any services of ComEd that are unbundled by the Illinois Commerce Commission (the "Commission" or "ICC") also should be separately priced.

8. **Availability of Hourly Energy Price Product**

ComEd will continue to offer an hourly energy price product as an option for all customers in all rate classes, including for customers in classes that have been declared competitive.

9. **ComEd Commodity Procurement**

The Parties agree that, at this time, a descending-clock vertical-tranche auction procurement process, in which suppliers compete to enter into wholesale contracts with ComEd that will enable ComEd to meet its full requirements to serve retail load, is a prudent and reasonable means for ComEd to procure commodity. However, the Parties also acknowledge that a renewable portfolio standard may be addressed using an alternative procurement methodology. Unless a regulatory body with jurisdiction has taken action to inquire into or challenge the auction process or the results thereof in such manner and within such time as is prescribed in the Procurement Process (as ultimately approved by the ICC), the prudence of the auction should not be re-examined after the fact; however, Parties retain the right to participate in or request any regulatory proceeding or other inquiry into whether the ICC-approved auction rules and regulations were followed, or whether the auction process prospectively should be amended or terminated. The Parties further agree that the Commission has authority to approve such a procurement plan and related cost recovery mechanisms under current law.

10. **Recovery of Costs of Commodity Procurement**

All costs incurred pursuant to contracts entered into as a result of the auction and reasonable and prudent costs incurred in administering the procurement process should be recovered in the commodity component of the retail tariff rates that ComEd charges to its commodity customers. Provided that ComEd follows the ICC-approved auction process, there should not be a reexamination of the reasonableness or prudence of the supply acquisition process or supply-related costs resulting from the auction; however, Parties retain the right to participate in or request any regulatory proceeding or other inquiry into whether the ICC-approved auction rules and regulations were followed, or whether the auction process prospectively should be amended or terminated.

This MOU may be executed in any number of identical counterparts, each of which when executed and delivered shall be an original, but all such counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Parties set forth their respective signatures as of the 2nd day of February, 2005.

Commonwealth Edison Company

By: 

Coalition of Energy Suppliers

By: _____
One of Its Attorneys

Including:

Constellation NewEnergy, Inc. _____

Direct Energy Marketing Inc. _____

MidAmerican Energy Company _____

Peoples Energy Services Corporation _____

Strategic Energy, L.L.C. _____

U.S. Energy Savings Corporation _____

Dated: February 2, 2005

This MOU may be executed in any number of identical counterparts, each of which when executed and delivered shall be an original, but all such counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Parties set forth their respective signatures as of the ____ day of February, 2005.

By: _____
Commonwealth Edison Company

Coalition of Energy Suppliers

By: _____
One of their Attorneys

Constellation NewEnergy, Inc. _____

Direct Energy Marketing Inc. _____

MidAmerican Energy Company _____

Peoples Energy Services Corporation _____

Strategic Energy, L.L.C. _____

U.S. Energy Savings Corporation _____

Illinois Manufacturers' Association

By: _____

Illinois Retail Merchants Association

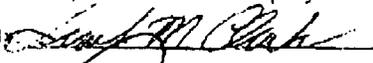
By: *David H. Vito*

Dated: February 4, 2005

This MOU may be executed in any number of identical counterparts, each of which when executed and delivered shall be an original, but all such counterparts shall constitute but one and the same instrument.

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By: 

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By: 
One of its Attorneys

Including:

| | |
|-------------------------------------|-------|
| Constellation NewEnergy, Inc. | _____ |
| Direct Energy Marketing Inc. | _____ |
| MidAmerican Energy Company | _____ |
| Peoples Energy Services Corporation | _____ |
| Strategic Energy, L.L.C. | _____ |
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Peoples Energy Services Corporation

Strategic Energy, L.L.C.

U.S. Energy Savings Corporation



Dated: February 2, 2005



Electric Power Supply Association
Advocating the power of competition

1401 New York Avenue, NW
11th Floor
Washington, DC 20005

202/628.8200
202/628.8280 fax
www.epsa.org

February 14, 2005

The Honorable Carolyn Krause
Illinois State Representative
203-N Stratton Building
Springfield, IL 62706

Dear Rep. Krause:

As the Illinois House Electric Utility Oversight Committee considers the direction that electricity markets will take in the year 2007 and beyond, I urge you to consider a key recommendation formed by the Illinois Commerce Commission staff in the "Post-2006 Initiative Final Report." The report, formulated through an extensive stakeholder and commission staff process, found that competitive procurement processes are the most effective way for utilities to deliver efficient pricing to customers over the long term. In particular, the Post-2006 Initiative working groups recommended using a vertical tranche supply auction, similar to that currently being successfully used in New Jersey.

EPSA is the national trade association representing competitive power suppliers, including generators and marketers. These suppliers, who account for 40 percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities serving global power markets. EPSA seeks to bring the benefits of competition to all power customers.

The ICC staff's final report urges a move to robust transparent competitive markets, a move that would ultimately benefit the rate payers and consumers of Illinois. I would ask you to consider the expert finding of the commission staff in support of a competitive procurement process as you conduct your hearings this month. If at any time you would like to further discuss EPSA's position, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Lynne H. Church".

Lynne H. Church
President

Cc: Patrick Evans
Jack Unzicker



Electric Power Supply Association
Advocating the power of competition

1401 New York Avenue, NW
11th Floor
Washington, DC 20005
202/628.8200
202/628.8280 fax
www.epsa.org

February 14, 2005

The Honorable Patrick Verschoore
Illinois State Representative
250-W Stratton Building
Springfield, IL 62706

Dear Rep. Verschoore:

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Lynne H. Church
President

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Jack Unzicker



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Washington, DC 20005
202/626.8200
202/626.8260 fax
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February 14, 2005

The Honorable George Scully
Illinois State Representative
237-E Stratton Building
Springfield, IL 62706

Dear Rep. Scully:

As the Illinois House Electric Utility Oversight Committee considers the direction that electricity markets will take in the year 2007 and beyond, I urge you to consider a key recommendation formed by the Illinois Commerce Commission staff in the "Post-2006 Initiative Final Report." The report, formulated through an extensive stakeholder and commission staff process, found that competitive procurement processes are the most effective way for utilities to deliver efficient pricing to customers over the long term. In particular, the Post-2006 Initiative working groups recommended using a vertical tranche supply auction, similar to that currently being successfully used in New Jersey.

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Lynne H. Church
President

Cc: Patrick Evans
Jack Unzicker



*MORGAN STANLEY CAPITAL GROUP INC.
2000 WESTCHESTER AVENUE
PURCHASE, NY 10577-2530*

February 24, 2005

Chairman Edward C. Hurley
Commissioner Lula M. Ford
Commissioner Robert F. Lieberman
Commissioner Erin M. O'Connell-Diaz
Commissioner Kevin K. Wright
Executive Director Scott Wiseman
Illinois Commerce Commission
160 North LaSalle Street, Suite C-800
Chicago, IL 60601

Dear Chairman Hurley, Commissioner Ford, Commissioner Lieberman, Commissioner O'Connell-Diaz, Commissioner Wright and Executive Director Wiseman:

Morgan Stanley Capital Group Inc. ("MSCG") supports the efforts of the Illinois electric utilities to implement an auction for the supply of electric power to serve retail consumers. MSCG is a direct, wholly-owned subsidiary of Morgan Stanley, a publicly-traded Fortune 500 corporation. Since 1994, MSCG has been authorized by the Federal Energy Regulatory Commission as a wholesale power marketer. MSCG currently engages in power transactions throughout the United States and ranked second nationally in the third quarter of 2004 for wholesale power sales according to data filed with and reported by the FERC.

MSCG believes that fair and openly competitive markets enhance price transparency, promote efficiency and reliability and can result in the discovery of the lowest available price to consumers. In the past, MSCG has participated in the development of several auction markets similar to that currently contemplated in Illinois. MSCG believes that such auctions have worked well to foster competition and reduce the price uncertainty to consumers in times of volatile energy markets. Based on its experience with other states, MSCG has actively participated in the working groups organized by the Commission to discuss the wholesale power procurement process by the electric utilities in Illinois, in particular with respect to the benefits of an auction process. MSCG has also offered its views regarding contract documentation and credit issues.

Overall MSCG believes that the auction currently contemplated for Illinois will be fair, open and competitive. MSCG supports the Commission's efforts so far and encourages the Commission to continue its efforts toward implementing an auction process for wholesale power procurement.

Very truly yours,

Deborah Hart
Vice President

Mirant Corporation
1155 Perimeter Center West
Atlanta, Georgia 30338-5416



February 23, 2005

The Honorable Carolyn Krause
Republican Spokesperson, Electric Utility Oversight Committee
Illinois State Representative
State Capitol
Springfield, Illinois 62706

Re: Support for the adoption of Illinois Commerce Commission policy establishing the use of competitive resource procurement processes by Illinois electric utilities.

Dear Representative Carolyn Krause:

Currently before the Illinois House Electric Utility Oversight Committee is the issue of how Illinois electric utilities shall obtain power and energy resources to serve retail load obligations under Illinois law. Mirant Corporation encourages this Committee to consider and recognize the expert finding by the Illinois Commerce Commission staff on this specific issue. In the ICC staff "Post-2006 Initiative Final Report", the staff concluded that competitive procurement processes are the most effective way for Illinois utilities to deliver reliable service and competitive pricing to the retail consumers of power and energy. This conclusion was derived after a summer-long workshop process at which Illinois stakeholders and industry experts participated.

Mirant is an independent power supplier with 18,000 MW of generating capacity in North America. We have merchant power facilities in both Indiana and Michigan and are active participants in the Midwest ISO and in PJM. The establishment of competitive resource procurement processes in a functioning market such as PJM brings to consumers efficient wholesale and retail pricing exposure, reliable supply options, and encouragement for additional infrastructure investment in the region.

All of these benefits should be the goal of the ICC and the state of Illinois as it transitions to open competitive energy markets. States where such models have been utilized have reported significant benefits to their consumers. For example, the New Jersey Board of Public Utilities has identified the following advantages from the use of a competitive procurement process: supply provided by the lowest-cost suppliers; retail pricing that is more efficient and market-reflective, supply risk that is managed by market and not the utility, and increased participation of wholesale suppliers in market.

Mirant respectfully encourages this Committee to consider and recognize the ICC conclusion on the utilization of competitive procurement processes at the scheduled hearings on this issue this month. If you should have any questions or would like to discuss further Mirant's position on this subject, please do not hesitate to contact me.

Sincerely,

Aldie Warnock

Senior Vice President
Governmental & Regulatory Affairs
(678) 579-5145 Work Phone
aldie.warnock@mirant.com

Cc: Jack Unzicker, Democratic House Staffer
Patrick Evans, Republican House Staffer
Chairman, Edward C. Hurley
Scott Wiseman, Executive Director ICC
Anne Pramaggiore, Exelon Corporation

Mirant Corporation
1155 Perimeter Center West
Atlanta, Georgia 30338-5416



February 23, 2005

The Honorable George Scully
Chairperson of Electric Utility Oversight Committee
Illinois State Representative
State Capitol
Springfield, Illinois 62706

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February 23, 2005

The Honorable Patrick Verschoore
Vice-Chairperson, Electric Utility Oversight Committee
Illinois State Representative
State Capitol
Springfield, Illinois 62706

Re: Support for the adoption of Illinois Commerce Commission policy establishing the use of competitive resource procurement processes by Illinois electric utilities.

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Sincerely,

Aldie Warnock

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(678) 579-5145 Work Phone
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Patrick Evans, Republican House Staffer
Chairman, Edward C. Hurley
Scott Wiseman, Executive Director ICC
Anne Pramaggiore, Exelon Corporation



February 21, 2005

Illinois Commerce Commission
Attention: Chairman Edward Hurley
527 East Capital Avenue
Springfield, Illinois 62701

Dear Chairman Hurley:

As a supporter of free- and open-market competition throughout the world, Cloud Packaging Solutions LLC fully champions the ongoing restructuring of the Illinois electricity industry.

Following the General Assembly's 1997 mandate to bring competition to the electricity industry, large companies like ours have had the opportunity to choose from among several competing retail electric suppliers operating in Illinois. Competition has worked for commercial and industrial customers, and now it is time to bring those benefits to all consumers.

Now it is time for the Illinois Commerce Commission, in compliance with the 1997 law, to select the best method for ComEd to procure electricity for its customers beyond 2006.

We support the descending-price auction proposed by ComEd as the medium for securing the lowest possible electricity prices. Such auction procurement systems place nearly all of the risk on the bidder-suppliers, who are committed to fulfill their contracts. With the length of contract terms staggered, customers will be further protected from extreme price fluctuations.

I urge you to support the descending-price auction as proposed by ComEd, and allow your state's electricity consumers to get the lowest competitive price for their power.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter E. Hesky", is written over a light grey circular stamp.

Peter E. Hesky C.P.M.
Purchasing Manager
Cloud Packaging Solutions

CLOUD PACKAGING SOLUTIONS

424 Howard Ave. Des Plaines, IL 60018-1962 Tel. (847) 390-9410 Fax (847) 390-6170
<http://www.cloudps.com>

February 18th, 2005

Illinois Commerce Commission
Attention: Chairman Edward Hurley
527 East Capital Avenue
Springfield, Illinois 62701

Dear Chairman Hurley:

As someone with many years experience in the energy and utility field, I fully support the ongoing restructuring of the Illinois electricity industry.

Following the General Assembly's 1997 mandate to bring competition to the electricity industry, large organizations such as ENH have had the opportunity to choose from among several competing retail electric suppliers operating in Illinois. Competition has worked for commercial, institutional and industrial customers, and now it is time to bring those benefits to all consumers.

Now it is time for the Illinois Commerce Commission, in compliance with the 1997 law, to select the best method for ComEd to procure electricity for its customers beyond 2006.

I personally support the descending-price auction proposed by ComEd as the medium for securing the lowest possible electricity prices. Such auction procurement systems place nearly all of the risk on the bidder-suppliers, who are committed to fulfill their contracts. With the length of contract terms staggered, customers will be further protected from extreme price fluctuations.

I urge you to support the descending-price auction as proposed by ComEd, and allow your state's electricity consumers to get the lowest competitive price for their power.

Sincerely,



D.N. Brodic - P. Eng, CEM
Director of Energy Management - ENH



Global Headquarters

515 East Touhy Ave.
Des Plaines • Illinois
60018-2675 • USA

T: +1 847-297-1600
F: +1 847-390-9338
W: www.kester.com

February 18, 2005

**Illinois Commerce Commission
Attention: Chairman Edward Hurley
527 East Capital Avenue
Springfield, Illinois 62701**

Dear Chairman Hurley:

As a supporter of free- and open-market competition throughout the world, Kester Solder fully champions the ongoing restructuring of the Illinois electricity industry.

Following the General Assembly's 1997 mandate to bring competition to the electricity industry, large companies like ours have had the opportunity to choose from among several competing retail electric suppliers operating in Illinois. Competition has worked for commercial and industrial customers, and now it is time to bring those benefits to all consumers.

Now it is time for the Illinois Commerce Commission, in compliance with the 1997 law, to select the best method for ComEd to procure electricity for its customers beyond 2006.

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We at Kester Solder urge you to support the descending-price auction as proposed by ComEd, and allow your state's electricity consumers to get the lowest competitive price for their power.

Sincerely,

**Herbert Schmidt
Engineering Manager CPE, PE
Kester Solder**

Select Energy

The Northeast Utilities System

107 Selden Street, Berlin, CT 06037

Select Energy
P. O. Box 270
Hartford, CT 06141-0270
Phone: (860) 665-2926
Fax: (860) 665-2330

February 25, 2005

Chairman Edward C. Hurley
Illinois Commerce Commission
160 North LaSalle Street
Suite C-800
Chicago, Illinois 60601

Frederic Lee Klein
Assistant General Counsel

Re: Commonwealth Edison Company
Auction-based Procurement Process

Dear Chairman Hurley:

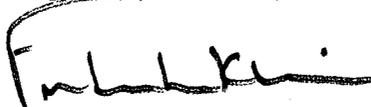
On behalf of Select Energy, Inc. ("Select"), I am writing to express our support for the auction-based procurement process for Commonwealth Edison and Ameren currently under consideration by the Illinois Commerce Commission.

Select is the competitive subsidiary of Northeast Utilities, the largest energy provider in New England. We are active participants in the competitive energy markets, including ownership of generation, wholesale electric and natural gas supply to utilities, as well as retail electric, natural gas and oil supply to commercial and industrial customers. Select serves approximately fifty wholesale customers with POLR and full requirements services in PJM, New England and New York, and we have in-depth experience with the various models and processes adopted by various states to procure POLR, including Requests for Proposals, Vertical Tranche Descending Clock auctions and bilateral negotiations.

Based on our broad experience in the competitive markets throughout the various power pools, Select has actively participated in the stakeholder meetings sponsored by the Commission. It is clear to us that the Vertical Tranche Descending Clock style auction process being proposed by ComEd is the preferred method for Illinois to procure reliable, cost-effective POLR service for its consumers, and Select looks forward to participating in that process.

Select believes that the stakeholder process has produced a consensus on credit issues that we support which would provide for a defined margining methodology applicable to amounts above an agreed upon credit threshold without an Independent Credit Requirement, bilateral settlement, and accelerated payments in the event of a utility downgrade. Select understands that serious issues, such as establishment of appropriate load caps, still need to be resolved. Select's experience with similar processes in a number of other states leads us to believe that these, and other issues that are sure to arise, can be satisfactorily resolved to permit active participation by suppliers in order to ensure the success of the procurement process. Select looks forward to being an active participant in that dialogue.

Respectfully submitted,



cc: Commissioners
ComEd

Everything within our power. Guaranteed.