Commonwealth Edison Company
October 17, 2007

SUPPLEMENTAL STATEMENT
ELECTRICITY
Ill. C.C. No. 4

Commonwealth Edison Company ("ComEd") requires an increase in its electric rates to recover its costs of providing reliable delivery services and to help restore it to financial health. Allowing ComEd to recover fully its actual costs of delivering electricity, including a realistic cost of capital, is of the utmost significance in bringing about a stronger ComEd that will be capable of meeting the service needs of its customers, maintaining stable access to the capital markets, and investing in system modernization and in technologies and services for customers. For these reasons, allowing ComEd the opportunity to recover its costs -- including the cost of capital that delivery utilities like ComEd require to expand, renew, and modernize their systems -- is in the interests of customers as well as ComEd.

ComEd's costs of providing electric utility service -- excluding supply costs that are recovered through separate pass-through tariffs that ComEd is not, in this filing, seeking to revise -- significantly exceed what is recovered through current rates. Approximately one-half of the increase in ComEd's costs results directly from the large capital investments that ComEd has made in order to continue to provide reliable service, expand service to new areas and new customers, installing new equipment, and implement new technologies. Like similar utilities, ComEd's investment growth is not only driven by the need to do more for customers, but also by the increasing costs of key goods and services such as transformers, wire, and cable. At the same time, ComEd's operating costs have increased due to factors such as above average inflation in the electric delivery sector and increased spending on maintenance of the distribution system and on related support functions.

ComEd's inability to recover its delivery services costs under current rates has a significant detrimental effect on its financial health. Although being financially strong is critical to a utility's ability to raise and retain necessary capital and to preserve its ability to operate effectively, ComEd's financial condition is poor. In 2007, ComEd's senior unsecured debt credit ratings have been the lowest they have ever been in our history; two of the three major rating agencies rate that debt below investment grade, *i.e.*, as "junk." ComEd has lost the ability to access traditional utility credit markets such as commercial paper, and its ability to withstand financial shocks is limited. ComEd's net income is also far below the level found just and reasonable by the Commission just last year and well below the level required to recover its allowed cost of equity. Moreover, ComEd's delivery rates do not generate sufficient cash for ComEd to operate its business, and it has been forced to borrow at unsustainable levels in order to secure sufficient cash to fund the capital investment and operating activities that customers require.

To recover its actual costs of delivering electricity and help restore its financial health, ComEd has filed increased electric service rates. The newly filed rates would increase revenues by $361.3 million over revenues under current rates, based on actual 2006 test year deliveries. This is equivalent to an increase in revenues of $358.9 million in revenues based on weather-normalized 2006 deliveries. The tariffs also make certain other revisions to ComEd's terms and conditions of service.

The proposed rates are based on a 2006 test year, with appropriate *pro forma* and ratemaking adjustments. They implement an Illinois-jurisdictional revenue requirement of $2,048.8 million. ComEd is requesting a rate of return on its rate base of 8.55%.

ComEd is also filing two new innovative riders, Rider SMP and Rider SEA. Rider SMP is designed to enable ComEd to recover, on an interim basis pending the next rate case, the revenue requirement related to Commission-approved accelerated investments in modernizing and renewing ComEd's distribution system. Without this Rider, these significant interim costs would not be recovered. Rider SEA is designed to enable ComEd to recover or refund, amounts above or below a base amount, costs arising from restoration of storm damage, which are material, vary unpredictably from year to year, and are caused by events beyond ComEd's control. Approval of these riders will permit better matching of costs with revenues and benefits customers as well as ComEd.

Summary of Prepared Direct Testimony In Support of ComEd's Filing

ComEd's filed tariffs are supported by the testimony of witnesses from within ComEd as well as independent experts. The testimony submitted with the filing are as follows:

- J. Barry Mitchell (ComEd Ex. 1.0), President and Chief Operating Officer of ComEd, overviews the reasons why increases in its costs of delivering electricity require ComEd to seek a corresponding modest increase in the delivery charges. He also provides a summary of the devastating effect on ComEd's financial health that has resulted from its failure to recover its delivery service costs in rates. Finally, Mr. Mitchell identifies each other witness providing direct testimony in support of ComEd's tariffs.

- Susan D. Abbott (ComEd Ex. 2.0), Managing Director of New Harbor Incorporated, explains that ComEd's credit ratings are at a critical juncture and an adverse rate order in this proceeding could well lead to a rating agency reaction that further hampers and potentially forecloses entirely ComEd's access to debt financing. Further, she cautions that equity investors (in ComEd's case, almost exclusively Exelon Corporation) are not likely to accept the poor returns produced by ComEd indefinitely and that ComEd will find it extremely difficult if not impossible to attract any equity capital, circumstances that would be made worse by an adverse rate order in this case.

- Robert W. Gee (ComEd Ex. 3.0), President of GEE Strategies Group LLC, testifies that rates that do not allow ComEd an opportunity to recover its costs are not in customers' interest. He also testifies that inadequate rate case recovery of prudent and reasonable costs will: discourage investment in distribution plant and new energy efficient technologies at a time when such investments are most needed, raise ComEd's cost of capital, thereby limiting access to capital on reasonable terms, adversely impacting ComEd's credit rating and raising ComEd's risk profile; and undermine the provision of reliable service by constraining ComEd's ability to expand its distribution system in new geographic areas and meet growing customer needs.

- George A. Williams (ComEd Ex. 4.0), ComEd's Senior Vice President of Operations, testifies that despite careful cost controls, the cost of providing distribution service to ComEd's customers has risen significantly since its last rate case. He also provides the key drivers that have led to the increased cost of providing distribution services, which includes: the need for significant new investment and rapid increases in important input costs, such as transformers, wire, and cable. He further verifies that the distribution investments and operating activities on which ComEd's proposed rates are based are reasonable and were made and conducted prudently. Mr. Williams explains that the revenues that the proposed rates would provide will allow ComEd to address the growing investment and operational needs and rising costs of operating a distribution system, such as: provision of reliable delivery service to existing customers; expansion of the distribution system, especially in rapidly growing areas, to meet growing customer needs; and deployment of innovative new technologies, including technologies that increase the reliability and resiliency of the distribution system.

- Michael B. McMahan (ComEd Ex. 5.0), ComEd's Vice President of Technical Services, testifies that ComEd's major capital investments have been prudently planned and executed and are used and useful in providing highly reliable service to its customers. He explains that ComEd's challenge process requires multiple levels of ComEd management to review proposed distribution projects to ensure that feasible alternatives have been explored, that the projects are necessary and will address identified "gaps" in service, and that the project costs are necessary. Mr. McMahan also testifies that ComEd's control processes ensure that ComEd properly account for and monitor expenditures on ComEd's recurring tasks, also called blanket programs, and that they serve a valid business purpose. He explains that ComEd's major distribution operating and maintenance initiatives enable it to proactively manage vegetation and preventive maintenance of overhead and underground equipment, and show strong potential to improve system reliability and lower unplanned costs.

- Sally Clair (ComEd Ex. 6.0), ComEd's Senior Vice President of Customer Relations, testifies that ComEd's operations functions are critical to serving delivery customers, ComEd's Customer Service and Information and Customer Account expenses were reasonably and prudently incurred, and assets included in ComEd's rate base that support customer operations are used and useful. She verifies that the resulting new and modified information systems in the Post-2006 Rate and Billing Project were required to implement ComEd's restructured rates and for it to efficiently serve customers, RESs, and others. Ms. Clair confirms that these systems are used and useful and that the project cost was reasonable and prudently incurred. She also explains the advanced metering infrastructure ("AMI") project that could be included in ComEd's proposed System Modernization Program and how it would benefit customers.

- Kathryn M. Houtsma, ComEd's Vice President of Regulatory Projects, and Stacie M. Frank, ComEd's Director of Distribution Revenue Policy (ComEd Ex. 7.0), in their panel testimony, explain that ComEd's revenues under existing delivery rates fall $361.3 million short of recovering its prudent and reasonable costs of providing distribution and customer service to its retail customers. They also testify that the cost recovery shortfall is driven largely by increases in plant investment and operating and maintenance expenses since ComEd's last rate case.

- Thomas J. Flaherty (ComEd Ex. 8.0), Senior Vice President of Booz Allen Hamilton, testifies that ComEd's administrative and general costs are reasonable, and the costs incurred by ComEd as a result of services provided to it by Exelon Business Services Company have been reasonably incurred and are competitive with costs ComEd would incur if it arranged for alternative provision of those services.

- Robert K. McDonald (ComEd Ex. 9.0), ComEd's Senior Vice President, Chief Financial Officer, Treasurer, and Chief Risk Officer, provides the reasons why ComEd's distribution rates must be increased and explains how its current rates have imperiled ComEd's financial health. He testifies that ComEd proposes a capital structure based on its actual capital structure as of December 31, 2006, with no goodwill included, and a weighted average cost of capital of 8.55%. Mr. McDonald also explains how ComEd's incentive compensation program is driven exclusively by the types of safety, customer service, and performance metrics that the Commission has held to be appropriate for inclusion in a program the cost of which was recovered through rates.

- Samuel C. Hadaway (ComEd Ex. 10.0), Principal in FINANCO, testifies with respect to ComEd's cost of equity capital. Applying standard cost of equity methodologies, Dr. Hadaway concludes that the investor-required cost of equity capital for ComEd is 10.75%.

- Paul R. Crumrine (ComEd Ex. 11.0), ComEd's Director of Regulatory Strategies & Services, testifies that it is reasonable for the Commission to approve the design of ComEd's proposed tariff structure. He explains that ComEd's proposed rate design properly moves rates closer to costs, thereby providing customers with the appropriate price signals for the services purchased, and it serves to reduce and/or eliminate subsidies being paid for by other customers. Further, with respect to the specific interclass subsidies in the current non-residential distribution charges that were approved in ComEd's last rate Order in Docket No. 05-0597, Mr. Crumrine recommends that such subsidies not be perpetuated indefinitely because of the burden they cause for other non-residential customers, particularly small customers. Recognizing that setting delivery service rates at cost may impose undue hardship, he suggests that ComEd, ICC Staff and the parties work together to develop a phase-in plan for the affected customers that move these customers toward cost over time.

- Lawrence S. Alongi, ComEd's Manager of Retail Rates, and Dr. Chantal K. Jones, Principal Rate Analyst, Retail Rates (ComEd Ex. 12.0), in their panel testimony, present ComEd's proposed revised and new tariffs sheets, explain the determination of proposed charges, describe the cost data used to determine weighting factors used in ComEd's embedded cost of service study, and present the form of public notice that ComEd will publish pursuant to 83 Illinois Administrative Code Part 255.20. They explain that ComEd's proposed allocation of revenues among its customer classes is reasonable and should be approved. They also testify that ComEd's proposed rate design properly establishes rate elements and charges that reflect the cost to provide service to customers.

- Alan C. Heintz (ComEd Ex. 13.0), Vice President of Brown, Williams, Moorhead & Quinn, Inc., presents an embedded cost of service study for ComEd, and testifies that the study properly allocates costs among ComEd's customer classes and should be relied upon to establish rates.

Nature and Description of the Tariffs Filed

The tariff sheets filed with this Supplemental Statement are listed in Attachment A. Further, Attachment B details the change in rates contained in the new tariff sheets as compared to the rates currently in effect, the approximate number of customers affected, and the estimated increase or decrease in revenue resulting from the change in rates. A detailed description of the changes and additions is also provided in the direct panel testimony of Mr. Alongi and Dr. Jones and the direct testimony of Mr. Crumrine. The principal changes proposed by ComEd include the following:

- Rate RDS: The Customer Charge, Standard Metering Service Charge, Distribution Facilities Charge, and Fixture Charges have changed. Further, the Distribution Loss Factors have changed. The Split Load DASR Fee, the Nonstandard Switching Fee, and the Single Bill Credit have been updated.

- Rate BES-R: Revisions have been proposed to Rate BES-R so that the Supply Administration Charge is now provided through references to proposed new Rider SAC and the Uncollectible Factor is now provided through references to proposed new Rider UF.

- Rate BES-NRA: Revisions have been proposed to Rate BES-NRA so that the Supply Administration Charge is now provided through references to proposed new Rider SAC and the Uncollectible Factor is now provided through references to proposed new Rider UF.

- Rate BES-NRB: Revisions have been proposed to Rate BES-NRB so that the Supply Administration Charge is now provided through references to proposed new Rider SAC and the Uncollectible Factor is now provided through references to proposed new Rider UF.

- Rate BES-H: Revisions have been proposed to Rate BES-H so that the Supply Administration Charge is now provided through references to proposed new Rider SAC, the Uncollectible Factor is now provided through references to proposed new Rider UF, and the Distribution Loss Factor is now provided through references to Rate RDS. In addition, the Off Cycle Termination Fee has changed.

- Rate BES-RR: Revisions have been proposed to Rate BES-RR so that the Supply Administration Charge is now provided through references to proposed new Rider SAC, the Uncollectible Factor is now provided through references to proposed new Rider UF, and the Distribution Loss Factor is now provided through references to Rate RDS. In addition, the Off Cycle Termination Fee has changed.

- Rate BES-L: Revisions have been proposed to Rate BES-L so that the Supply Administration Charge is now provided through references to proposed new Rider SAC, the Uncollectible Factor is now provided through references to proposed newRider UF, and the Distribution Loss Factor is now provided through references to Rate RDS.

- Rider PPO-MVM: Revisions have been made to Rider PPO-MVM so that the Supply Administration Charge is now provided through references to proposed new Rider SAC, the Uncollectible Factor is now provided through references to proposed new Rider UF, and the Distribution Loss Factor is now provided through references to Rate RDS.

- Rider SAC: New rider to (1) consolidate the Supply Administration Charges applicable under Rate BES-R, Rate BES-NRA, Rate BES-NRB, Rate BES-H, Rate BES-RR, Rate BES-L, and Rider PPO-MVM into one tariff (2) provide the proposed revised Supply Administration Charges, and (3) provide transition language that recognizes provisions in Section 16-111.5(l) of the Public Utilities Act.

- Rider SBO7: The Single Bill Credit has been updated.

- Rider UF: New rider to consolidate the Uncollectible Factors applicable under Rate BES-R, Rate BES-NRA, Rate BES-NRB, Rate BES-H, Rate BES-RR, Rate BES-L, and Rider PPO-MVM into one tariff.

- Rate MSPS7: The Meter Reading Charges have decreased. The Metering Equipment Removal Charges and the MSP-Requested Work Charged have increased.

- Rider ML: The Monthly Rental Charges have been updated.

- General Terms and Conditions: The CATV Power Supply Test Fee, Duplicate Information Fee, Interval Data Fee, Invalid Payment Fee and Reconnection Fees have been updated.

- Rider ACT: A revision has been proposed to no longer allow service to be elected under Rider ACT and to discontinue service under the rider for certain customers under certain conditions.

- Rider SEA – Storm Expense Adjustment: A new proposed rider is designed to track operating and maintenance expenses related to storm restoration and provide dollar-for-dollar recovery of such expenses through a combination of distribution rates and the rider itself.

- Rider SMP – Systems Modernization Projects Adjustment: A new proposed rider is a process by which ComEd's incremental capital spending on certain projects, which are designed to advance the technological condition of ComEd's distribution system, would be singled out, reviewed and approved by the Commission for inclusion in ComEd's annual capital budget and recovered through the proposed Rider SMP.

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