

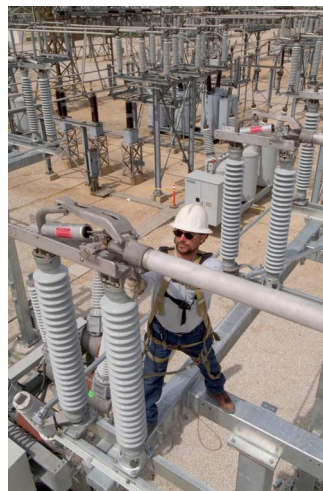
ComEd's Rate Cases

Energy Efficiency and Distribution Delivery

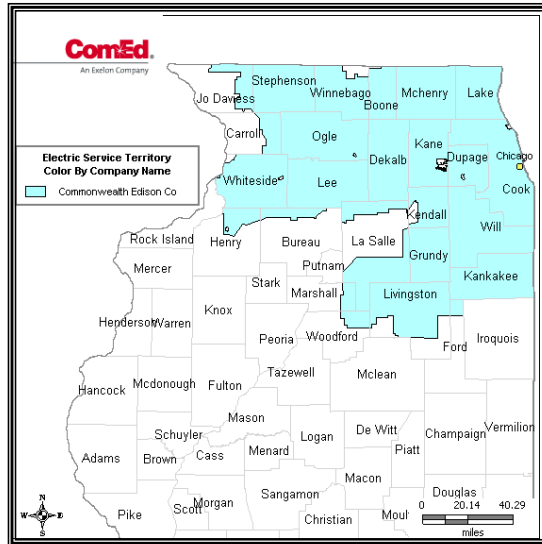
IEEE-PES Presentation
January 9, 2008

Discussion Points

- ✓ ComEd's Service Territory
- ✓ ComEd Facts
- ✓ Demand Increasing
- ✓ Environmental Leader
- ✓ Managing Energy Use
- ✓ Walking the Talk
- ✓ Distribution Rate Case
- ✓ Capital Investments
- ✓ Rising Material Costs
- ✓ Modernizing the System



ComEd's Service Territory



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ComEd Facts



ComEd is one of the largest electric utilities in the country, serving more than 3.8 million customers.

- ✓ Serves 11,411 square miles of territory
- ✓ Employs over 5,500 workers
- ✓ Operates and maintains 90,000 miles of underground and overhead power lines
- ✓ Uses nearly 1.4 million distribution poles
- ✓ Operates and maintains more than 1,000 substations
- ✓ ComEd also is part of the community we serve.
 - In 2006, we donated nearly \$7 million to more than 200 community organizations, including the United Way, Chicago Public Schools, Boys and Girls Club of Chicago, Metropolitan Family Services, and After School Matters.

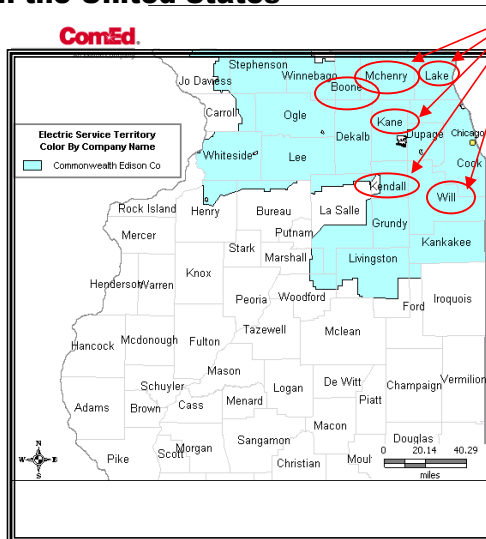
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Demand is Increasing



- ✓ Northern Illinois is experiencing rapid growth and increased demand for electricity.
- ✓ ComEd is delivering more power to more customers than ever before. Overall system growth comes in three forms:
 - Increased Household Use – from 1995 to 2006, the average residential household’s electricity usage increased by 18%.
 - Residential & Commercial Growth – six of the top fastest-growing U.S. counties are in the ComEd service territory.
 - Geographic Distribution is More Dispersed – ComEd has had to transform its system from rural to higher-density service, expanding its system in these areas.

ComEd’s service territory includes 6 of the 100 fastest-growing counties in the United States



High Customer Growth Areas

Overall ComEd System expansion is about 1.2% annually. However, significant regional expansion drives heavy investment in some counties.

Growth Rates (% increase for 2000-2006)

Kendall County	62%
<i>(2nd highest county growth rate in the nation)</i>	
Will County	33%
Boone County	26%

County Growth (# of net new people 2000-2006)

	National Ranking of 3,141 Counties	
Will County	10	
Kane	40	
Lake	52	
McHenry	79	

Customer Connection Work

	2005	2006	2007
- New Homes	54,200	52,400	52,400
- Customer Upgrades	9,350	9,150	9,100

* Source = Census Bureau Statistics

ComEd at the Forefront as Environmental Leader

- ✓ Illinois is on its way to becoming a national leader in environmental policy, and ComEd is playing a key role
- ✓ ComEd has filed plans with the ICC to save its customers more than \$155 million on their electricity bills through a new portfolio of energy efficiency programs
- ✓ The plan includes:
 - Renewable energy to reduce CO2 emissions
 - Energy efficiency to help the environment
 - Economic safety net to protect consumers
- ✓ This plan is pending ICC approval in February 2008

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Managing Energy Use to Benefit the Environment

- ✓ ComEd is an industry leader in providing conservation tips and tools that make a real difference in cutting electricity consumption
- ✓ Here are some programs to help manage energy use:
 - Real Time Pricing – Allows customers to manage their electric consumption based on market conditions
 - Nature First – Enables residential customers with central air to curtail usage and earn bill credits during the summer months
 - CFL Program – These bulbs use up to 75 percent less electricity than equivalent incandescent bulbs

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ComEd is Walking the Talk

- ✓ ComEd is making its own company more environmentally friendly through various programs:
 - ComEd's Green Fleet – All of ComEd's vehicles with diesel engines—more than 2,000—now operate on biodiesel
 - Energy Conservation – ComEd regularly educates employees and evaluates facilities to make them more efficient
 - Investing in Renewable Energy – ComEd supports the generation of clean energy by investing in equipment to support solar electric generation systems
 - Reducing Waste through Project HERE – ComEd encourages employees to recycle office waste
 - Paperless Billing – ComEd has recruited more than 200,000 customers to its e-billing program

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ComEd's Distribution Delivery Rate Increase Request

- ✓ ComEd filed a delivery service rate increase request with the Illinois Commerce Commission in October 2007
- ✓ The filing is an 11-month ICC process
- ✓ By the time that process ends, ComEd will have invested an additional \$1.7 billion in the system that is not reflected in current rates
- ✓ The current rate increase request is related only to the costs that ComEd incurs to deliver electricity to customers
- ✓ The impact to average residential customer's monthly bill will be about **8%**, about **\$6** more on an average **\$75 monthly bill**, or about 20 cents per day



**Continued System Investment
Ensures Safe, Reliable Power**

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Reasons for Filing Rate Case

- ✓ ComEd's filing reflects \$1.7 billion of investments that are not reflected in ComEd's current rates
 - ComEd's service territory includes six of the 100 fastest-growing counties in the United States
 - ComEd also has invested heavily to maintain its infrastructure and preserve levels of reliability in developed areas
 - ComEd is investing in new and emerging technologies

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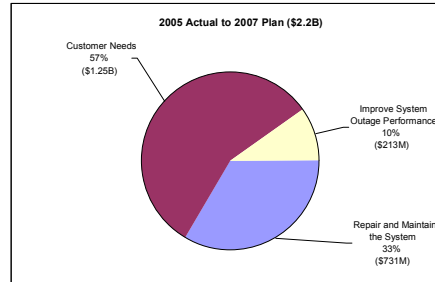
Reasons for Filing Rate Case (cont)

- ✓ ComEd's financial condition is weak.
 - ComEd's operating costs have increased substantially over 2004 costs.
 - ComEd's credit ratings are at all-time lows and fall outside of range traditionally viewed as acceptable
 - ComEd's 2007 earned return on equity is projected to be between 3.5 - 4.5%* -- substantially below the 10.045% return on equity authorized by the Commission in ComEd's last rate case
 - Financial condition must improve to maintain level of spend sufficient to ensure long-term safe and reliable service

*Based on operating earnings

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Capital Investments – Distribution Delivery



- **57% Meeting Direct Customer Needs** includes work dedicated to expanding and modifying the system as required to meet customers' needs, responding to load growth, and performing required relocation work
- **33% Repairing and Maintaining the System** includes replacement of failed equipment, proactive and preventive maintenance, vegetation management, and service restoration after storms
- **10% Improving System Performance** includes implementation of new technologies, new and updated control and communications equipment and systems, and adoption of new designs, standards, and work management protocols that can further improve system performance. ComEd's ability to spend on these activities is affected by unanticipated needs in the first two categories of work that emerge during the year

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Rising Material Cost

Material	2004 Cost	2006 Cost	% Increase
Substation Transformer (9375 KVA) (Material cost per unit)	\$457,854	\$1,038,000	126%
Substation Transformer (40MVA) (Material cost per unit)	\$170,453	\$350,000	105%
Poles (cost per pole)	\$233	\$320	43%
Overhead Wire (cost per mile)	\$1,756	\$2,800	59%
Underground Cable (cost per mile)	\$1,755	\$2,600	48%

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ComEd is Investing to Modernize the System

- ✓ Improving system performance involves implementation of new technologies and equipment
This means:
 - Faster power restoration after major storms
 - Increased fire protection to minimize damage to equipment and reduce customer outages
 - Increased security to protect against breaches and terrorist attacks
 - Dispatching crews more quickly and communicating more effectively in the field to reduce outage times
 - Getting more information to our customers more quickly

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ComEd is Investing to Modernize the System (cont)

- ✓ Such system enhancements include:
 - Smart switches
 - Call center “virtual hold”
 - Mobile dispatch
 - Advanced metering

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Revenue Requirement

- ✓ Increase of \$361.3 million over revenues under current rates, driven largely by increases in plant investment and operating expenses since the last proceeding
- ✓ 2006 historical test year with ratemaking adjustments

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Rate Base

- ✓ Rate Base of \$7.071 billion
- ✓ Increase of \$1.550 billion from last rate case
- ✓ Includes pro forma capital additions through September 30, 2008

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Rate Design

- ✓ Based on embedded cost of service study
- ✓ No significant changes to overall rate design
- ✓ Storm Expense Rider
- ✓ System Modernization Rider
- ✓ Movement to cost based rates for large industrial customers
- ✓ Total bill impact of approximately 7.7% for residential customers (excluding the impact of any bill credits)
- ✓ Total bill impact for nonresidential customers that have not been declared competitive (*i.e.*, those under 400 kW) is approximately: 1.6% for Wathour class, 2.5% Small Load class and 2.4% for Medium Load Class

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Rider SEA Storm Expense Adjustment Rider

- ✓ Base amount included in revenue requirement (\$27.1 million)
- ✓ Rider will capture delta to actual spends through annual reconciliation resulting in either surcharge or credit
 - Rider captures storm expense portion only. Storm costs that are capitalized follow “traditional” ratemaking treatments
- ✓ Symmetric ratemaking – customers will receive benefit in “lower than average” storm cost years

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Rider SMP (System Renewal and Modernization Projects Adjustment)

- ✓ Rider SMP generally would apply to projects that involve applications of new technology and are primarily aimed at improving future service to customers
- ✓ Rider would recover only revenue requirement equivalent of additional investment – not capital investment itself
- ✓ Proposed Rider SMP:
 - Sets forth a process to obtain recovery of investments made beginning with 4Q2008 and beyond
 - New projects can be proposed annually
 - Investment in projects made at Company's discretion
- ✓ Stakeholder meetings to be held to obtain input; projects for first period's recovery will be filed in supplemental direct

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APPENDIX

Capital Structure and Cost of Capital

Class of Capital	Amount	Percent of Total	Cost	Weighted Amount
Long-term Debt	4,386,339	54.89%	6.74%	3.70%
Common Equity	6,298,115			
Less: Goodwill	<u>(2,694,000)</u>			
Adjusted Equity	3,604,115	45.11%	10.75%	4.85%
Total Capital	<u>\$ 7,990,454</u>	<u>100.00%</u>		<u>8.55%</u>

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Current Credit Ratings

Ratings as of October 2007

	Senior Unsecured	Senior Secured	Commercial Paper
S&P	B+	BBB	B
Moody's	Ba1	Baa2	Not Prime
Fitch	BBB-	BBB	B

Ratings Scale

	Investment Grade	Non-Investment Grade
S&P	BBB- and above	BB+ and below
Moody's	Baa1 and above	Ba1 and below
Fitch	BBB- and above	BB+ and below

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