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CHICAGO, ILLINOIS 60602
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INCLUDING REUBEN & PROCTOR
BY MERGER

February 12, 1987

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Mr. Joe Scinto
U.S. Nuclear Regulatory Commission
Office of the General Counsel
7735 Old Georgetown Road
Bethesda, Maryland 20814

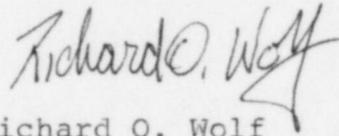
STN 50-455
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Re: Commonwealth Edison Company

Dear Mr. Scinto:

Joseph Gallo asked me to send you the enclosed documents regarding Commonwealth Edison Company's settlement agreement with the State of Illinois, et al.

Very truly yours,



Richard O. Wolf

ROW/mak
Enclosure

Good	Add: Joe Scinto	Ltr	Est L
"	EDC	"	"
"	SP DIR	"	"
	SP Labenau	"	"
	AEOD/NAS	"	"
	AEOD/PIB	"	"

COMMONWEALTH EDISON COMPANY

ILLINOIS COMMERCE COMMISSION CASE NO. 87-_____

TESTIMONY REGARDING SETTLEMENT PLAN

SUBMITTED BY

GEORGE P. RIFAKES
VICE PRESIDENT
COMMONWEALTH EDISON COMPANY

STATE OF ILLINOIS
Before the
ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY

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Docket No. 87-_____

Testimony of George P. Rifakes

Q. Please state your name and address.

A. George P. Rifakes, P.O. Box 767, Chicago, Illinois
60690.

Q. By whom are you employed and in what position?

A. I am a Vice President for Commonwealth Edison
Company. I have been employed by the Company for approximately 30
years.

Q. How long have you been a Vice President and what is
your area of responsibility?

A. I have been a Vice President since 1980. My area
of responsibility includes fuel procurement, corporate planning
and rates.

Q. Mr. Rifakes, what is the purpose of your testimony?

A. The purpose of my testimony is to describe in a
general way the events leading up to the execution of the Memorandum of Understanding dated February 3, 1987, that forms the basis

1 of the settlement underlying this proceeding, and to discuss the
2 fairness of this proposal to ratepayers by pointing out the bene-
3 fits to ratepayers and the risks that will be borne by the Compa-
4 ny.

5 Q. Would you please describe the general events lead-
6 ing to this settlement plan?

7 A. Yes. The appropriate starting point is to describe
8 generally the Company's construction program that is now culminat-
9 ing with the completion of the Byron and Braidwood Stations.

10 Q. Would you please explain why Edison began the
11 construction of the Byron and Braidwood Units.

12 A. In exchange for our exclusive franchise, the Compa-
13 ny has accepted an obligation to serve all customers on reasonable
14 terms. In order to do this we have a duty to anticipate the
15 future needs of the public and to make whatever investments are
16 necessary to meet these needs efficiently.

17 Q. How far in the future do you have to plan?

18 A. We have to allow sufficient time to permit con-
19 struction of the generation alternatives chosen. Back in the
20 early 1970's when the decision to construct the Byron and
21 Braidwood plants was made, we believed that lead time of
22 approximately 8 years was necessary to bring large nuclear plants
23 on-line. Today, that lead time is substantially greater.

24 Q. By what process do you anticipate customers' needs
25 that far in the future?

26 A. Through its Load Estimates Committee, the Company
27 forecasts both the growth in the demand for power and the usage of

1 energy over a ten year period. This has been done with the aid of
2 various models available to our staff. The model results are
3 considered by the Committee before official forecasts are made.
4 The process has been fully described in Dockets 76-0569, 80-0706,
5 82-0855 and 86-0249.

6 Q. When was the decision made to construct the Byron
7 and Braidwood stations?

8 A. I believe the decision was made in late 1972.

9 Q. What was the Company's experience with respect to
10 growth up until that time, and what type of growth rates were
11 forecasted?

12 A. Through 1972 the Company had experienced an annual
13 growth rate of approximately 7% per annum compounded both in the
14 demand for and the usage of electricity. The Company's official
15 load forecast at that time was that during the ten-year planning
16 horizon growth would continue at a rate of 7% per annum. This was
17 the basis upon which we determined that additional generating
18 capacity would be required to meet customers' needs beginning in
19 the late 1970's.

20 Q. Why did the Company decide to build large scale
21 nuclear facilities to meet the projected requirements?

22 A. Large scale nuclear capacity was chosen because
23 both the economic interests of our customers and the environmental
24 concerns of the time were best served by such capacity. Our
25 studies indicated that nuclear power facilities offered both lower
26 costs and better environmental solutions than did coal-fired

1 facilities, which were the next choice from an economic standpoint
2 in our service territory.

3 Q. Were Edison's forecasts of customers' demands and
4 requirements and the decision to meet those needs with large scale
5 nuclear plants subject to approval by any governmental authority?

6 A. Yes. Both our forecasts and our decisions regard-
7 ing generating plant additions were subject to scrutiny and regu-
8 lation by the Illinois Commerce Commission, which was charged with
9 the responsibility of overseeing the costs of our operations
10 including our construction program for new generating facilities.

11 Q. Did the Commission take any specific actions with
12 respect to the Byron and Braidwood Units?

13 A. Yes. The Commission authorized the Company to
14 construct each new generating unit under consideration here.
15 Specifically, the Byron Station was authorized in Illinois Com-
16 merce Commission Docket 57941 by an Order dated July 11, 1973.
17 The Braidwood Station was authorized in Illinois Commerce Commis-
18 sion Docket 58339 by an Order dated March 27, 1974.

19 Q. During the period when the Units were being con-
20 structed, did events materialize as contemplated by Edison's load
21 and demand forecast?

22 A. No, they did not. There were many significant
23 changes.

24 Q. Would you please describe the major changes.

25 A. First the formation of OPEC and the ensuing oil
26 embargo created unanticipated economic disruptions. As a conse-
27 quence, we entered a period of high inflation and energy shortages

1 which resulted in a drop in industrial production and a general
2 economic recession. As a result, customers' usage and demand on
3 our system was significantly lower than had been anticipated. The
4 Three Mile Island accident on March 28, 1979, resulted in increas-
5 ing regulatory requirements being imposed by the Nuclear Regulator-
6 ry Commission on the construction of nuclear facilities. In
7 summary, these events had three major negative impacts on the
8 Company. First, electrical demands and usage were lower than had
9 been projected. Second, the time required to complete construc-
10 tion of the Units which had been authorized and begun increased
11 significantly. Finally, because of the high rates of inflation,
12 the increased regulatory requirements and the increased time to
13 complete construction, the costs of the Units increased signifi-
14 cantly.

15 Q. Did this result in any reexamination of the deci-
16 sion to construct the Byron and Braidwood Units?

17 A. Yes, it did. In fact, the Illinois Commerce Com-
18 mission itself twice conducted formal detailed investigations of
19 the economics of completing these units in order to ensure that
20 completion was still in the best interest of Edison's ratepayers.

21 Q. What were the results of these investigations?

22 A. At the conclusion of each of these investigations,
23 the Commission found that the savings resulting from the operation
24 of the units would outweigh the costs of completion. In both
25 cases the Commission recognized that the Units could be delayed
26 without excessive effects on reliability of service, but that
27 prompt completion was the most economical alternative. As a

1 consequence of these conclusions, the Illinois Commerce Commission
2 twice ordered the Company to complete the units as expeditiously
3 as possible; first, in Docket No. 78-0646, by Order dated Octo-
4 ber 15, 1980, and again in Docket No. 82-0026 by Order dated
5 December 1, 1982.

6 Q. What is the current status of the three Units?

7 A. Byron Unit 2 is completed and is currently autho-
8 rized by the Nuclear Regulatory Commission to operate at full
9 power. Braidwood Unit 1 is completed and is awaiting an operating
10 license from the Nuclear Regulatory Commission. The issuance of
11 the license is dependent on a favorable decision by an Atomic
12 Safety & Licensing Board. That decision is expected shortly. In
13 the meantime, tests are being conducted to assure that all systems
14 are operational and that the Unit continues to meet all governmen-
15 tal standards. The last unit, Braidwood Unit 2, is more than 85%
16 completed, is well within budget, and is scheduled to begin pro-
17 viding service to consumers in the Fall of 1988.

18 Q. Has the substantial completion of the Units re-
19 sulted in an end to controversy regarding the Units?

20 A. No. Construction and completion of these Units has
21 become increasingly controversial, and the Company is currently
22 engaged in substantial litigation over their completion. This
23 controversy has extended into proceedings associated with the
24 Company's requests for rate increases resulting from the addition
25 of the Units into ratebase and other matters pending before the
26 Commission.

1 Q. Since two of the Units are completed and the third
2 nearly completed, what does the Company perceive to be the fore-
3 most concern of consumers at the present time?

4 A. Clearly, the greatest concern of consumers related
5 to these plants at the present time appears to be their potential
6 immediate impact on the Company's rates. Many consumer groups
7 have claimed that these plants will add as much as 40% to 95% to
8 present rates; however, the Company has determined that under
9 traditional ratemaking it would be entitled to request a rate in-
10 crease amounting to approximately 27%.

11 Q. Have there been any attempts to moderate the size
12 of the rate increase?

13 A. Yes. In Docket 82-0855 the Company proposed a Rate
14 Moderation Plan which provided for phasing in the rate increase
15 over a period of ten years. If that plan were to be adopted, the
16 27% increase in rates would be phased in by increasing rates
17 during each of the next ten years. In addition to the Company's
18 specific rate moderation proposal, other parties to the proceed-
19 ing, while not offering specific proposals, did offer phase-in
20 concepts for the Company to consider.

21 Q. Did the Company consider these concepts?

22 A. The Company considered many concepts including
23 those proposed by various intervenors. In fact, there were long
24 deliberations within the Company on the subject of minimizing the
25 impacts on customers. Towards that end, a variety of consultants
26 was brought in and further investigations were conducted to deter-
27 mine the best available options.

1 Q. Did any other event influence your deliberations?

2 A. Yes. In addition to the concerns we had and that
3 were expressed in prior dockets, I had met with several of our
4 large industrial customers to discuss their concerns. In addi-
5 tion, the Attorney General petitioned the Commission to open a
6 specific docket to investigate the impacts on ratepayers of the
7 completion of the units.

8 Q. What did you conclude as a result?

9 A. We concluded that it would be in the best interests
10 of all parties, if we could determine the rate effect of the three
11 units coming to completion through a negotiated settlement rather
12 than pursuing the traditional ratemaking process.

13 Q. Did the Company initiate discussions toward that
14 end?

15 A. Yes, we did. We met with major public officials
16 including representatives of the Governor's office, the Attorney
17 General's office and the State's Attorney's office representing
18 the citizens of the State of Illinois. A proposal was outlined
19 which we believe best served the public interest and the Company.
20 Serious discussions with government officials followed in an at-
21 tempt to develop a comprehensive program and to answer questions
22 which arose in discussions about the proposal. We also planned to
23 meet with all the other interested parties including private
24 sector consumer advocates. Unfortunately, before all the meetings
25 could be held, the plan was released prematurely to the press.
26 This occurred some time during the week of December 15, 1986 and

1 generated stories in several major newspapers. It was then decid-
2 ed that it would be in the best interest of the public if an
3 official announcement were made by the parties who had adopted the
4 principles of the proposed plan indicating what the plan was and
5 their support of the plan. This announcement was made by the
6 Governor, the Attorney General, and State's Attorney on Decem-
7 ber 19, 1986. A number of business and labor leaders announced
8 their support at the same time.

9 Q. Then, Mr. Rifakes, what happened next?

10 A. Since all parties had not had a chance to study the
11 plan, the Attorney General announced that there would be a 30 day
12 discussion period. He intended to solicit comments from all
13 interested parties and to attempt to respond to their concerns.

14 Q. Were there meetings with the various interested
15 parties subsequent to the December 19, 1986 announcement?

16 A. Yes, there were. A series of meetings was held
17 which involved Edison representatives and representatives of the
18 Governor, the Attorney General, the States Attorney, CUB, BPI, the
19 South Austin Community Coalition, the Citizens Advocating Fair
20 Utility Practices, the City of Chicago, the Office of Public
21 Counsel, the Small Business Utility Advocate, and the Illinois
22 Industrial Energy Consumers Group.

23 Q. Have these meetings been productive?

24 A. To a great degree, yes. As a result of those
25 meetings, one additional party -- the Illinois Small Business
26 Utility Advocate -- has endorsed the proposal. Many of the unan-

1 swered questions have now been answered. In fact, these discus-
2 sions resolved many of the concerns raised by the government
3 representatives and the consumer advocates during the early delib-
4 erations. During the 45 days of discussions, definitive language
5 was agreed upon with the end result that on February 3, 1987, a
6 definitive Memorandum of Understanding was executed by the Company
7 and Attorney General Hartigan, Governor Thompson, State's Attorney
8 Daley, the Governor's Office of Consumers Services, the Small
9 Business Utility Advocate and the Illinois Industrial Energy
10 Consumers Group. A petition to approve the settlement plan which
11 is embodied in the Memorandum of Understanding was filed with the
12 Illinois Commerce Commission on the same date as the Memorandum
13 was executed.

14 Q. Will you please outline the key points of the
15 Memorandum of Understanding?

16 A. Yes. First, the Memorandum provides for a one time
17 increase in rates of about 13% effective July 1, 1987. As a
18 result of fuel savings from the three units in question, custom-
19 ers' costs will only increase by approximately 9.6%. Most impor-
20 tantly, the agreement provides that after the increase on July 1,
21 1987, Edison will not ask for another increase in rates from the
22 Illinois Commerce Commission before July 1, 1992. In effect, this
23 means that rates established July 1, 1987, could be in effect well
24 into 1993. Edison will be permitted to ask for a rate increase
25 during the moratorium period only in the event that circumstances
26 beyond its control impair its ability to provide reliable service
27 to its customers, that changes in Illinois law applicable to

1 Edison or utilities increase its costs, or that acid raid tax
2 legislation is past. On the other hand, the Agreement permits a
3 party to seek a rate reduction in the event that Edison receives a
4 significant windfall during the moratorium period as a result of a
5 relaxation in governmentally-imposed costs.

6 Q. Does this mean that all rates will simply be in-
7 creased by about 13%.

8 A. In general, yes, but the design of our residential
9 rates also will be modified to effect several additional changes.
10 One, the customer charge will be reduced by approximately \$2.15.
11 Second, summer rates will be reduced by 20% from present levels.
12 Finally, the summer/winter differential will be eliminated for
13 many customers. Mr. Kraatz will explain the rates in detail. As
14 a result of these changes, small users will see relatively modest
15 increases. We believe that about 20% of our customers will see
16 increases of about 5% or less.

17 Q. How do you propose to implement your proposal?

18 A. First, the Company will create a subsidiary which
19 will own the three Units. The Company will take full responsibil-
20 ity for construction and the safe operation of the units. The
21 arrangement between Edison and the Subsidiary will be such that
22 ratepayers will be assured that no subsidies will flow to the
23 Subsidiary at their expense. While the Subsidiary's rates will be
24 regulated by the Federal Energy Regulatory Commission, the Illi-
25 nois Commerce Commission will still have full jurisdiction over
26 the rates Edison charges its customers.

1 Q. Are there financial consequences to the Subsidiary
2 arrangement?

3 A. Yes, there are. As a result of the transfer of the
4 plants to a Subsidiary, Edison shareholders will lose about \$550
5 million from their investment in Byron 2, Braidwood 1 and
6 Braidwood 2. This \$550 million can never be recovered from
7 ratepayers.

8 Q. Earlier you said that there will be a one-time 13%
9 increase in rates, but because of the savings resulting from the
10 operation of these three units, ratepayers costs will increase by
11 only 9.6%. What guarantee do ratepayers have that they will see
12 these savings? Suppose the plants don't operate as contemplated?

13 A. The savings occur because nuclear fuel costs less
14 than alternate sources of fuel. Under the Agreement, the Company
15 has guaranteed a certain level of operation for the plants, there-
16 by guaranteeing the savings from that level of operation. If the
17 plants don't operate as contemplated, Edison's shareholders will
18 pay the difference between the nuclear fuel costs, and the costs
19 of alternate fuel sources used to generate the necessary electric-
20 ity up to the full amount of the initial rate increase. As a
21 result, Edison ratepayers are assured of seeing the savings.

22 Q. We have discussed the Memorandum of Understanding
23 with respect to the first five years, but what happens to these
24 plants at the end of the rate moratorium?

25 A. The Memorandum provides for three options at the
26 end of the five year period. These options are available to
27 Edison ratepayers and will be exercised at the direction of the

1 Illinois Commerce Commission. The purpose of these options is to
2 assure ratepayers of access to the power from the three Units
3 after the period of the rate freeze, if they want it, under terms
4 and conditions that the Commerce Commission considers to be in the
5 best interest of ratepayers while, at the same time, freeing the
6 Company to dispose of the power elsewhere under appropriate cir-
7 cumstances.

8 Q. Would you please describe the three options?

9 A. The first option allows the Subsidiary to sell
10 power at the going market price. In effect, the price is deregulated
11 and determined by what buyers, including Edison, are willing
12 to pay. However, Edison is provided assurances that it will
13 receive a price no higher than that being paid by others for
14 similar types and terms of power. The second option gives Edison
15 certain described rights to lock in purchases from Byron Unit 2
16 and Braidwood Unit 1 in the future at a price which is very similar
17 to the type of price that would be paid under traditional
18 ratemaking except, of course, that the initial \$550 million write-
19 off cannot be recouped. It also provides an option with respect
20 to Braidwood Unit 2. These options are exercisable on July 1,
21 1991 and effective on various dates after then. The third option
22 is intended to cover the possibility that the Commission on July
23 1, 1991 is not prepared to elect either option 1 or option 2.
24 This option provides for an additional one time rate increase
25 equal to one-half the cumulative change in the Consumer Price
26 Index between April 1, 1987 and April 1, 1992, but not exceed
27 7 1/2%. The increase in rates will become effective July 1, 1992.

1 In consideration of this increase in rates, the period of morato-
2 rium will be extended for three years, and the Commission's elec-
3 tion date for options 1 and 2 will also be extended by 3 years to
4 July 1, 1994.

5 Q. Does the Agreement provide for a negotiated resolu-
6 tion of the controversy you described earlier?

7 A. Yes, the Agreement is conditioned on a satisfactory
8 resolution of the Braidwood construction case (Docket 86-0249)
9 i.e., the Commission will not take action that would prevent the
10 Company from completing construction as contemplated by the Agree-
11 ment. Two, the Staff investigation into Edison's future rates
12 will be favorably concluded. Three, the Staff investigation into
13 the effect of the 1986 Tax Reform Act as it affects Edison will be
14 terminated. Four, the pending Rate 1 restructuring, Docket 86-
15 0128, will be terminated. Five, the Notice of Inquiry Into Excess
16 Capacity will have no application to Edison during the period of
17 rate moratorium. Six, pending fuel reconciliation proceedings
18 will be terminated with no adverse impact on Edison. Seven, the
19 pending audits pertaining to Byron Unit 2 and Braidwood Unit 1
20 will be terminated and no audit will be begun with respect to
21 Braidwood Unit 2. Finally, the Uniform Fuel Clause Proceeding,
22 Docket 83-2075, will be resolved as to Edison so as to preserve
23 Edison's fuel clause in its present form with the modifications
24 necessary to permit implementation of the Memorandum of Under-
25 standing during any period of rate moratorium.

1 Q. Are there other regulatory and judicial actions
2 necessary in order for the Agreement to become effective?

3 A. Yes, there are. There are several actions required
4 by the Illinois Commerce Commission, the Nuclear Regulatory Com-
5 mission, the Federal Energy Regulatory Commission, the Supreme
6 Court of the State of Illinois, the Securities and Exchange Com-
7 mission and others. All of these actions must be taken before the
8 Agreement can become effective. The actions I am referring to are
9 set out specifically in Section 6 of the Agreement.

10 Q. Is there a date by which these governmental actions
11 must be taken?

12 A. Yes, there is. That date is July 1, 1987, and
13 Edison has agreed to use its best efforts to accomplish the regu-
14 latory and judicial actions which are set forth in Paragraph 6 of
15 the Agreement. However, Edison has retained the right to extend
16 the deadline for action or waive any action with the understanding
17 that no extension will operate to extend the termination date of
18 the rate moratorium period or the date by which the options which
19 I have described earlier must be exercised. However, in the final
20 analysis, if governmental actions cannot be accomplished, then the
21 settlement agreement terminates.

22 Q. How do the rates contemplated under the Agreement
23 compare with rates that one might expect if traditional ratemaking
24 procedures were followed?

25 A. As recently as December of 1986, various intervenor
26 groups professed publicly that if all three units were completed
27 and rate based, the public could expect rate increases ranging

1 from 40 to 95%. Mr. Bachert's testimony supports rate requests of
2 approximately 27%. The Agreement provides for a one time increase
3 of 13%. I believe the numbers speak for themselves.

4 Q. The various intervenor groups, however, have
5 claimed rates may be lower because of the chance of a substantial
6 disallowance of Edison's investment in Byron Unit 2 and the two
7 Braidwood Units as a result of the prudency audits or because of
8 pending litigation. Do you agree with their proposition?

9 A. No, I do not, for several reasons. First, the
10 costs of the three Units before any disallowance are so low that
11 they are lower than the costs other utilities have been permitted
12 to put into ratebase after prudency disallowances. Second, as a
13 result of the proposal, Edison is taking a \$550 million write-off
14 which is equivalent to a nearly 8% disallowance on the three
15 plants. As to litigation, the intervenors' positions are based on
16 the assumption that all pending litigation and regulatory proceed-
17 ings will be resolved against Edison. I believe that such an
18 evaluation of any seriously contested litigation is unrealistic.

19 Q. Can you provide a quantifiable evaluation of the
20 intervenors claims?

21 A. Yes, I have taken the intervenors' allegations and
22 quantified them against a 27% rate request, which is the amount
23 that the Company would request in a traditional ratemaking case.

24 Q. How did you then evaluate the intervenors' claims?

25 A. The Company postulated what I believe to be a
26 realistic worst-case scenario which consisted of the following
27 assumptions: (1) a 2% reduction in return on common equity to

1 12.5%, (2) a cancellation of Braidwood II with a return of, but
2 not on, investment through November, 1985, and (3) a 15% prudency
3 disallowance for Byron II, Braidwood I and that portion of
4 Braidwood II expenditures made through October, 1985. This sce-
5 nario assumed a 1% load growth and provided that all the benefits
6 of the new federal tax law would be passed on to consumers. In
7 addition, it assumed a \$5.05 billion cost for Braidwood I and II
8 and \$2.1 billion for Byron II. Even under this worst-case assump-
9 tion, we estimate that the increase in rates would be greater than
10 the 13% provided for under the settlement plan.

11 Q. How do you believe that shareholders will view this
12 plan?

13 A. Shareholders will view this plan with mixed reac-
14 tions. First of all, I believe that shareholders, like everyone
15 who has been involved in these long drawn-out proceedings, will
16 feel relieved that the many years of litigation and wrangling with
17 respect to these three Units have come to an end. The era of
18 certainty and stability that we are entering is a plus for share-
19 holders. However, on the other side of the coin, shareholders are
20 assuming the risks of the completion and operation of the three
21 Units within the restrictions of the rate increase and the terms
22 allowed in the Memorandum. Additionally, the future of the Units
23 after the moratorium period is uncertain and is at the option of
24 ratepayers, as represented by the Illinois Commerce Commission.
25 Therefore, shareholders are assuming the marketing risk of the
26 Units. Because we have faith in the economic future of Illinois,
27 we believe that these are acceptable risks for shareholders to

1 assume. Finally, as a result of this Agreement, shareholders are
2 losing \$550 million worth of net investment in the Units. While
3 this may seem like a high price for shareholders to pay, the end
4 of uncertainty and the stability that comes with it seems to offer
5 a fair balance.

6 Q. Mr. Rifakes, do you believe that the settlement
7 plan is fair?

8 A. Yes. The rate increase and the moratorium are more
9 than reasonable for ratepayers under any regulatory standard
10 against which one might wish to measure it, as indicated by my
11 testimony related to what we perceive as the worst-case scenario
12 from the Company's perspective under traditional ratemaking.
13 Second, while the plan shifts many risks to shareholders, includ-
14 ing the day-to-day operations of the Company, shareholders also
15 have some opportunity for reward for taking these risks. The
16 stable rates that will be provided under the plan provide the
17 right signal to the business and financial communities. Hopeful-
18 ly, this signal will result in increased sales by the Company and,
19 thereby, greater earnings for the Company. We believe that in the
20 long run the investment by shareholders in the three plants and in
21 Commonwealth Edison Company will be justified by the returns they
22 receive. Finally, the options after the rate moratorium afford
23 ratepayers access to power from the three Units at reasonable
24 prices.

25 Q. Why is this settlement in the public interest?

26 A. In addition to being fair to all parties, the
27 settlement provides stability and predictability with respect to

1 future electric rates. This will help the State of Illinois
2 retain existing businesses, encourage such businesses to expand
3 and attract new business.

COMMONWEALTH EDISON COMPANY

ILLINOIS COMMERCE COMMISSION CASE NO. 87-_____

TESTIMONY AND SCHEDULES
FINANCIAL OPERATING RESULTS
AND
ACCOUNTING ENTRIES

SUBMITTED BY
RAYMOND P. BACHERT
VICE PRESIDENT AND COMPTROLLER
COMMONWEALTH EDISON COMPANY

1 Q. Please describe your duties and responsibilities.

2 A. As Vice President and Comptroller I am responsible for the
3 executive direction of the Company's accounting and budgeting
4 organizations and the preparation and interpretation of all
5 accounting reports and financial statements.

6 Q. What is the purpose of your testimony?

7 A. The purpose of my testimony is to provide an estimate of
8 the expected effects of the Settlement Plan (Plan) as
9 submitted in this case on the financial operating results of
10 the Company as compared to the financial operating results
11 expected to occur under traditional methods of ratemaking.

12 Also, as part of my testimony, I will discuss the expected
13 accounting entries for the write-off of approximately \$550
14 million as a reduction to net income to be recorded by the
15 Company in connection with the transfer of the three units to
16 the new subsidiary under the Plan. I will also discuss the
17 expected accounting entries related to the transfer of the
18 Company's investment in the three units to the new subsidiary.

19 Q. Please describe the comparison you have made of the financial
20 operating results expected to occur under the Plan and under
21 traditional ratemaking.

22 A. We have made a comparison of the Company's expected
23 financial operating results if the Plan were adopted versus

1 those results which would be expected to occur under a
2 traditional ratemaking approach. The combined financial
3 operating results expected to occur for the Company and the
4 subsidiary company under the Plan have been provided in
5 Schedule 1. Also, because the Plan provides for a rate
6 moratorium period during which the Company would not seek a
7 general rate increase except under extraordinary circumstances,
8 a comparison of the rates of return on average common equity
9 expected to be provided under the Plan and based on an assumed
10 rate of return on average common equity under traditional
11 ratemaking is shown in Schedule 1.

12 As shown in Schedule 1, the Company would expect under
13 traditional ratemaking a cumulative revenue increase in base
14 rates of \$1.334 billion or approximately 27% over 1986 rates
15 for the period 1987-1992, the expected duration of the Plan.
16 This level of increase is based on a 12.19% rate of return on
17 original cost rate base and results in a 14.5% and 15.6% rate
18 of return on average common equity based on the capitalization
19 method and the net income method, respectively, over the period
20 covered by the Plan. Also, as shown on Schedule 1, if
21 traditional ratemaking was utilized by the Company, with an
22 annual base revenue rate increase of approximately \$660 million
23 in 1987, and no additional base revenue rate increases over the

1 remainder of the period covered by the Plan, the average rate
2 of return on common equity for the period under the
3 capitalization method and the net income method is expected to
4 be 10.1% and 11.0%, respectively. These revenue increases
5 compare to a \$660 million annual base revenue increase proposed
6 under the Plan which results in an average rate of return on
7 common equity under the capitalization method and the net
8 income method for the combined Company and subsidiary company
9 under the Plan of 12.2% and 11.2%, respectively, over the
10 period covered by the Plan. Schedules 2 through 6 show the
11 components of income and rate base for each of the years
12 1987-1992 for the Plan and the two traditional ratemaking
13 approaches I have discussed above that were used in deriving
14 the rate of return on average common equity under the
15 capitalization method and the net income method.

16 Q. Please describe in general terms the accounting for the
17 write-off of approximately \$550 million under the Plan.

18 A. Assuming that the Plan is approved by the ICC, effective on
19 July 1, 1987 the Company will transfer ownership of the three
20 units to the subsidiary. The Company will recognize a net
21 write-off of approximately \$550 million expected to be recorded
22 at the time of the transfer, which would be reflected as a
23 reduction to the Company's net income.

1 Q Please discuss the accounting entries expected to be recorded
2 to recognize the write-off.

3 A. Financing costs during the construction period of the three
4 units being transferred to the subsidiary have been recorded by
5 the Company in accordance with Financial Accounting Standards
6 Board (FASB) Statement No. 71, "Accounting for the Effects of
7 Certain Types of Regulation" (FAS 71). This statement provides
8 that a regulated enterprise capitalize as a part of the cost of
9 plant and equipment, the cost of financing construction,
10 including costs of equity funds as well as cost of borrowed
11 funds. These capitalized costs are also recognized for
12 financial reporting purposes rather than the amount of interest
13 that would be otherwise capitalized in accordance with FASB
14 Statement No. 34, "Capitalization of Interest Cost" (FAS 34)
15 which provides the basis for capitalizing financing costs
16 during the construction period for non-regulated industries.
17 In compliance with FAS 71 the Company has capitalized financing
18 costs related to the three units based on the formula for
19 capitalizing allowance for funds used during construction
20 (AFUDC) prescribed by both the Federal Energy Regulatory
21 Commission and the ICC.

22 However, the new subsidiary will not reflect capitalization
23 of financing costs of the three units during construction in

1 accordance with FAS 71 because its revenues will not be based
2 on traditional utility ratemaking concepts. Therefore, the
3 costs of financing the three units which have been recorded as
4 AFUDC under FAS 71 must be reversed and interest must be
5 capitalized in accordance with FAS 34. The amount of AFUDC
6 that is forecasted to be recorded in accordance with FAS 71 for
7 the three units as of July 1, 1987 is approximately \$2,207.5
8 million, net of income tax effects. The financing costs of the
9 three units owned by the new subsidiary should be determined in
10 accordance with FAS 34, under which the construction period
11 financing costs to be capitalized are considered to be
12 interest. The estimated amount of interest costs capitalized
13 as of July 1, 1987 as computed in accordance with FAS 34 for
14 the three units is approximately \$1,657.5 million, net of
15 income tax effects. The resulting reduction in net income
16 after reflecting the accounting changes discussed above is
17 approximately \$550 million.

18 The write-off described above reflects the reversal of
19 AFUDC resulting from discontinuing the application of FAS 71 to
20 the three units transferred to the subsidiary and replacing the
21 AFUDC amounts with a smaller amount of interest capitalized
22 determined by applying FAS 34. A preliminary draft of a
23 proposed FASB Statement addressing the accounting ramifications
24 of discontinuing the application of FAS 71 states that when an

1 enterprise discontinues the application of FAS 71, the net
2 effect of that change shall be classified as an extraordinary
3 item and included in income in the period of the change.
4 Therefore, the net loss of \$550 million is expected to be
5 reported as an extraordinary item in 1987.

6 . An example of the expected accounting entries reflecting
7 the net loss of \$550 million is displayed in Schedule 7.

8 Q. Please discuss the accounting entries expected to be recorded
9 to reflect the transfer of ownership of the three units from
10 the Company to the subsidiary.

11 A. On July 1, 1987, the Company would expect to record the
12 transfer of ownership of the three units to the subsidiary. An
13 example of the expected accounting entry to be recorded on the
14 Company's books reflecting the transfer from the Company is
15 displayed in Schedule 7. An example of the expected accounting
16 entry to be recorded on the subsidiary's books reflecting the
17 transfer to the subsidiary company is displayed in Schedule 8.

18 In accordance with generally accepted accounting
19 principles, the interest costs capitalized for the three units
20 will be "grossed up" for the related income tax effects after
21 the units are transferred to the subsidiary. The amounts
22 reflecting the "gross up" of interest costs capitalized are
23 incorporated in the entry reflecting the transfer in Schedule 8.

Commonwealth Edison Company

	<u>For the Period of the Plan 1987-1992</u>		
	<u>Cumulative Revenue Increase (millions)</u>	<u>Average Return on Common Equity Capitalization Method (1)</u>	<u>Net Income Method (2)</u>
Traditional Ratemaking	\$1,334.1	14.5%	15.6%
Traditional Ratemaking with \$660 million annual base revenue increase in 1987	\$ 686.8	10.1%	11.0%
The Plan on a combined Company and subsidiary company basis	\$ 686.8	12.2%	11.2%

Notes:

- (1) Average return on common equity under the capitalization method is derived by dividing the weighted return on common equity portion of the total rate of return on rate base by the percentage of common equity in the capitalization structure.
- (2) Average return on common equity under the net income method equals net income on common divided by average common equity.

COMMONWEALTH EDISON COMPANY

Estimated Income Statements - Traditional Ratemaking (1)

For Calendar Years 1987 through 1992

(\$ in millions)

Line No.	(A)	1987 (2) (B)	1988 (3) (C)	1989 (D)	1990 (E)	1991 (F)	1992 (G)	Average 1987-1992 (H)
1	Electric Operating Revenue	\$ 5,773.5	\$ 6,186.9	\$ 6,313.6	\$ 6,427.8	\$ 6,454.5	\$ 6,620.9	\$ 6,296.2
2	Electric Operating Expense							
3	Fuel and Purchased Power	\$ 1,134.1	\$ 980.7	\$ 982.9	\$ 1,048.7	\$ 1,015.8	\$ 1,129.8	\$ 1,048.7
4	Operation and Maintenance	1,208.0	1,319.9	1,394.5	1,479.9	1,564.0	1,659.6	1,437.7
5	Depreciation and Amortization	782.5	883.3	912.7	943.2	977.4	1,006.1	917.5
6	Taxes (except income)	317.4	352.1	361.8	366.1	369.0	7.4	356.7
7	Income Taxes	652.3	778.8	836.9	825.7	817.5	793.8	784.2
8	Other	16.4	16.4	16.4	16.4	16.4	16.4	16.4
9	Total Electric Operating Expense	\$ 4,110.7	\$ 4,331.2	\$ 4,505.2	\$ 4,680.0	\$ 4,760.1	\$ 4,980.0	\$ 4,561.2
10	Electric Operating Income (4)	\$ 1,662.8	\$ 1,855.7	\$ 1,808.4	\$ 1,747.8	\$ 1,694.4	\$ 1,640.9	\$ 1,735.0
11	Other Income and Deductions							
12	Interest on Debt	(685.7)	(668.1)	(628.9)	(584.5)	(549.0)	(526.5)	607.1
13	Allowance for Funds Used							
14	During Construction	179.9	33.0	43.0	43.5	49.9	46.5	66.0
15	Other - net	21.6	(1.8)	(17.9)	(14.4)	(17.2)	(18.2)	(8.0)
16	Net Income	\$ 1,178.6	\$ 1,218.8	\$ 1,204.6	\$ 1,192.4	\$ 1,178.1	\$ 1,142.7	\$ 1,185.9
17	Provision for Dividends on Preferred							
18	and Preference Stock	112.7	107.4	101.2	91.9	84.6	76.9	95.8
19	Net Income on Common Stock	\$ 1,065.9	\$ 1,111.4	\$ 1,103.4	\$ 1,100.5	\$ 1,093.5	\$ 1,065.8	\$ 1,090.1
20	Cumulative Revenue Increase	\$ 655.1	\$ 1,159.7	\$ 1,259.5	\$ 1,293.9	\$ 1,284.2	\$ 1,334.1	
21	Average Rate Base - Jurisdictional	\$13,494.3	\$15,092.7	\$14,714.0	\$14,233.2	\$13,797.4	\$13,368.4	\$14,116.1
22	Return on Average Rate Base	12.19%	12.19%	12.19%	12.19%	12.19%	12.19%	12.19%
23	Average Common Equity	\$ 6,754.6	\$ 7,092.2	\$ 7,066.6	\$ 7,045.6	\$ 7,028.0	\$ 6,943.1	\$ 6,988.4
24	Return on Average Common Equity							
25	Capitalization Method	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%
26	Net Income Method	15.8%	15.7%	15.6%	15.6%	15.6%	15.4%	15.6%

Notes:

(1) Excluding add-on revenue taxes.

(2) Reflects annualization of Byron Unit 2 and Braidwood Unit 1.

(3) Reflects annualization of Braidwood Unit 2.

(4) Includes Resale Municipalities' Portion of: \$17.8 \$16.1 \$14.8 \$13.4 \$12.8 \$11.6 \$14.4

COMMONWEALTH EDISON COMPANY

Estimated Income Statement - Traditional Ratemaking
With \$660 Million Increase in 1987 (1)

For Calendar Years 1987 through 1992

(\$ in millions)

Line No.	(A)	1987 (2) (B)	1988 (3) (C)	1989 (D)	1990 (E)	1991 (F)	1992 (G)	Average 1987-1992 (H)
1	Electric Operating Revenue	\$ 5,778.4	\$ 5,687.2	\$ 5,720.0	\$ 5,807.2	\$ 5,850.3	\$ 5,913.6	\$ 5,802.8
2	Electric Operating Expense							
3	Fuel and Purchased Power	\$ 1,134.1	\$ 980.7	\$ 982.9	\$ 1,048.7	\$ 1,015.8	\$ 1,129.8	\$ 1,048.7
4	Operation and Maintenance	1,208.0	1,319.9	1,394.5	1,479.9	1,564.0	1,659.6	1,437.7
5	Depreciation and Amortization	782.5	883.3	912.7	943.2	977.4	1,006.1	917.5
6	Taxes (except income)	317.5	345.1	353.5	357.4	360.5	365.2	349.9
7	Income Taxes	654.1	590.5	613.2	591.8	589.8	549.9	598.2
8	Other	16.4	16.4	16.4	16.4	16.4	16.4	16.4
9	Total Electric Operating Expense	\$ 4,112.6	\$ 4,135.9	\$ 4,273.2	\$ 4,437.4	\$ 4,523.9	\$ 4,727.0	\$ 4,368.4
10	Electric Operating Income (4)	\$ 1,665.8	\$ 1,551.3	\$ 1,446.8	\$ 1,369.8	\$ 1,326.4	\$ 1,246.6	\$ 1,434.4
11	Other Income and Deductions							
12	Interest on Debt	(685.7)	(674.6)	(647.6)	(591.6)	(553.7)	(528.9)	(613.7)
13	Allowance for Funds Used							
14	During Construction	179.9	33.0	46.3	48.8	52.3	45.1	67.6
15	Other - net	21.6	(1.8)	(3.7)	(15.6)	(19.7)	(20.5)	(6.5)
16	Net Income	\$ 1,181.6	\$ 907.9	\$ 842.4	\$ 811.4	\$ 805.3	\$ 742.3	\$ 887.8
17	Provision for Dividends on Preferred							
18	and Preference Stock	112.7	108.6	102.7	93.4	86.2	78.5	97.0
19	Net Income on Common Stock	\$ 1,068.9	\$ 799.3	\$ 739.7	\$ 718.0	\$ 719.1	\$ 663.8	\$ 784.8
20	Cumulative Revenue Increase	\$ 660.0	\$ 660.0	\$ 666.6	\$ 673.3	\$ 680.0	\$ 686.8	
21	Average Rate Base - Jurisdictional	13,494.3	15,092.7	14,714.0	14,233.2	13,797.4	13,368.4	14,116.7
22	Return on Average Rate Base	12.21%	10.17%	9.73%	9.53%	9.52%	9.24%	10.06%
23	Average Common Equity	\$ 6,928.5	\$ 7,350.0	\$ 7,294.9	\$ 7,115.3	\$ 7,130.1	\$ 7,114.2	\$ 7,155.5
24	Return on Average Common Equity							
25	Capitalization Method	14.55%	9.95%	9.05%	9.07%	9.19%	8.69%	10.08%
26	Net Income Method	15.43%	10.87%	10.14%	10.09%	10.09%	9.31%	10.49%

Notes:

(1) Excluding add-on revenue taxes.

(2) Reflects annualization of Byron Unit 2 and Braidwood Unit 1.

(3) Reflects annualization of Braidwood Unit 2.

(4) Includes Resale Municipalities' Portion of:

\$17.8	\$15.1	\$14.6	\$13.4	\$12.8	\$11.6	\$14.4
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COMMONWEALTH EDISON COMPANY

Estimated Rate Base for Both Traditional Approaches

1987 through 1992 (1)

(\$ in millions)

Line No.	(A)	1987 (2)	1988 (3)	1989	1990	1991	1992	Average
		(B)	(C)	(D)	(E)	(F)	(G)	1987-1992 (H)
1	Gross Utility Plant in Service (4)	\$10,860.6	\$22,050.0	\$22,585.4	\$23,117.3	\$23,718.5	\$24,359.4	\$22,615.2
2	Less: Accumulated Provisions for Depreciation	<u>4,615.4</u>	<u>5,084.6</u>	<u>5,792.5</u>	<u>6,666.1</u>	<u>7,566.9</u>	<u>8,492.5</u>	<u>6,369.7</u>
3	Net Utility Plant in Service	\$15,245.2	\$16,965.4	\$16,792.9	\$16,451.2	\$16,151.6	\$15,866.9	\$16,245.5
4	Additions:							
5	Working Capital Allowance	197.1	219.7	230.6	242.1	254.2	266.9	235.1
6	Fuel Inventories (5)	126.4	232.1	322.8	436.8	515.1	544.4	362.9
7	CWIP on which AFUDC is not capitalized	23.2	28.1	29.8	31.6	33.5	35.5	30.3
8	Unrecovered Cost of Dresden Unit 1	20.6	17.0	9.7	3.0	-	-	8.4
9	Deferred Plant Costs	<u>388.4</u>	<u>396.6</u>	<u>380.2</u>	<u>363.8</u>	<u>347.4</u>	<u>331.0</u>	<u>367.9</u>
10		<u>\$16,000.9</u>	<u>\$17,858.9</u>	<u>\$17,766.0</u>	<u>\$17,528.5</u>	<u>\$17,301.8</u>	<u>\$17,044.7</u>	<u>\$17,250.1</u>
11	Deduct:							
12	Accumulated Deferred Income Taxes	\$ 2,102.9	\$2,332.2	\$2,603.6	\$2,833.1	\$3,028.4	\$3,186.4	\$2,681.1
13	Operating Reserves	115.5	121.9	137.4	155.9	175.9	197.9	150.8
14	Accrued Reclamation Costs	90.2	93.7	99.2	102.2	103.2	102.2	98.4
15	Other Deferred Credits-ACRS deduction sold	7.4	7.3	7.0	6.8	6.6	6.4	6.9
16	Pre-1971 Deferred Investment Tax Credits	<u>12.9</u>	<u>12.3</u>	<u>11.0</u>	<u>9.8</u>	<u>8.6</u>	<u>7.3</u>	<u>10.3</u>
17	Total Deductions	<u>\$ 2,328.9</u>	<u>\$ 2,567.4</u>	<u>\$ 2,858.2</u>	<u>\$ 3,107.8</u>	<u>\$ 3,322.7</u>	<u>\$ 3,500.2</u>	<u>\$ 2,947.5</u>
18	Net Electric Utility Plant							
19	and Working Capital	\$13,672.0	\$15,291.5	\$14,907.8	\$14,420.7	\$13,979.1	\$13,544.5	\$14,302.6
20	Less: Allocation to Municipalities	<u>177.7</u>	<u>198.8</u>	<u>193.8</u>	<u>187.5</u>	<u>181.7</u>	<u>176.1</u>	<u>185.9</u>
21	Total Rate Base	<u>\$13,494.3</u>	<u>\$15,092.7</u>	<u>\$14,714.0</u>	<u>\$14,233.2</u>	<u>\$13,797.4</u>	<u>\$13,368.4</u>	<u>\$14,116.7</u>

Notes:

- (1) Year end balances for 1987; average balances for 1988 through 1992.
- (2) Reflects the annualized effects of Byron Unit 2 and Braidwood Unit 1.
- (3) Reflects the annualized effects of Braidwood Unit 2.
- (4) Includes Property Held for Future Use.
- (5) Reflects reduction for Accumulated Recoveries of Spent Nuclear Fuel Disposal Costs.

COMMONWEALTH EDISON COMPANY

Estimated Income Statement - Settlement Plan (1)

For Calendar Years 1987 through 1992

(\$ in millions)

Line No.	(A)	1987 (2) (B)	1988 (3) (C)	1989 (D)	1990 (E)	1991 (F)	1992 (G)	Average 1987-1992 (H)
1	Electric Operating Revenue	\$ 5,778.4	\$ 5,687.9	\$ 5,723.5	\$ 5,813.8	\$ 5,860.4	\$ 5,984.6	\$ 5,808.1
2	Electric Operating Expense							
3	Fuel and Purchased Power	\$ 1,134.1	\$ 980.7	\$ 974.5	\$ 1,044.8	\$ 1,015.4	\$ 1,130.2	\$ 1,046.6
4	Operation and Maintenance	1,208.0	1,319.9	1,389.4	1,474.7	1,558.8	1,654.0	1,434.1
5	Depreciation and Amortization	797.1	905.9	933.1	963.6	997.8	1,026.7	937.4
6	Taxes (except income)	316.6	345.3	349.7	350.8	353.9	359.1	345.9
7	Income Taxes	628.0	545.7	564.6	550.1	557.4	520.0	561.0
8	Other	-	-	-	-	-	-	-
9	Total Electric Operating Expense	\$ 4,083.8	\$ 4,097.5	\$ 4,211.3	\$ 4,384.0	\$ 4,483.3	\$ 4,690.0	\$ 4,325.0
10	Electric Operating Income (4)	\$ 1,694.6	\$ 1,590.4	\$ 1,512.2	\$ 1,429.8	\$ 1,377.1	\$ 1,294.6	\$ 1,483.1
11	Other Income and Deductions							
12	Interest on Debt	(689.9)	(674.6)	(647.6)	(591.6)	(553.7)	(528.9)	(614.3)
13	Allowance for Funds Used							
14	During Construction	179.9	33.0	46.3	48.8	52.3	45.1	67.6
15	Other - net	31.9	(1.8)	(3.1)	(15.6)	(19.7)	(20.5)	(4.8)
16	Income Before Extraordinary Charge	\$ 1,216.5	\$ 947.0	\$ 907.8	\$ 871.4	\$ 856.0	\$ 790.3	\$ 931.6
17	Extraordinary Charge - Net of Income Taxes	(550.0)	-	-	-	-	-	(91.7)
18	Net Income	\$ 666.5	\$ 947.0	\$ 907.8	\$ 871.4	\$ 856.0	\$ 790.3	\$ 839.9
19	Provision for Dividends on Preferred							
20	and Preference Stock	112.6	108.6	102.7	93.4	86.2	78.5	97.0
21	Net Income on Common Stock	\$ 553.9	\$ 838.4	\$ 805.1	\$ 778.0	\$ 769.8	\$ 711.8	\$ 742.9
22	Cumulative Revenue Increase	\$ 660.0	\$ 660.0	\$ 666.6	\$ 673.3	\$ 680.0	\$ 686.8	
23	Average Rate Base	\$12,823.5	\$14,180.4	\$13,704.8	\$13,223.1	\$12,831.1	\$12,463.8	\$13,204.5
24	Return on Average Rate Base	13.07%	11.10%	10.92%	10.70%	10.63%	10.29%	11.12%
25	Average Common Equity	\$ 6,378.5	\$ 6,800.0	\$ 6,744.9	\$ 6,565.3	\$ 6,580.1	\$ 6,564.2	\$ 6,605.5
26	Return on Average Common Equity							
27	Capitalization Method	16.66%	11.90%	11.46%	11.42%	11.34%	10.67%	12.24%
28	Net Income Method	8.68%	12.33%	11.94%	11.85%	11.70%	10.94%	11.22%

Notes:

(1) Excluding add-on revenue taxes.

(2) Reflects annualization of Byron Unit 2 and Braidwood Unit 1.

(3) Reflects annualization of Braidwood Unit 2.

(4) Includes Resale Municipalities' Portion of: \$17.8 \$16.7 \$15.5 \$14.3 \$13.5 \$12.3 \$15.0

COMMONWEALTH EDISON COMPANY
Estimated Rate Base - Settlement Plan
1987 through 1992 (1)
(\$ in millions)

Line No.	(A)	1987 (2) (B)	1988 (3) (C)	1989 (D)	1990 (E)	1991 (F)	1992 (G)	Average 1987-1992 (H)
1	Gross Utility Plant in Service (4)	\$19,945.3	\$22,609.7	\$23,090.4	\$23,622.7	\$24,225.5	\$24,868.5	\$23,060.4
2	Less: Accumulated Provisions for Depreciation	<u>4,272.2</u>	<u>5,116.3</u>	<u>5,986.8</u>	<u>6,880.9</u>	<u>7,802.0</u>	<u>8,748.1</u>	<u>6,467.8</u>
3	Net Utility Plant in Service	\$15,673.1	\$17,493.4	\$17,103.6	\$16,741.8	\$16,423.5	\$16,120.4	\$16,592.6
4	Additions:							
5	Working Capital Allowance	193.0	219.7	230.6	242.1	254.2	266.9	234.4
6	Fuel Inventories (5)	180.6	232.1	346.3	414.0	490.1	542.4	367.6
7	CWIP on which AFUDC is not capitalized	23.2	28.1	29.8	31.6	33.5	35.5	30.3
8	Unrecovered Cost of Dresden Unit 1	24.2	17.0	9.7	3.0	-	-	9.0
9	Deferred Plant Costs	<u>-</u>						
10		<u>\$16,094.1</u>	<u>\$17,990.3</u>	<u>\$17,720.0</u>	<u>\$17,432.5</u>	<u>\$17,201.3</u>	<u>\$16,965.2</u>	<u>\$17,233.9</u>
11	Deduct:							
12	Accumulated Deferred Income Taxes	\$ 2,880.2	\$ 3,387.9	\$ 3,580.1	\$ 3,760.6	\$ 3,906.9	\$ 4,023.4	\$ 3,589.8
13	Operating Reserves	108.9	121.9	137.4	155.9	175.9	197.9	149.7
14	Accrued Reclamation Costs	86.1	93.7	99.2	102.2	103.2	102.2	97.8
15	Other Deferred Credits-ACRS deductions sold	7.6	7.3	7.0	6.8	6.6	6.4	6.9
16	Pre-1971 Deferred Investment Tax Credits	<u>13.5</u>	<u>12.3</u>	<u>11.0</u>	<u>9.8</u>	<u>8.6</u>	<u>7.3</u>	<u>10.4</u>
17	Total Deductions	<u>\$ 3,096.3</u>	<u>\$ 3,623.1</u>	<u>\$ 3,834.7</u>	<u>\$ 4,035.3</u>	<u>\$ 4,201.2</u>	<u>\$ 4,337.2</u>	<u>\$ 3,954.6</u>
18	Net Electric Utility Plant							
19	and Working Capital	\$12,997.8	\$14,367.2	\$13,885.3	\$13,397.2	\$13,000.1	\$12,628.0	\$ 13,179.3
20	Less: Allocation to Municipalities	<u>174.3</u>	<u>186.8</u>	<u>180.5</u>	<u>174.1</u>	<u>169.0</u>	<u>164.2</u>	<u>174.8</u>
21	Total Rate Base	<u>\$12,823.5</u>	<u>\$14,180.4</u>	<u>\$13,704.8</u>	<u>\$13,223.1</u>	<u>\$12,831.1</u>	<u>\$12,463.8</u>	<u>\$ 13,104.5</u>

Notes:

- (1) Based on average balances for the years.
- (2) Reflects the annualized effects of Byron Unit 2 and Braidwood Unit 1.
- (3) Reflects the annualized effects of Braidwood Unit 2.
- (4) Includes Property Held for Future Use.
- (5) Reflects reduction for Accumulated Recoveries of Spent Nuclear Fuel Disposal Costs.

Commonwealth Edison Company

- Millions of Dollars -

Example of expected accounting entries to be made on July 1, 1987

	(1)		
Loss from write-off		\$2,207.5	
Utility Plant in Service			\$1,689.4
Construction Work in Progress			518.1

To reverse AFUDC, net of the related income tax effect, previously recorded on Byron Unit 2 and Braidwood Units 1 and 2

	(2)		
Utility Plant in Service		1,271.4	
Construction Work in Progress		386.1	
Loss from write-off			1,657.5

To record interest capitalized under FAS 34, net of the related income tax effect, for Byron Unit 2 and Braidwood Units 1 and 2

	(3)		
Investment in Subsidiary Companies		6,037.9	
Utility Plant in Service			4,584.0
Construction Work in Progress			1,453.9

To transfer the Company's investment in Byron Unit 2 and Braidwood Units 1 and 2 to the new subsidiary and record the value of Company's investment in the subsidiary

Subsidiary Company

- Millions of Dollars -

Example of expected accounting entry to be made on July 1, 1987

Utility Plant in Service	\$5,353.4	
Construction Work in Progress	1,690.6	
Investment from Commonwealth Edison Company		\$6,037.9
Accumulated-Deferred Income Taxes		1,016.1

To record the transfer of plant facilities to the new subsidiary in exchange for Commonwealth Edison Company's investment in Byron Unit 2 and Braidwood Units 1 and 2 and record the related income tax effects of the interest capitalized on the subsidiary's books

generation, transmission, distribution and sale of electric energy to the public in the State of Illinois.

2. Edison is in the process of completing construction and placing in-service three nuclear generating units known as Byron II, Braidwood I and Braidwood II (the "Units"). These Units represent the culmination of a generating station construction program begun in the early 1970's. As an Illinois public utility, Edison has a statutory duty to provide retail electric service demanded by the public within its service territory. When it appears that future demand for retail electric service cannot be met with existing facilities, a utility must build the required new facilities. Construction of the Units was begun in furtherance of Edison's legal duty to provide adequate electric service, and investors are entitled to an opportunity to earn a reasonable return on their investments in these Units.

3. During the period of the late 1960's through the early 1970's, demand on Edison's system was growing at a rate of approximately 7% per annum. Edison was required to begin the construction of additional capacity to meet projected demands. Economic studies made at that time showed large-scale nuclear power facilities to be the lowest cost means of meeting future demand on Edison's system.

4. Throughout this period Edison was subject to regulation by the Illinois Commerce Commission ("Commission"), which was charged with the responsibility of overseeing the costs of Edison's operations, including its construction program for new generating facilities. More particularly, during the period 1971

through 1974 the Commission authorized the construction of the LaSalle, Byron and Braidwood nuclear power stations. Each of these stations was to be a two-unit facility with each unit having a capacity of approximately 1100 megawatts.

5. Much of the period during which these generating facilities were being built was beset by unprecedented inflation, causing significant escalation of construction and related financing costs. At the same time, and particularly after the Three-Mile Island accident, the regulatory burdens imposed by the Nuclear Regulatory Commission, increased dramatically. These additional regulatory burdens increased significantly the time required to build the facilities as well as their costs.

6. During construction of these generating facilities the Commission twice conducted formal, detailed investigations of the economics of completing the facilities to ensure that completion was in the best interests of Edison's ratepayers. At the conclusion of each of these investigations, the Commission ordered expeditious completion of the facilities. At this time five of these six generating stations have been completed, three are in full service; two more (Byron Unit II and Braidwood Unit I) are in the process of being tested, while the last unit (Braidwood Unit II), is more than 85 percent completed and is scheduled to begin providing service in the fall of 1988.

7. Since the late 1970's Edison has been engaged in litigation with various parties over issues related to the costs of completing and operating the Units. Litigation concerning the completion of the Units has created uncertainty as to the future

adequacy of electric service and the future level of electric rates within the State of Illinois.

8. Recognizing the likelihood of further extended, costly litigation and the adverse effects of such litigation and the uncertainty thereby created on the economic climate in Illinois, Edison and the other parties to the Settlement Agreement sought to negotiate a resolution of existing and likely future disputes as to completion and "ratebasing" of the Units, which would both eliminate existing uncertainty and reduce the rate increases normally associated with ratebasing such units. The Settlement Agreement meets these objectives, while maintaining the financial stability of Edison and the adequacy of electric service. The terms of the Settlement Agreement are embodied in a Memorandum of Understanding attached to this Petition as Exhibit I. Other entities that are not signatories to the Memorandum of Understanding have participated in the negotiation process.

9. Edison believes it is in the public interest for the Commission to proceed with a review of the Settlement Agreement. The benefits that the public will obtain from approval of the Settlement Agreement include the following:

- A. Rates will be significantly lower under the Settlement Agreement. Under traditional rate base/rate of return regulation, Edison would be entitled to request a rate increase of approximately 27% principally to cover its costs (approximately \$7 billion) of constructing the Units. The Settlement Agreement, instead limits Edison to a single 12.89% increase. The summer-winter rate differential would be reduced so that summer bills to most residential customers will be lower under the Settlement Agreement than under present rates;
- B. The Settlement Agreement imposes a minimum five-year moratorium on further rate increases subject

only to some very limited exceptions, principally for financial emergencies so severe that they threaten Edison's ability to provide service. The stability and predictability of costs provided by the Settlement Agreement will help the State of Illinois retain existing businesses, encourage such businesses to expand, and attract new businesses;

- C. The Settlement Agreement will assure that 3,000 Illinois construction workers keep existing jobs;
- D. In addition to the five year moratorium on rate increases, Edison has agreed to write off \$550 million of its investment in the Units;
- E. The Settlement rates have the effect of passing on to consumers the tax benefits resulting from the 1986 Federal Tax Reform Act;
- F. Edison will assume the financial risks involved in the completion and operation of the Units; and
- G. The Commission's jurisdiction to regulate Edison's rates is not impaired by the Settlement.

10. The principal rates to be charged by Edison under the Settlement Agreement are set forth in Attachments A, B and C of the Memorandum of Understanding. Petitioners request that the Commission, as part of its final order in this proceeding, specifically find that the provisions of the Memorandum of Understanding relating to the rates to be charged by Edison are in the public interest and direct Edison to file tariffs in accordance with that agreement. Edison has been advised that other parties to the Settlement Agreement will request the Commission to open an investigation into the rates currently charged by Edison in light of the Settlement Agreement. Edison requests that any such investigation be consolidated with and proceed on the same schedule as is set in this proceeding.

11. Edison's agreement to the settlement is conditioned upon the satisfactory resolution of the following Commission matters involving Edison:

- A. Braidwood construction case, Ill.C.C. Docket 86-0249;
- B. Staff investigation into Edison's future rates;
- C. Staff investigation into the effect of the Tax Reform Act on Edison (including the show cause action filed by the Office of Public Counsel, Ill. C.C. Docket 86-0426 if not dismissed pursuant to the Staff's Motion);
- D. Pending Rate 1 restructuring, Ill.C.C. Docket 86-0128;
- E. Notice of inquiry into excess capacity insofar as it affects Edison, Ill.C.C. Docket 86-NOI-1;
- F. Pending fuel reconciliation proceedings, Ill.C.C. Dockets 84-0395, 85-0517, 86-0511;
- G. Pending audits of Byron 2 and Braidwood 1; and
- H. Uniform fuel clause proceeding, Ill. C.C. Docket 83-0275, insofar as it may affect Edison's existing fuel clause, or the rates provided for under the Settlement Agreement.

In addition, Exhibit I describes certain statements of intention from the Commission that are necessary to the consummation of the settlement, and Edison respectfully requests that the Commission include such statements in its final order in this proceeding. It is neither the intent nor the effect of the Settlement Agreement to deprive the Commission of jurisdiction or prevent it from fully exercising that jurisdiction in meeting its responsibilities under the Public Utilities Act.

12. One purpose of the Settlement Agreement is to stop the extensive litigation, both before the courts and the Commission, in which Edison finds itself today and to put an end to the financial and economic uncertainties posed by future ratemaking proceedings. Therefore, Edison requests that Edison's Motion to Withdraw Rate Filing or Terminate Docket filed in Ill. C.C. Docket 86-0128 be granted, that Edison's Motions to Suspend filed in Ill. C.C. Dockets 86-0249, 84-0395, 85-0517 and 86-0511 be granted, and that Ill. C.C. Dockets 86-0249, 84-0395, 85-0517 and 86-0511 be consolidated for the purpose of considering the settlement described herein.

13. As part of the Settlement, Edison will form a wholly-owned subsidiary to which ownership of the Units will be transferred. The subsidiary will sell power to Edison. For at least five years Edison will be entitled to purchase all power generated by the subsidiary. Thereafter Edison will have rights to the capacity and energy provided by the Units under various options set forth in the Memorandum of Understanding. The Commission is given express authority to direct Edison in the exercise of those options and thus, the options effectively run to the public. In addition to the options regarding the purchase of power produced by the Units there is also an option to extend the rate moratorium for an additional three years with a one-time increase of one-half of the cumulative increase in the Consumer Price Index over the five year period (not to exceed 7.5%). The subsidiary's rates will be subject to regulation by the Federal Energy Regulatory Commission ("FERC"). In exchange for the right

to purchase power, Edison will pay fixed annual fees to the subsidiary. Edison will also pay the cost of fuel for the electricity it buys. In addition, there may be a bonus based on fuel cost savings if the Units perform better than expected.

14. As more fully set out in the Memorandum of Understanding, Edison has guaranteed that fuel cost savings expected from the Units will, in fact, be realized by ratepayers irrespective of whether the Units actually perform as anticipated. The guarantee provides for credits against fuel clause charges to cover any short-fall in power produced by the Units. Edison's liability under this guarantee extends to the full amount of the 12.89% rate increase provided for in the Settlement Agreement. Correspondingly, the Settlement Agreement provides for bonus compensation in the event production from the Units is better than anticipated. This is the bonus referred to above.

15. Edison also will agree to complete and operate the Units after the Units are transferred to the subsidiary. Edison will be responsible for ensuring that the Units are operated safely and in accordance with all applicable requirements of the Nuclear Regulatory Commission ("NRC") and other regulatory agencies. The Settlement Agreement is structured in a manner that assures that no subsidies will flow to the subsidiary from Edison at ratepayers' expense.

16. Accomplishment of the settlement described herein and in Exhibit I will require Commission approval of a number of transactions and agreements pursuant to Sections 7-101 and 7-102 of the Public Utilities Act. These include:

- A. Creation of and conveyance to the subsidiary of the Units and related property, personal and real, including permits and licenses, and in that connection, execution of a Facilities Transfer Agreement between Edison and the subsidiary;
- B. Investment by Edison in the subsidiary as required to complete construction of the Units and to assure proper maintenance and operation of the Units, and in that connection, execution of a Financing Agreement between Edison and the subsidiary;
- C. Release of Edison from any prior obligations related to the Units pursuant to past orders of the Commission;
- D. Execution of a Power Supply Agreement between Edison and the subsidiary; and
- E. Execution of a Construction and Operating Agreement between Edison and the subsidiary.

Supplemental petitions seeking approval of specific agreements (including the proposed Facilities Transfer Agreement, Power Supply Agreement, Construction and Operating Agreement and Financing Agreement) under Sections 7-101 and 7-102 of the Public Utilities Act will be filed shortly.

17. Because two of the Units are scheduled to be placed in-service on or about July 1, 1987 and the settlement is conditioned on certain actions to be taken by this Commission on or before May 1, 1987, Edison requests that the Commission direct the Hearing Examiner to set a schedule in this proceeding which will permit the Commission to enter a final order in this proceeding on or before May 1, 1987. Expeditious consideration of the Settlement Agreement is in the public interest and important to the economic health of the State of Illinois. Expeditious consideration is appropriate in this case in view of the fact that at least five government officials, with direct responsibility for

the public welfare, the Governor, the Attorney General, the Governor's Office of Consumer Services, the State's Attorney of Cook County and the Small Business Utility Advocate, and one large consumer group, IIEC, are parties to the Settlement Agreement. Other consumer representatives have not only been informed of the nature of the Settlement since December 19, 1986, they have received extensive detailed information regarding that Agreement. That information includes detailed financial data for Edison estimated from 1986 through 1992, including income statements, balance sheets, cash flow information, income tax, fuel adjustment and rate base calculations; production cost data for the same period; and historical purchase and sales transactions. In addition, Edison responded orally and in writing to numerous inquiries. Edison has filed with this Petition the testimony of three witnesses, George P. Rifakes, Raymond P. Bachert, and Roland L. Kraatz; and will submit the testimony of three additional witnesses, David Scholz, Dr. Eugene Brigham and Roger Taylor, on February 5, 1987.

19. Edison believes that the carrying out of the settlement described herein and in Exhibit I would benefit Edison, its ratepayers and all of the corporate and individual citizens of the State of Illinois, and accordingly the settlement is in the public interest and the public would be inconvenienced thereby.

WHEREFORE, Edison requests that this Commission enter an order (i) opening an investigation into the proposed settlement; (ii) granting Edison's Motion to Withdraw Rate Filing or Terminate Docket in Ill. C.C. Docket 86-0128; (iii) suspending all further

proceedings Ill. C.C. Dockets 86-0249, 84-0395, 85-0517 and 86-0511, (iv) consolidating Ill. C.C. Docket Nos. 86-0249, 84-0395, 85-0517 and 86-0511 for the purpose of considering the above settlement, and for the taking of such evidence in Ill. C.C. Docket Nos. 85-0517 and 86-0511 as is necessary to permit the entry of a final order that is consistent with the Settlement Agreement and the statutory obligations of the Commission, and (v) providing that a schedule be set which will permit the Commission to enter a final order in this and all consolidated proceedings on or before May 1, 1987. A Draft Order is attached hereto as Exhibit II. Edison further requests that the Commission enter orders approving the settlement, and further taking all other such actions as may be necessary or appropriate to the consummation of the proposed settlement.

Dated at Chicago, Illinois this 3rd day of February,
1987.

Respectfully submitted,

COMMONWEALTH EDISON COMPANY

By James J. O'Connor
James J. O'Connor,
Chairman and President

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MEMORANDUM
OF
UNDERSTANDING

EXHIBIT I

February 3, 1987

MEMORANDUM OF UNDERSTANDING

WHEREAS: The completion of the nuclear power plants now under construction in Northern Illinois and the potential impact which either completion or cancellation of these plants could have on electric rates, electric service and the economy of the State are matters of great concern to the people of this State; and

WHEREAS: approximately 7.1 billion dollars will be invested in these power plants; and

WHEREAS: protracted and costly litigation concerning the completion of these power plants is continuing and further costly litigation concerning the level of electric rates will occur unless resolved by agreement among responsible public officials, electricity consumers and Commonwealth Edison Company ("Edison"); and

WHEREAS: the signatories to this Memorandum all agree that it is in their mutual interest to resolve the continued uncertainty with respect to completion of these power plants, the level of electric rates and the adequacy of electric service and to resolve those uncertainties without resorting to still further litigation which all agree would only serve to increase the costs to all concerned.

NOW THEREFORE, in consideration of the promises and covenants set forth in this Memorandum, the parties agree to a settlement upon the principles and understandings set forth below:

**RESTRUCTURING THE OWNERSHIP
OF THREE NUCLEAR GENERATING FACILITIES**

1. Edison will transfer its nuclear generating facilities known as Byron Unit II and Braidwood Units I and II (the "Units") to a wholly-owned subsidiary (the "Subsidiary"). Neither Edison nor the Subsidiary will take any action with respect to ownership (legal or equitable) of the Units that would prevent the Subsidiary from performing its obligations under the Power Supply Agreement provided for herein. Edison will complete and operate the Units transferred to the Subsidiary. For operating purposes, Edison will treat the Units on the same basis as its own units and will be responsible for insuring that they are operated and maintained safely and in accordance with all requirements of the Nuclear Regulatory Commission ("NRC"). In all aspects of operating the Units Edison will allocate costs and resources on a basis consistent with its general utility operations so as to insure that no subsidy flows from or to the Subsidiary. For purposes of treating deferred taxes related to the Units, Edison agrees that during the Initial Rate Period (as defined in Paragraph 3 herein) the Units shall be treated in the same manner as the nuclear units owned by Edison; and that deferred taxes shall not be flowed back to income disproportionately during the Initial Rate Period. For

ratemaking purposes, book depreciation during the Initial Rate Period shall be accrued on a straight-line basis. Such depreciation shall commence (and capitalization of carrying charges shall cease) for Byron II and Braidwood I no later than July 1, 1987, and for Braidwood II no later than October 1, 1988. Edison further agrees that it will not cause the Subsidiary to replace Edison as the primary obligor of any outstanding security of Edison existing at the time this Memorandum is executed. The Subsidiary will not be subject to regulation by the Illinois Commerce Commission ("ICC" or "Commission"), except as provided in the affiliated interest provisions of the Illinois Public Utilities Act, and will not be subject to the audit provisions of the Illinois Public Utilities Act. The Subsidiary's rates will be subject to regulation by the Federal Energy Regulatory Commission ("FERC"), and, subject to the parties' commitments in Paragraph 7 hereof, Edison will not oppose the participation by any party to this Memorandum in any proceeding before the FERC, including a proceeding to approve the rates to be charged by the Subsidiary. In connection with the transfer to the Subsidiary, Edison will write off not less than \$550 million of its investment in the Units. Edison will file appropriate pleadings with the ICC to implement the provisions of this Memorandum. Parties to this Memorandum shall have the right to participate in any hearing called by the ICC relative to said petition.

Edison represents that it does not plan to retire any of its generating units in any different sequence or sooner than that on file with the ICC in Docket No. 86-0249 and Edison acknowledges

that retirement of its generating units requires the approval of the ICC under the Public Utilities Act. Furthermore, Edison represents that it intends to operate its generating units in accordance with the principles of economic dispatch (subject to changes imposed by governmental authority) and that its Illinois coal-burning units are, and Edison believes that at least for the duration of the Initial Rate Period, are expected to be, its lowest cost coal-burning units.

Edison agrees that it will not defer its operating and maintenance expenses and capital additions costs during the Rate Moratorium Period for the purpose of increasing its costs for test year purposes in any rate proceeding after the Rate Moratorium Period. To enable any party to verify that Edison has conducted its operating and maintenance and capital additions programs in accordance with this commitment, Edison shall file annually during the Initial Rate Period a report with the Commission describing its budgeted and actual activities related to operating and maintenance expenses and capital additions costs for the previous year. The report shall include an explanation of any significant discrepancies between the budget and actual expenditures for that year.

RATE MORATORIUM

2. Edison will not seek a general rate increase for five years or for eight years if option (c) described in Paragraph 5 hereof is exercised (which 5-year or 8-year period shall be the "Rate Moratorium Period"), except as specifically provided

in Paragraph 3 hereof (or, if option (c) of Paragraph 5 is exercised, the increase permitted therein), nor will Edison otherwise seek any other increase in its rates during this period, except as otherwise provided in Paragraph 3 hereof. This paragraph shall not preclude Edison from seeking an increase or decrease in or taking any other action before the ICC with respect to the following Rates and Riders, or from taking any other action with the consent of the party affected by the change: Rates 1, 1E and 1T (but only as these three rates relate to light bulb charges), and Riders 4 (but only with respect to avoided cost payments), 6, 7, 10, 21, 23 and 27. (In this Memorandum, "general rate increase" means any increase for which Edison would, absent a waiver by the Commission, have to comply with ICC General Order 210 now codified at 83 Ill. Admin. Code 285).

3. Effective as of July 1, 1987, Edison will increase its base retail rates by approximately \$660 million, exclusive of revenue taxes. The general service rates will be determined by applying a uniform percentage increase to its base rates currently in effect. The uniform percentage increase that will be applied to the general service rates will be the percentage that, if applied to all of Edison's base rates, would result in a revenue increase of approximately \$660 million. The parties agree that Edison's residential and general service rates will be as set forth in Attachments A, B and C. Attachment A reflects a reduction in the summer-winter rate differential. Except as otherwise required by the terms of this Memorandum, during the Initial Rate Period fuel costs of the Units shall be included in Edison's

computations under its fuel adjustment clause in the same manner as though the Units were owned by Edison. During the Rate Moratorium Period, Edison will not file with the ICC any other request for a general rate increase or for any other increase in rates (other than as may result from changes in the rates and Riders listed in Paragraph 2 hereof) except:

- a. Where conditions beyond Edison's control, such as, but not limited to, acts of God, major economic disruptions, or changes in law, rules or regulations or interpretations thereof, create or result in a financial emergency for Edison which threatens Edison's ability to continue to maintain an adequate quality of service in its service area or otherwise carry out its responsibilities as a public utility; or
- b. To recover costs or recoup revenue losses imposed by decisions, or by changes in law, ordinances, rules or regulations or interpretations thereof promulgated or enacted by any Illinois court, the General Assembly or any other Illinois governmental or regulatory body or other authority after the date hereof involving regulatory or tax matters or franchise or similar payments to units of local government, all as applicable primarily to electric utilities, public utilities, Edison or regulated industries generally (as distinguished from being applicable to all businesses or taxpayers as a class).
- c. To recover any federal acid-rain tax, surcharge or fee.

The Commission shall make the determination of whether an appropriate emergency exists to warrant the granting of a rate increase pursuant to the foregoing subparagraph a. Further, nothing in this Memorandum shall be construed as preventing any party from a) contesting an application by Edison to increase or restructure its rates or riders other than as provided in the first two sentences

of this Paragraph 3 (or in option (c) of Paragraph 5 of this Memorandum) or b) from seeking a rate reduction where a relaxation of governmentally imposed costs, such as, for example, a material reduction in taxes, creates a significant windfall for Edison. A "significant windfall" exists only if in any year Edison's reported consolidated net income, before interest expense, produces a rate of return on Edison's total book assets (including those of the Subsidiary) which is in excess of a rate of return which would be just and reasonable if applied to Edison's utility rate base pursuant to the Illinois Public Utilities Act.

On or about July 1, 1992, or, if option c in Paragraph 5 hereof is exercised then on or about July 1, 1995, Edison shall file with the ICC an application for a determination as to appropriate rates following the Initial Rate Period. Such application may include a request for a general rate increase (including emergency relief) or decrease. The period beginning with the effective date of the rate increase provided for in the first sentence of Paragraph 3 and ending with the effective date of the rates established by this procedure is defined as the "Initial Rate Period."

4. At no time will Edison seek to recover any revenue shortfall or inadequacy which it may believe exists in its rate levels in effect during the Rate Moratorium Period. This provision shall not prevent Edison from seeking a rate increase under the terms of the exceptions specified in subparagraphs (a), (b) and (c) of Paragraph 3 or from seeking emergency rate relief immediately following the Rate Moratorium Period.

POWER SUPPLY AGREEMENT

5. Edison will enter into a Power Supply Agreement with the Subsidiary whereby Edison will have a right which shall take precedence over the right of other purchasers to purchase all of the output of the Units for five years. Edison will buy electricity from the Subsidiary when doing so is cheaper than producing electricity from other units or buying it elsewhere. In exchange for the right to buy electricity, Edison will pay a fixed monthly fee of \$55 million to the Subsidiary. During the five year period ending June 30, 1992, Edison will pay only the cost of fuel, plus amounts equal to the amounts of bonuses provided for in the Output Guarantee provision of this Paragraph 5, for the electricity it buys from the Subsidiary.

Output Guarantee

If the Subsidiary is unable to produce energy from the Units at the cumulative target levels set forth below, Edison guarantees, through the operation of the fuel adjustment clause (by making credits against costs reflected in that clause), to compensate ratepayers for the excess costs of replacement power over the fuel costs of the Units; provided, however, that Edison shall not be obligated to absorb more than \$660 million of replacement power cost in respect of a shortfall in any of the years 1988 through 1991, or \$330 million in respect of 1987 or 1992. The amount of replacement power in respect of any year shall be deemed to be the shortfall in cumulative target level output as of

the end of such year less the amount, if any, of such shortfall at the end of the preceding year. In computing the shortfall in output under this paragraph, only one-half of any energy for which Edison has received a bonus of one-half of the savings pursuant to the immediately succeeding paragraph, shall be considered as energy output of the Units.

If in any year the Subsidiary produces energy from the Units in excess of 110% of the annual target level set forth below for such year, Edison shall be entitled to a bonus based on the savings related to all energy produced in excess of 110% of the target output. Such savings shall be the difference between replacement power costs and the fuel costs of the Units applicable to the energy representing output in excess of 110% of the target output. The bonus shall be equal to the full amount of such savings to the extent those savings do not exceed the amount of credits previously paid pursuant to the preceding paragraph and half such savings to the extent such savings do exceed such credits. In determining if a bonus is earned, all kWh output in any year up to 110% of target levels shall be considered normal output. Then any output achieved in that year after 110% of the target output has been achieved shall be considered excess output and eligible for the bonus.

Any credits, bonuses or adjustments to be made as a result of the Output Guarantee shall be accomplished through operation of the fuel adjustment clause.

TARGET LEVELS

<u>Year</u>	<u>Annual Gigawatthours</u>	<u>Cumulative Gigawatthours</u>
July-Dec 1987	6,000	6,000
1988	11,000	17,000
1989	13,200	30,200
1990	16,100	46,300
1991	18,000	64,300
Jan-June 1992	7,550	71,850

Commonwealth Edison will propose methods and procedures to estimate replacement costs for power, and submit such proposal to the parties to this Memorandum for comment. All parties agree to work together to develop a mutually agreeable approach. In the event that there are unresolved disputes, the parties agree to submit the matter to the ICC for hearing and resolution.

Capacity Guarantee

The Cumulative Target Level Gigawatthours as of July 1, 1992, as set forth above in this Paragraph 5, assumes that Byron II and Braidwood I each will produce 25,273 gigawatthours during the period and that Braidwood II will produce 21,304 gigawatthours during the period. If, as of July 1, 1992, either Byron II or Braidwood I has produced less than 20% of its share of the Cumulative Target level Gigawatthours, and as of such date, that Unit has become inoperable and it reasonably appears that the Unit will not operate in the foreseeable future, Edison shall be obligated to provide additional credits against costs used in computing fuel adjustment charges under Edison's retail rates. Such credits will be determined in accordance with Attachment D.

However, no such credits shall be made if the aggregate of the credits provided for under the Output Guarantee is equal to the aggregate amount of fixed monthly fees paid by Edison pursuant to Paragraph 5.

Options After Five Years

The Subsidiary shall agree to offer to Edison the following options, exercisable by Edison (after hearings and approval by the ICC) no later than July 1, 1991, relating to Edison's right to purchase power from the Subsidiary following June 30, 1992:

- a. Edison may purchase power from the Subsidiary when and as available for a period of 20 years at prices subject to FERC jurisdiction and have the "favored nations" rights set forth in Attachment E attached hereto. (Nothing contained herein shall be deemed to deprive the ICC of any authority it may have to approve contracts for purchase of such power or to review the prudence of such purchases); or
- b. Edison may contract to purchase not less than the entire amount of the output of Byron Unit II for the remainder of its useful life and such amount of power (in blocks of 100 megawatts) from Braidwood I as Edison shall designate at the time of exercise of this option, over the remainder of that Unit's useful life. Such power shall be sold at rates determined using traditional net original cost rate base/rate of return regulation and accounting for fuel and all other costs of production, all as determined by the FERC from time to time. The Illinois retail share of the costs thereof shall be fully reflected in Edison's retail revenue requirement in any proceeding before the ICC to determine Edison's retail rates. If

Edison has elected to purchase any amounts of power from Braidwood I pursuant to this option (b), Edison may, effective on July 1, 1997 or, if option (c) has been exercised, on July 1, 2000, reduce the amounts of power (in blocks of 100 megawatts) from Braidwood I which it must purchase, by giving notice of such reduction 12 months prior to the effective date. (If Edison exercises the option to purchase the entire output of Braidwood II and option (c) has been exercised, Edison cannot reduce the amounts of power purchased from Braidwood I on July 1, 2000.) The amount charged to Edison will be reduced to reflect this reduction, and the Illinois retail share of these lower costs shall be reflected in Edison's retail revenue requirement in any proceeding before the ICC to determine Edison's retail rates.

If Edison exercises this option (b) and has not reduced the amount of power it has elected to purchase from Braidwood Unit I, it shall have a further option, exercisable on December 1, 1998, to purchase not less than the entire output of Braidwood II during the period January 1, 2000 through the remainder of its useful life. If Edison elects to purchase such output, the rate Edison will pay therefor shall be the greater of (1) the market value of power as determined with reference to third party, arms length, long term firm power purchase contracts commencing approximately January, 2000, or (2) prices determined using traditional net original cost rate base/rate of return regulation and accounting for fuel and all other costs of production, all as determined by the FERC. The Illinois retail share of the costs of any output so purchased shall be fully reflected in Edison's retail revenue requirement in any proceeding before the ICC to determine Edison's retail rates.

For purposes of traditional net original cost rate base/rate of return regulation whenever provided for in this option b, rate base shall be calculated after deducting the applicable portion of the not less than \$550 million write-off specified in Paragraph 1; or

- c. Edison may defer the election of options (a) or (b) until July 1, 1994, in which case it shall be entitled to a one-time retail rate increase beginning on July 1, 1992. The increase will be accomplished by applying a uniform percentage increase to base rates then in effect. The percentage increase will be the lesser of i) one-half of the cumulative increase in the Consumer Price Index for All Urban Consumers, published monthly by the U.S. Department of Labor Bureau of Statistics, for Chicago, Illinois -- Northwestern Indiana, from April 1, 1987 to April 1, 1992, or ii) 7.5 percent.

If Edison elects this option (c), the \$55 million monthly fee payable to the Subsidiary pursuant to this Paragraph 5 shall be adjusted to reflect the full amount of the increase, and the Output and Capacity Guarantee provisions of this Paragraph 5 shall not apply during the period of the extension. In the event that this option (c) is exercised, then the deadline for exercising options (a) or (b) shall be extended to and including July 1, 1994.

Edison will select one of the above options as directed by the ICC. It is understood and agreed that the right to exercise options (a), (b) and (c) above, or any part of them, is to be Edison's under its agreement with the Subsidiary, but the determination of whether or not such options should be exercised for the

benefit of Edison's ratepayers shall rest with the ICC and the ICC shall direct Edison with regard to said options. From time to time Edison will institute proceedings before the ICC to obtain its direction and authority to exercise (or not exercise) such options within the time frame permitted for the exercise of said options. Nothing herein shall be construed as granting the ICC authority to direct Edison with respect to the amount of power it is to purchase under option (a).

If the FERC declines to make the determinations required under option (a), if any, and option (b), then the ICC will be requested to make such determinations.

If the Commission fails to direct Edison as to which option it is to elect on or before July 1, 1991 (or if option (c) is elected by July 1, 1991, and the Commission subsequently fails to further direct Edison with regard to the election of options (a) or (b) on or before July 1, 1994) and Edison has filed with the ICC a request for direction no later than 12 months prior to the date in question:

(i) Edison shall be deemed to have elected to contract to purchase the entire output of Byron II for the remainder of its useful life and 50% of the entire output of Braidwood I for the remainder of its useful life, all effective as of the termination of the Rate Moratorium Period;

(ii) Edison shall have no further options under this Memorandum; and

(iii) The rates for power contracted for pursuant to subparagraph (i) above shall be determined as provided above with respect to output of Byron II and Braidwood I contracted for under option (b).

REGULATORY AND JUDICIAL ACTIONS

6. Edison's obligations under this Memorandum are dependent upon the regulatory and judicial actions referred to below:

A. Illinois Commerce Commission Action to be taken before May 1, 1987.

(i) Authorization of creation of the Subsidiary and transfer of the Units and permits and licenses related thereto to the Subsidiary.

(ii) Approval of agreements between Edison and the Subsidiary under which Edison will complete construction of the Units and operate the Units and purchase power from the Subsidiary.

(iii) Authorization for Edison to invest in the Subsidiary, from time to time, as required to assure proper maintenance and operation of the Units.

(iv) Release of Edison from any obligation it has to complete the Units pursuant to prior orders of the Commission.

(v) Authorization for Edison to guarantee the Subsidiary's obligations and liabilities with respect to safe operation of the Units.

(vi) Approval of rates reflecting the rate increase provided for in the first four sentences of Paragraph 3 hereof, including any necessary waiver of General Order 210.

(vii) Approval of a suitable modification in Rider 19 to limit its availability in the case of changes in ownership of existing facilities.

(viii) A statement of intention not to oppose any reasonable proposal by Edison during the Initial Rate Period to refinance securities or otherwise to revise its capital structure so as to enhance the position of its stockholders within the framework of the revenues allowed Edison during the Initial

Rate Period under this Memorandum, it being understood that any such action is not binding on a determination of revenue requirements in any subsequent rate proceeding.

(ix) A statement of intention to refrain from reducing Edison's rates or revenues during the Initial Rate Period, unless requested to do so by Edison.

(x) Satisfactory resolution of the following Commission matters so that Edison may charge the rates provided for in this Memorandum and consummate the transactions described herein and is not required to make any refunds in respect of past charges:

- (a) Braidwood construction case
- (b) staff investigation into Edison's future rates
- (c) staff investigation into effect of the 1986 tax reform act as to Edison
- (d) pending Rate 1 restructuring
- (e) notice of inquiry into excess capacity (it being understood that it shall be a satisfactory resolution for this purpose if the Commission's determination has no application to Edison for the term of the Initial Rate Period or as its capacity may be deemed to be affected by purchases pursuant to option b of Paragraph 5. However, nothing herein shall preclude an excess capacity inquiry or adjustment at such time as Edison has acquired (through construction, joint ownership or purchase) capacity in addition to existing capacity and capacity acquired through the exercise of option (b) of Paragraph 5.)
- (f) pending fuel reconciliation proceedings

- (g) pending audits pertaining to Byron II and Braidwood I
 - (h) Uniform fuel clause proceedings (it being understood that satisfactory resolution would preserve Edison's fuel clause in essentially its present form [with modifications required under this agreement] for the Initial Rate Period including the right of the Commission to require Edison to operate on an economic dispatch basis). It is further agreed that during the Initial Rate Period Edison will not be required or permitted to recover purchased power demand charges or fixed fees for purchased power through the fuel clause.
- B. Timely grant of Nuclear Regulatory Commission approval of transfer of the Units and their licenses to the Subsidiary.
 - C. Timely grant of any necessary FERC approval of the rates and transactions provided for in this Memorandum.
 - D. Judicial action having the effect of affirming the Commission's July, 1984, and October, 1985, Edison rate orders in their entirety.
 - E. Timely action by the Securities and Exchange Commission confirming that Edison will remain exempt from the registration requirements of the Public Utility Holding Company Act of 1935.
 - F. Any other governmental action required as of July 1, 1987 for consummation of the transactions provided for in this Memorandum will be taken in a timely manner.

COMMITMENTS OF THE PARTIES

- 7. Edison commits to use its best efforts to accomplish the regulatory and judicial actions described in Paragraph 6 as promptly as practicable and will institute proceedings in

furtherance thereof before the ICC to implement the provisions of this Memorandum on or before February 6, 1987. The other parties to the Memorandum agree to support the terms of this Memorandum in any proceeding in which they are participants before the ICC, the NRC and the FERC. The parties agree that for the Initial Rate Period they will not take any action (whether before a regulatory body, the General Assembly or any other legislative body, or any court) that would prevent or require the undoing of any of the transactions contemplated by this agreement, it being understood, however, that in Supreme Court Docket No. 63747, People of the State of Illinois ex rel Neil F. Hartigan, Attorney General v. Illinois Commerce Commission and Commonwealth Edison Company, the parties have presented their positions and have the discretion to determine what action to take in that case. The parties other than Edison upon proper notice authorize Edison to represent on their behalf before any regulatory body or court that they are signatories to this agreement and have agreed to the regulatory action described in Paragraph 6. The parties recognize that Edison's agreement to limit the level of its rates or otherwise to adhere to the terms hereof is conditioned upon compliance with this Paragraph 7 by all other parties hereto. Edison's failure to accomplish the implementation of the settlement on or before September 1, 1987 shall discharge the parties hereto from all obligations with respect to the regulatory and judicial actions set out in Paragraph 6 hereof, provided, however, that if Edison has extended the termination date set forth in Paragraph 8 to a date later than September 1, 1987, then such later date shall be

substituted for September 1, 1987 in this sentence. It is further understood that the parties may participate in generic dockets related to the subjects specified in subparagraphs A(x)(e) and (h) of Paragraph 6 hereof. However, the results produced by these dockets shall not be used by any party in conflict with the representations related thereto in this Paragraph 7.

GENERAL

8. This understanding shall terminate if all regulatory and judicial action contemplated herein has not occurred prior to July 1, 1987, except as otherwise provided in this Paragraph 8. Edison shall have the right to extend the deadline for or waive any such action, subject to the limitations herein contained. During the period of any such extension, Edison's rates shall provide for charges no higher than the greater of (i) charges permitted under Edison's rates now in effect, or (ii) charges under such rates as they may be changed under Paragraph 2 or 3 hereof. No such extension shall operate to extend the termination date of the Rate Moratorium Period, or the date by which options in Paragraph 5 may be exercised. No such waiver shall permit Edison to place in effect any rates which provide for charges higher than the greater of (i) charges permitted under Edison's rates now in effect, or (ii) charges under such rates as they may be changed under Paragraph 2 or 3 hereof. If Edison extends any deadline pursuant to this Paragraph 8, and this understanding, nonetheless, thereafter terminates because regulatory or judicial action contemplated herein has not occurred prior to the

extended deadline, its rates now in effect shall be reinstated as of the date of termination. No such extension shall expire later than December 31, 1987. In addition, in the case of such a termination, if during the period of the extension Edison places in effect a general rate increase, the Output Guarantee provided under Paragraph 5 shall be considered to be in effect during such period. For that purpose the amount of output guaranteed shall be equal to 33 1/3 gigawatthours multiplied by the number of days the increase is in effect and the maximum fuel adjustment clause credit will be equal to \$1,833,333 multiplied by such number of days. This understanding shall not be construed as preventing Edison from filing for a rate increase in respect of its investment in and operating and maintenance costs associated with Byron II and Braidwood I and II prior to July 1, 1987, nor shall it operate to prevent the parties from contesting such application. No increase which may result from any application permitted by the preceding sentence shall become effective during the period of any extension of the July 1, 1987 deadline. Any such application for an increase will be withdrawn if the necessary regulatory and judicial action has taken place by July 1, 1987 as that date may be extended as provided in this Paragraph 8.

9. In addition to Edison's other rights in respect of any failure to meet the conditions to its obligations hereunder, (a) if, prior to the time the regulatory and judicial actions specified in Paragraph 6 occur, in Edison's reasonable judgment it appears likely that any governmental action provided for herein will not be taken within the time specified in Paragraph 8 (other

than because of Edison's fault), or (b) thereafter if Edison and at least two of the other parties to this Memorandum believe it likely that any such action will be invalidated, in whole or in part, Edison may terminate the understandings embodied herein and if Edison has already conveyed the Units to the Subsidiary, Edison shall have the right to cause the Subsidiary to reconvey the Units to Edison. The ICC order approving the conveyance to the Subsidiary shall contain appropriate provisions approving such a reconveyance. Any such reconveyance shall be without prejudice to any party's rights to oppose and to raise all arguments and positions and to pursue procedures provided by law or regulation regarding "ratebasing" the Units and reflecting their costs in rates.

10. The obligations of the signatories to this Memorandum are also conditioned upon the establishment and continued effectiveness of rates consistent with this Memorandum throughout the Initial Rate Period.

11. Any disputes over the interpretation of this Memorandum will be committed to the respective regulatory agency having jurisdiction over the subject matter.

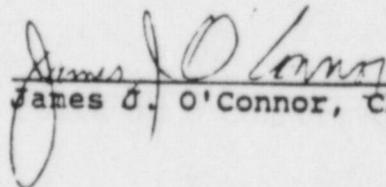
12. The parties agree that any FERC-mandated modifications, alterations, amendments or changes to any component of the rate provided for in this Memorandum, the Power Supply Agreement or any other governing document, or the terms or conditions thereof, shall not constitute a basis for a change in retail rates during the Initial Rate Period. This provision shall not be construed as modifying or in any manner limiting the condition imposed in Paragraph 6C.

13. Edison agrees to take any action necessary to ensure that the Subsidiary, with respect to its own obligations, shall be bound by this Memorandum as if it were an original signatory. Edison will furnish evidence of the Subsidiary's acceptance of the terms of this Memorandum.

Memorandum of Understanding dated this 3rd day of February, 1987.

Commonwealth Edison Company

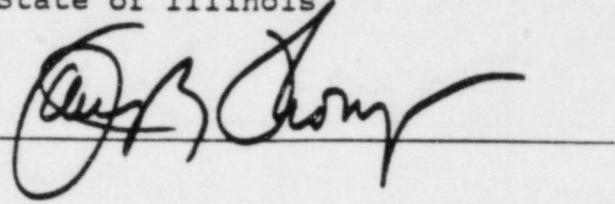
By


James J. O'Connor, Chairman

Memorandum of Understanding dated this 3rd day of
February, 1987.

James R. Thompson, Governor,
on behalf of the People of the
State of Illinois

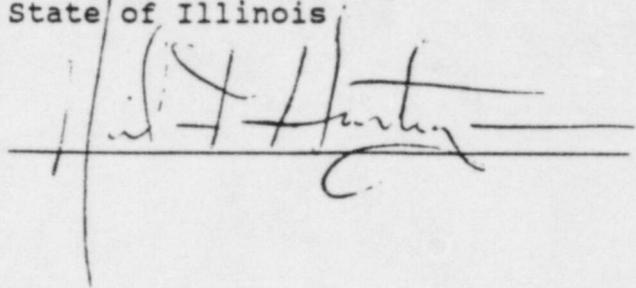
By

A handwritten signature in black ink, appearing to read "James R. Thompson", is written over a horizontal line. The signature is stylized and cursive.

Memorandum of Understanding dated this 3rd day of
February, 1987.

Neil F. Hartigan, Attorney General,
on behalf of the People of the
State of Illinois

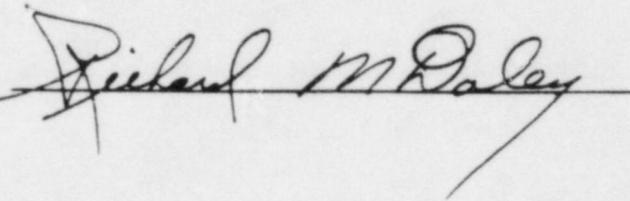
By

A handwritten signature in cursive script, appearing to read "Neil F. Hartigan", is written over a horizontal line. A vertical line extends downwards from the start of the signature.

Memorandum of Understanding dated this 3 day of
February, 1987.

Richard M. Daley,
State's Attorney, on
behalf of the People of
Cook County, Illinois

BY

A handwritten signature in cursive script, reading "Richard M. Daley", is written over a horizontal line. The signature is positioned to the right of the word "BY".

Memorandum of Understanding dated this 3rd day of
February, 1987.

The Illinois Industrial Energy Consumers
(IIEC) Party Intervenors in Docket 86-0249

By *Randall Robertson*
RANDALL ROBERTSON
Attorney for IIEC

Memorandum of Understanding dated this 3rd day of
February, 1987.

The Governor's Office of
Consumer Services

BY Alvin K. Grandys
Alvin K. Grandys, Ph.D.

Director

Memorandum of Understanding dated this 3rd day of
February, 1987.

The Small Business Utility Advocate

BY William G. Shepherd
William G. Shepherd

Commonwealth
Edison CompanyELECTRICITY
For the Cities and Villages listed on
Sheets Nos. 4, 5, 6, 7 and 8
and the unincorporated contiguous territoryILL. C. C. No. 4
Revised Sheet No. 9

RATE 1. RESIDENTIAL SERVICE

Availability.

This rate is available to any customer using the Company's electric service for residential purposes.

Charges.

* Monthly Customer Charge.

	July 1, 1987 Through December 31, 1988	January 1, 1989 and After
For Customer residing in:		
A building containing 3 or more dwelling units.....	\$ 3.50	\$ 3.45
A building containing 1 or 2 dwelling units.....	\$ 9.10	\$ 8.86

Buildings containing 1 or 2 dwelling units shall include, but not be limited to, structures commonly referred to as single family detached houses, single family attached houses, row houses, town houses, semi-detached houses, duplexes, two-flats, and two family houses.

On December 10, 1984, the Company had assigned all existing Rate 1 customers to one of the charge classifications described above. If any of these customers informs the Company that this initial classification is incorrect, the Company, upon verification, will place the customer in the appropriate classification but will not issue any refund.

* Energy Charge.

	July 1, 1987 Through December 31, 1988	January 1, 1989 and After
<u>Summer Months.</u>		
Charge per kilowatthour for first 400 kilowatthours supplied in the month.....	11.964¢	11.695¢
Charge per kilowatthour for all kilowatthours over 400 supplied in the month.....	16.770¢	15.102¢
<u>Other Months.</u>		
Charge per kilowatthour for first 400 kilowatthours supplied in the month.....	11.964¢	11.695¢
Charge per kilowatthour for all kilowatthours over 400 supplied in the month.....	5.392¢	5.306¢

For the purposes hereof, the Summer Months shall be the customer's first monthly billing period with an ending meter reading date on or after June 15 and the three succeeding monthly billing periods.

The fuel adjustment charge or credit provided for in Rider 20 shall apply to all kilowatthours supplied in the month.

Late Payment Charge.

The late payment charge provided for in the Terms and Conditions of this Schedule of Rates shall be applicable to all charges under this rate.

Light Bulb Service.

The above charges do not include light bulb service. The charge for such service shall be 0.174¢ per kilowatthour for the first 500 kilowatthours supplied in the month. Light bulb service is described in Rider 10 and is optional with the customer.

Minimum Charge.

The minimum monthly charge shall be the Monthly Customer Charge.

Term of Service.

The customer's term of service shall commence when the Company begins to supply service hereunder and shall continue not more than ten days after notice is received to discontinue service.

Three-Phase Service.

Three-phase service is available under this rate. Where a three-phase secondary supply is not available from the Company's distribution system adjacent to the customer's property, the necessary primary and secondary extensions will be furnished by the Company subject to the provisions of Rider 2.

(Continued on Sheet No. 10)

Asterisk (*) indicates change

Date Effective: July 1, 1987
Issued by G. P. Rifakes, Vice President,
Post Office Box 767, Chicago, Illinois 60690

Commonwealth
Edison Company

ELECTRICITY
For the Cities and Villages listed on
Sheets Nos. 4, 5, 6, 7 and 8
and the unincorporated contiguous territory

ILL. C. C. No. 4
Revised Sheet No. 24

RATE 6. GENERAL SERVICE

Applicability.

Except as provided in Rate 6L, this rate is applicable to any commercial, industrial, or governmental customer with a Maximum Demand of less than 1,000 kilowatts who uses the Company's electric service hereunder for all requirements. Direct current requirements provided under another rate immediately prior to September 2, 1975, will, however, also be provided hereunder.

General Service -- Time of Day.

Time of day charges shall apply to (1) any customer with a Maximum Demand of 500 kilowatts, but less than 1,000 kilowatts, in three of the 12 months preceding the billing month, one of which occurs during the three months preceding the billing month, (2) successors to customers served under these charges immediately prior to the date of succession whose estimated Maximum Demands meet the demand requirements in clause (1) above, (3) new customers whose estimated Maximum Demands meet the demand requirements in clause (1) above, and (4) any customer previously billed hereunder pursuant to clauses (1) or (2), except as otherwise provided below.

These charges shall not be applicable to customers or their successors with electric space heating taking service under the Heating with Light provision of Rider 25 prior to November 23, 1977, except upon written application by the customer to the Company.

If a customer at one time was served pursuant to (1) above on General Service -- Time of Day and has a Maximum Demand which has not exceeded 200 kilowatts in any month of the twelve month period preceding the billing month, such customer may elect, in written application to the Company, to be served on General Service. General Service -- Time of Day shall not again be applicable until such customer qualifies for such rate under the requirements of General Service -- Time of Day.

General Service.

General service charges shall apply to all other customers qualifying for service under this rate.

Charges.

General Service -- Time of Day.

Monthly Customer Charge.

The Monthly Customer Charge shall be \$19.59.

Demand Charge.

Summer Months	All Other Months
\$15.06	\$11.77

per kilowatt for all kilowatts of Maximum Demand for the month.

For the purposes hereof, the Summer Months shall be the customer's first monthly billing period with an ending meter reading date on or after June 15 and the three succeeding monthly billing periods.

Energy Charge.

6.560¢ per kilowatthour for all kilowatthours supplied during Peak Periods.

3.111¢ per kilowatthour for all kilowatthours supplied during Off-Peak Periods.

The fuel adjustment charge or credit provided for in Rider 20 shall apply to all kilowatthours supplied in the month.

General Service.

Monthly Customer Charge.

The Monthly Customer Charge shall be \$9.35.

Demand Charge.

Summer Months	All Other Months
\$15.06	\$11.77

per kilowatt for all kilowatts of Maximum Demand for the month.

For the purposes hereof, the Summer Months shall be the customer's first monthly billing period with an ending meter reading date on or after June 15 and the three succeeding monthly billing periods.

In accordance with the Application of Demand Charge provisions of this rate, there shall be no demand charge as such for certain small customers, but in lieu thereof, such customers shall pay 6.409¢ per kilowatthour in Summer Months and 5.077¢ per kilowatthour in all other months in addition to the energy charges set forth below.

Energy Charge.

5.130¢ per kilowatthour for the first	Kilowatthours Supplied in the Month
3.987¢ per kilowatthour for the next	30,000
3.934¢ per kilowatthour for all over	470,000
	500,000

The fuel adjustment charge or credit provided for in Rider 20 shall apply to all kilowatthours supplied in the month.

(Continued on Sheet No. 25)

Asterisk (*) indicates change

Date Effective: July 1, 1987
Issued by G. P. Rifakes, Vice President,
Post Office Box 767, Chicago, Illinois 60690

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Commonwealth
Edison CompanyELECTRICITY
For the Cities and Villages listed on
Sheets Nos. 4, 5, 6, 7 and 8
and the unincorporated contiguous territoryILL. C. C. No. 4
Revised Sheet No. 28

RATE 6L. LARGE GENERAL SERVICE

Applicability.

This rate is applicable to (1) any commercial, industrial, or governmental customer with a Maximum Demand of 1,000 kilowatts or more in three of the 12 months preceding the billing month, (2) successors to customers served under these charges immediately prior to the date of succession whose estimated Maximum Demands meet the demand requirements in clause (1) above, (3) new customers whose estimated Maximum Demands meet the demand requirements in clause (1) above, and (4) any customer previously billed hereunder pursuant to clauses (1) or (2), except as otherwise provided below.

If a customer at one time was served pursuant to (1) above on Large General Service--Time of Day and has a Maximum Demand which has not exceeded 200 kilowatts in any month of the 12 month period preceding the billing month, such customer may elect, in written application to the Company, to be served on Rate 6, General Service. Rate 6L, Large General Service--Time of Day, shall not again be applicable until such customer qualifies for such rate under clause (1) above.

The Large General Service--Heat with Light charges shall be applicable only to customers or their successors with electric space heating taking service under the Heating with Light provisions of Rider 25 prior to November 23, 1977.

A Large General Service--Heat with Light customer will be allowed to take Large General Service--Time of Day service upon written application to the Company. Once changed to Large General Service--Time of Day service, those customers or their successors will not be allowed to return to Large General Service--Heat with Light.

Charges.

Large General Service--Time of Day.

• Monthly Customer Charge.

The Monthly Customer Charge shall be \$547.06.

• Demand Charge.

Summer Months	All Other Months		Kilowatts of Maximum Demand for the Month
\$15.06	\$11.77	per kilowatt for the first	10,000
6.55	5.06	per kilowatt for all over	10,000

For the purposes hereof, the Summer Months shall be the customer's first monthly billing period with an ending meter reading date on or after June 15 and the three succeeding monthly billing periods.

• Energy Charge.

6.560¢ per kilowatthour for all kilowatthours supplied during Peak Periods.

3.111¢ per kilowatthour for all kilowatthours supplied during Off-Peak Periods.

The fuel adjustment charge or credit provided for in Rider 20 shall apply to all kilowatthours supplied in the month.

Large General Service--Heat with Light.

• Monthly Customer Charge.

The Monthly Customer Charge shall be \$547.06.

• Demand Charge.

Summer Months	All Other Months	
\$15.06	\$11.77	per kilowatt for all kilowatts of Maximum Demand for the month.

For the purposes hereof, the Summer Months shall be the customer's first monthly billing period with an ending meter reading date on or after June 15 and the three succeeding monthly billing periods.

• Energy Charge.

	Kilowatthours Supplied in the Month
5.130¢ per kilowatthour for the first	30,000
3.987¢ per kilowatthour for the next	470,000
3.934¢ per kilowatthour for all over	500,000

The fuel adjustment charge or credit provided for in Rider 20 shall apply to all kilowatthours supplied in the month.

(Continued on Sheet No. 29)

Asterisk (*) indicates change

Date Effective: July 1, 1987
Issued by G. P. Rifakes, Vice President.
Post Office Box 767, Chicago, Illinois 60690

Attachment D

The amount of the credit which is to be made in respect of either Byron II or Braidwood I Unit if it meets the criteria for capacity guarantee credits set forth in Paragraph 5 of the Memorandum of Understanding shall be determined by making the calculations described below.

- A. From the aggregate amount of fixed fees paid pursuant to Paragraph 5 of the Memorandum of Understanding there shall be subtracted the aggregate amount of credits made pursuant to that Paragraph (net of the aggregate amount of Edison's share of the shared savings).
- B. The result of the calculation made under paragraph A shall be multiplied by 0.35.
- C. The result of the calculation made under paragraph B shall be multiplied by a fraction, the numerator of which is the difference in gigawatthours between the cumulative actual output of the Unit as of June 30, 1992, and 25,274 and the denominator of which is 25,274. This calculation in paragraph C shall be made separately for Byron II and Braidwood I.

The result of the calculation made pursuant to paragraph C shall be the amount of the credit; provided that in no event shall the sum of the credits made under this provision and the aggregate

amount of credits made pursuant to the Output Guarantee in Paragraph 5 of the Memorandum of Understanding exceed the aggregate amount of fixed fees paid pursuant to Paragraph 5.

Attachment E

"Most Favored Nations"

During the 20-year period June 30, 1992 through June 30, 2012 Edison under option (a) in Paragraph 5 shall have the rights set forth in paragraphs (A) and (B) below.

(A) If Edison is purchasing power under a Contract with the Subsidiary ("Pre-Existing Edison Contract") and the Subsidiary enters into a contract to sell power to a Third Party ("Third Party Contract") which is comparable to the Pre-Existing Edison Contract, but contains more favorable prices or payment terms, Edison may elect to have the price and payment terms of the Third Party Contract substituted for the prices and payment terms of the Pre-Existing Edison Contract. A Third Party Contract shall be considered to be "comparable" only if:

I. It is effective over approximately the same calendar time period as the Pre-Existing Edison Contract.

II. Any other difference between the terms and conditions of the Third Party Contract (excluding price and payment terms) and those of the Pre-Existing Edison Contract does not significantly affect (i) the Subsidiary's cost of providing service, (ii) the quantity or type of service to be provided, (iii) the benefits obtained by the Subsidiary, or (iv) the risks undertaken by the Subsidiary.

Edison shall have no right to substitute only the price or payment terms of the Third Party Contract for those of the Pre-

Existing Edison Contract, it being understood that Edison's election under this paragraph is limited to substitution of both the payment and price terms of the Third Party Contract for those of the Pre-Existing Contract.

B. If the Subsidiary enters into a Third Party Contract and Edison advises Subsidiary that it desires to purchase power under a comparable contract, the Subsidiary will offer power to Edison under a comparable contract, if such power is available from the Units. For purposes of this paragraph, a contract will be considered to be comparable to the Third Party Contract only if its terms and conditions are materially the same as those of such Third Party Contract excepting only such terms and conditions as do not significantly affect (i) the Subsidiary's cost of providing service, (ii) the quantity or type of service to be provided, (iii) the amounts, form and timing of payments, (iv) the benefits obtained by the Subsidiary or (v) the risks undertaken by the Subsidiary. No such comparable contract shall relieve Edison of any of its obligations under any Pre-Existing Edison Contract.

Upon the execution of any Third Party Contract, the Subsidiary will give Edison notice of same and furnish copy of same to Edison within 30 days of the execution of said Third Party Contract.

electric service. The Agreement provides for a single increase in Edison's rates over the next five years, and the transfer of certain of Edison's nuclear generating facilities to a newly created subsidiary.

The Agreement is conditioned on the resolution of the following Commission matters relating to Edison's construction program and rates in a manner consistent with the Agreement:

1. The Braidwood construction case, Ill. C.C. Docket 86-0249;
2. The Staff investigation into Edison's future rates;
3. The Staff investigation into the effect of the Tax Reform Act on Edison (including the show cause action filed by the Office of the Public Counsel, Ill. C.C. Docket 86-0426 if not dismissed pursuant to the staff's Motion);
4. The Pending Rate 1 restructuring, Ill. C.C. Docket 86-0128;
5. The Notice of Inquiry into excess capacity, insofar as it affects Edison, Ill. C.C. Docket 86-NOI-1;
6. The Fuel reconciliation proceedings, Ill. C.C. Dockets 84-0395, 85-0517, 86-0511;
7. The audits of Byron 2 and Braidwood 1; and
8. The uniform fuel clause proceeding, insofar as it may affect Edison's existing fuel clause, Ill. C.C. Docket 83-0275.

Edison has filed a Motion to Withdraw Rate Filing or Terminate Docket in Ill. C.C. Docket 86-0128, and has filed Motions to Suspend in Dockets 86-0249, 84-0395, 85-0517, and 86-0511. Edison has also requested that Dockets 86-0249, 84-0395, 85-0517 and 86-0511 be consolidated with this proceeding for the limited purpose of considering the Agreement.

Edison has filed certain testimony for consideration in this proceeding, and has served that testimony on interested parties. Edison will submit additional testimony on February 5, 1987. Edison has also stated that it will soon file a supplemental petition seeking approval of various agreements and transactions between Edison and its to-be-created subsidiary. Because the Agreement addresses matters of great public importance; and because two of the generating facilities that are the subject of the Agreement are scheduled to be placed in-service on or about July 1, 1987, and further because the Agreement provides for various actions to be taken by the Commission on or before May 1, 1987, Edison has requested that a schedule be set which will permit the Commission to enter a final order in this proceeding on or before May 1, 1987.

WHEREFORE, the Commission, having considered the procedural requests made by Edison, and being cognizant of the public interest in the matters affected by its consideration of the settlement agreement, finds and orders as follows:

1. A settlement has been entered into between the Governor and Attorney General, for the State of Illinois, the State's Attorney, the Small Business Utility Advocate, the Director of the Governor's Office of Consumer Services, the Illinois Industrial Energy Consumers, and Edison and an investigation of that agreement should be opened;

2. The settlement, if consummated would moot various proceedings now pending before this Commission and fix the rates to be charged by Edison for the next five years;

3. Motions to suspend, consolidate or otherwise end further proceedings have been filed in Ill. C.C. Dockets 86-0128, 86-0249, 84-0395, 85-0517 and 86-0511;

4. Because one purpose of the settlement is to limit the costs of litigation incurred by Edison it is reasonable at this time to grant the motions to suspend and the motions to consolidate filed by Edison in Dockets 86-0249, 84-0395, 85-0517 and 86-0511 and the Motion to Withdraw Rate Filing or Terminate Docket filed in Ill. C.C. Docket 86-0128; and

5. The Hearing Examiner should be directed to set a schedule that will permit the Commission to enter an Order no later than May 1, 1987. The initial hearing should be held within 14 days hereof.

IT IS HEREBY ORDERED THAT an investigation be opened into the settlement reached between the Governor, the Attorney General, the State's Attorney, the Small Business Utility Advocate, the Director of the Governor's Office of Consumer Services, the Illinois Industrial Energy Consumers and Edison;

IT IS FURTHER ORDERED THAT the motions to suspend and consolidate filed by Edison in Dockets 86-0249, 84-0395, 85-0517 and 86-0511 be granted and such proceedings are consolidated with this only for the limited purpose of considering the settlement reached between Petitioners;

IT IS FURTHER ORDERED THAT Edison withdraw its rate filing in Docket 86-0128; and

IT IS FURTHER ORDERED THAT a schedule be set in this proceeding that will allow the Commission to enter a final order

on or before May 1, 1987 and that the initial hearing be held within 14 days hereof.

By Order of the Commission this ____ day of _____,
1987.