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Illinois Regulatory Staff Again Backs Power Auction Plan

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CHICAGO (Dow Jones)—The staff of the Illinois Commerce Commission regulatory agency issued a brief this week that reiterates support for utility Commonwealth Edison's controversial wholesale power auction plan.

The brief doesn't indicate how the agency's five commissioners will eventually vote on the auction, but does show ongoing support within the agency for a plan that's recently sparked high-level and contentious political battles. Both Exelon Corp. (EXC) unit ComEd and Ameren Corp. (AEE), Illinois' two largest electric utilities, seek to buy power through auctions after 2006 when wholesale supply contracts and a long freeze on rates expires, and Gov. Rod Blagojevich and other officials are fighting the auction plans amid concerns they will lead to unjust rate hikes.

Commission staff backed ComEd's long-held argument that the wholesale marketplace remains the best place to acquire power when current supply contracts expire, even amid arguments that the market remains immature.

"The Intervenor, while raising concerns with the competitiveness of the market, have not provided a viable alternative for ComEd to procure the power and energy for its customers," the commission said in its 219-page brief, filed with the agency Tuesday. "Further, these concerns only increase the need to approve viable and appropriate procurement methods for electric utilities to implement."

The Illinois commission staff previously voiced auction support in multiple filings in June. The latest brief summarizes its earlier position, and also shows a favorable opinion of some auction plan changes ComEd made this summer. Commission staff supported, for example, a new plan to limit any power supplier to serving up to 35% of ComEd's available customer load through the auction.

Illinois passed a retail power deregulation law in 1997, at which time utilities cut their rates and froze them in place for a transition period that expires after 2006. Chicago-based ComEd cut rates 20%.

ComEd and Ameren's utility subsidiaries no longer own their own power plants and must buy from other suppliers. Since a slate of wholesale power contracts will end when the freeze is lifted, the utilities have proposed acquiring power through auctions where bidders drive prices lower in a process run by an independent manager.

Despite that competitive environment, and the fact that utilities will pass on purchase costs dollar for dollar, the auctions are likely to create bigger customer bills because wholesale power prices have been pushed higher by high fossil fuel costs.

Political sparks are flying over the potential for higher rates. Gov. Blagojevich recently increased the tension by naming Martin Cohen, a prominent consumer watchdog who's publicly battled the auction plans, as chairman at the Illinois

Commission. ComEd, meanwhile, has warned that it could face dire financial consequences if it can't recover its costs.

Though Cohen has said he will view all matters fairly based on their merit, Ameren and ComEd have demanded that Cohen recuse himself from the auction process. He hasn't yet made a decision on the matter.

An Illinois commission administrative law judge should issue a proposed order on ComEd's auction plan around Thanksgiving, said commission spokeswoman Beth Bosch. The agency is due to rule on the ComEd and Ameren proposals by late January, barring legal intervention.

The Illinois commission has defended its ability to authorize the auctions, but Illinois Attorney General Lisa Madigan is currently challenging that authority in court.

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