



ILLINOIS COMMERCE COMMISSION

February 3, 2009

The Honorable Richard J. Durbin
Assistant Senate Majority Leader
309 Hart Senate Building
Washington, DC 20510

Dear Senator Durbin:

The State of Illinois and the Illinois Commerce Commission (ICC) have taken an aggressive leadership position to ensure improved infrastructure and utility customer benefits. The ICC serves millions of customers by providing a fair and balanced regulatory environment that supports needed operational and infrastructure investment programs and provides an existing oversight structure. Programs and initiatives that are currently being undertaken in Illinois will create jobs, stimulate investment in the economy and improve both consumer and corporate efficiency. Unfortunately, some programs and initiatives that would improve energy efficiency, energy independence and create green jobs have been cancelled or put on indefinite hold due to lack of funding in the current economic downturn.

The ICC and Illinois utility customers, who deeply appreciate the opportunity to actively participate in the economic recovery program, eagerly anticipate the enactment of the American Recovery and Reinvestment Act.

The ICC therefore encourages the inclusion of the following areas in the plan:

- ✓ Smart Grid and Advanced Metering Infrastructure (AMI)
- ✓ Renewable/Clean Energy and Energy Efficiency
- ✓ Broadband Deployment

Smart Grid and Advanced Metering Infrastructure (AMI)

Illinois has, just in the past couple of months, embarked along a course that will modernize its electric grid. Illinois' two largest utilities, serving over 6.1 million customers representing 90% of the state's electricity users, are collaborating with Illinois consumer groups on an AMI pilot project and on discussions that evaluate how Illinois' current electric infrastructure can be made into a 'Smart Grid.' In today's world, customers lack the tools and information needed to fully control their energy use. These initiatives will capitalize on state-of-the-art technology and the electric industry's research and development programs to give the utility and customers' information they need to make wise choices.

By Order of the ICC, Commonwealth Edison is to deploy up to 200,000 AMI "smart" meters in 2009. This is the first phase of a multi-year effort that will provide the solid foundation for potential deployment to over 4 million customers. AMI will improve the utility's operational efficiency and will

provide consumers information about their usage that will allow them to be more cost-effective in their consumption.

Later this year, pursuant to ICC orders, Ameren Illinois and Commonwealth Edison will initiate discussions with interested stakeholders on development of a 'Smart Grid.' These collaborative discussions will yield a plan for upgrading the electric grid providing service to 6.1 million customers. As with AMI, a Smart Grid will result in savings to the utility and customers, but in addition, it will fuel investment in the consulting and technology sectors as the grid is re-developed.

The ICC also notes that Section 1306 of the Energy Independence and Security Act of 2007 (EISA) requires the Secretary of Energy to establish a Smart Grid Investment Matching Grant Program to provide reimbursements of up to 20% of qualifying Smart Grid investment. Both the House and Senate Appropriations Committees have proposed funding this program, with the House version providing for a 50% match. While either approach will benefit customers, the 50% match contemplated by the House bill would be particularly valuable in mitigating customer rate increases while ensuring these critical infrastructure investments are made as soon as possible. The ICC believes that Commonwealth Edison's investments in meters, communications systems, and computer hardware and software for the AMI pilot program constitute qualifying Smart Grid Investments. Ameren's and Commonwealth Edison's Smart Grid collaborative discussions as well as AMI deployment would be greatly advanced as a result of this federal funding.

Renewable/Clean Energy and Energy Efficiency

The State of Illinois has embarked on ambitious clean energy and energy efficiency programs. These programs have been implemented at additional cost to Illinois ratepayers, but the additional costs have been capped to provide financial protection for ratepayers. This cap on clean energy and energy efficiency costs is more important today than in past years due to the U.S. economy's downturn, the disadvantage being that beneficial programs that have been investigated and found to be cost effective are being delayed to keep costs within the cost caps.

Developing renewable resources in Illinois would make long-term sustainable energy goals attainable and would create jobs, reduce energy use, and produce environmental benefits. Reactivation of the federal FutureGen demonstration plant and various clean coal initiatives would provide identified environmental and economic stimulus benefits. These projects are "ready to go", are effective and green. Both the House and Senate Appropriations Committee drafts provide valuable support for these clean energy investments that will provide both customer cost savings and near-term job creation. We urge support for funding levels and tax incentives consistent with the House Appropriations Committee mark.

Broadband Deployment

The lack of deployment and adoption of high speed internet services and information technology throughout the State of Illinois has resulted in missed opportunities for enhanced economic development and public safety for Illinois' communities, improved health care and education, and a better quality of life for Illinois' residents. Without investment and progress in the deployment and adoption of high speed internet services and information technology, Illinois will fall behind in business and job growth. There are many "ready to go" projects that would enhance the deployment of broadband such as upgrades to Illinois' rural telecom central offices that would bring broadband to underserved areas, and other

projects identified by Public Act 05-0694 passed by the Illinois General Assembly and titled the High Speed Internet Services and Technologies Act that will identify the most needed and worthy broadband deployment projects, but does not contain the funding necessary to address more than a fraction of Illinois' needs.

Other Illinois Utility Industries

In order to further retain and create jobs in the utility field, and in addition to the primary issues of Smart Grid development, Energy Efficiency and Broadband Deployment, the Illinois Commerce Commission also recommends that infrastructure improvements for electric, natural gas and water utilities be considered in ultimate funding decisions. In order to improve the reliability and safety of the current infrastructure for electric, natural gas and water companies, construction of new or improved poles, wires, pipes and plants have been contemplated. There are numerous pieces of utility infrastructure that are very old and in need of replacement. There are gas lines that haven't been replaced for decades and water systems that are over 100 years old. Customers of the companies are responsible for paying through rates for these types of improvements over several years. The current state of the economy has led companies to delay or reconsider some of the vital improvements that are needed for their systems. Funding for the improvements would increase reliability and safety and allow for contemplated projects to continue on schedule.



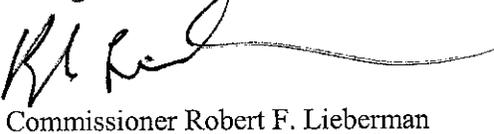
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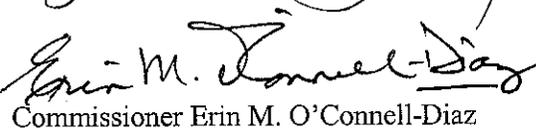
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Commissioner Lula M. Ford



Commissioner Robert F. Lieberman



Commissioner Erin M. O'Connell-Diaz

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