BEFORE THE
ILLINOIS COMMERCE COMMISSION
ORAL ARGUMENT
TUESDAY, FEBRUARY 17, 2026

Commonwealth Edison Company,)
)
) No. 25-0677
)

Filing proposing changes to new service requests for large demand project applicants or customers. (Tariffs filed June 23, 2025)

Commonwealth Edison Company,)
)
) No. 25-0679
)

Filing proposing changes to Rider Distributed System Extensions. (Tariffs filed June 23, 2025)

Met pursuant to notice at 160 N. LaSalle Street, Chicago, Illinois at 1:30 p.m.

PRESENT:

Chairman Doug Scott
Commissioner Conrad Reddick
Commissioner Stacey Paradis
Commissioner Ann McCabe
Commissioner Michael Carrigan

Reported by:
Melissa Eicken

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CHAIRMAN SCOTT: Good afternoon, everyone. Are we ready to proceed in Springfield?

UNIDENTIFIED FEMALE: Good afternoon. We are.

CHAIRMAN SCOTT: Great. Thank you. Pursuant to Section 200.850 of the Commission's administrative rules, I'll now convene the oral argument before the Illinois Commerce Commission in Dockets 25-0677, 25-0679, consolidated.

This is ComEd's proposed tariff for large demand project applicants or customers. Commissioners Carrigan, McCabe, Paradis, and Reddick are with me in Chicago. We have a quorum.

The oral argument in this case was noticed for today, February 17th, at 1:30 p.m. to be hosted in person at the Commission's Chicago office. As indicated in the notice of oral argument, the scope of today's presentations is as follows: One, ComEd's proposed changes to Rider DE including whether there's proper evidentiary and legal support to rewrite Rider DE. Two, whether the cost interconnect LDPACs to the distribution system should be treated as nonstandard pursuant to Rider NS. Three, whether the Commission should direct ComEd to develop transparent large load interconnection standards based on best practices.

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Four, ComEd's proposed requirement for a transmission security agreement or TSA including whether the Commission has jurisdiction to require a TSA. Five, substantive provisions of the proposed TSA including collateral requirements, and six, NRG's proposed changes to the TSA.

As stated in the notice, in addition, the parties should be prepared to answer any questions regarding the record or pertinent law. Parties were requested to notify the Commission of their intent to present oral argument and of the names of the attorneys presenting as well as of any exhibits they wish to use during the oral argument. Each party will have 7 minutes total for its argument which is exclusive of commissioner questions. Parties may devoid their allotted time between initial presentation and rebuttal.

As advised by the Commission's office of general counsel, we'll have the petitioner in this docket, ComEd, go first and also present surrebuttal. Our advisor will serve as timekeeper. Samantha Volkmeyer, to my right, will be using the timer to my right. Please let us know before you begin your first round, if you wish to reserve time.

Based on the request for oral argument and

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as advised by the Commission's office of general counsel, the order of the parties presenting will be as follows: ComEd represented by Hanna Conger and Glenn Rippie. Attorney general's office represented by Scott Metzger and Kim Janas. JNGO represented by Nicholas Wallace and Bradley Klein. NRG represented by Christopher Townsend. Constellation represented by Chris Skey, Alex Bai and Paige Trent. Staff represented by Meagan Morley, Kolton Ray and Ashley Bukowski.

Turn first to the oral argument phase. First, we'll hear from Ms. Conger and Mr. Rippie representing ComEd. You're allotted 7 minutes total. Would you like to reserve any time for rebuttal and surrebuttal?

HANNA CONGER: Yes, we would. We'll reserve 2 minutes for direct, 2 minutes for rebuttal and 3 for surrebuttal.

CHAIRMAN SCOTT: Very good. Okay.

HANNA CONGER: Okay.

CHAIRMAN SCOTT: Please.

HANNA CONGER: Good afternoon, chairman and commissioners. The cases we're here to discuss today concern a series of revisions to ComEd's general terms and conditions of service and rider distribution

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extension or Rider DE. ComEd's proposals are pivotal customer protection measures. They mitigate the risk that costs associated with providing service to new large load customers might be shifted to other customers. Those risks are particularly pronounced today because there are more new large load customers seeking service today than ever before. There is nearly universal agreement in this docket that more robust customer protections are needed and needed quickly. The longer we wait to address these issues the more risk and cost we ask customers to bear. There's also nearly universal agreement that ComEd's proposals are a step in the right direction. Other parties made suggestions that they claim would improve on ComEd's proposals. Some of those suggestions are beyond the scope of the filed tariffs, and therefore, this docket. While others go beyond the commission's jurisdiction more generally, many of them are plainly self-serving. So when you evaluate the tariffs in this case, we ask that you do not allow the supposedly perfect to be the enemy of the very, very good. ComEd's proposals are just, reasonable, and good policy. And in the time we might spend chasing improvements on the margins or trying to get ahead of the next evolution of the issues, we'll pass cost to

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customers who did not cause them. Thank you.

CHAIRMAN SCOTT: Thank you, Ms. Conger. Questions. Commissioner Carrigan.

COMMISSIONER CARRIGAN: Kind of a long question here. Under ComEd's current proposal, is it possible that ComEd will still make the determination that some of the large demand project applicants and customers will be categorized as, quote, larger more indifferent, end of quotes, and fall under Rider NS or Rider ZSS or -- and here is the question, will all large demand project applicants and customers automatically fall under Rider DE if these amendments are implemented?

HANNA CONGER: So this has been an issue of confusion throughout the case, so. To try to clarify, a customer is not categorized as standard or nonstandard. The facilities that serve the customer are categorized in that way. Every customer is entitled to a discrete set of standard facilities. That -- the set of facilities that any customer is entitled to differs based on the size of the customer. For example, a residential customer gets 150-feet of overhead line as standard. Larger customers get a different set of facilities that in some cases include an NES, a service station, so. Rider DE applies to

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the standard portion of the facility serving the customer. Rider NS nonstandard applies to everything else. So for instance, if a large customer -- if the most cost effective way to serve a large customer would be to construct underground -- or excuse me, overhead lines and that customer for some reason wants underground lines, the cost of undergrounding those lines is subject to Rider NS. Does that answer your question? It's sort of a sideways answer to it because it's -- the -- the categorization doesn't apply to the customer as -- as it was phrased in the question.

COMMISSIONER CARRIGAN: Okay. Thinking, but let's go on.

COMMISSIONER REDDICK: I'd like to start where you started. Affordability.

HANNA CONGER: Uh-huh.

COMMISSIONER REDDICK: Would you tell me as precisely or specifically as you can how the proposed tariff amendments protect other existing ratepayers.

HANNA CONGER: Yes. So I'll start with Rider DE. There's two tariff amendments. Rider DE, and then the general terms and conditions. The Rider DE amendment under ComEd's current tariffs, large load customers are entitled to a service station as

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standard. If that customer happens to locate that service station on property that they own, it is not subject to Rider DE. We're proposing to make an amendment to Rider DE to subject that service station to Rider DE whether it's located on or off the customer's property, meaning that the large load customer requiring it would pay a deposit related to that service station regardless of where it's located. We view that as closing the loophole in the tariff as it exists today. Yes.

COMMISSIONER REDDICK: Before you move on to another one --

HANNA CONGER: Yeah.

COMMISSIONER REDDICK: -- let me understand this one. If you hadn't redefined issues and extension to include the substation on the premises --

HANNA CONGER: Uh-huh.

COMMISSIONER REDDICK: -- would that be covered by NS?

HANNA CONGER: No.

COMMISSIONER REDDICK: So what does this change do?

HANNA CONGER: Rider DE is a deposit mechanism, so. The way that it -- this is complicated, so I'm sorry that this is going to take

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me a minute, but the way that Rider DE works today is every customer gets standard facilities. Every customer also gets a standard facilities allowance, I believe that's the term for it, in the tariff of approximately $250,000. So Rider DE is a deposit that a customer makes that covers all of the standard facilities beyond that initial $250,000. And then as that customer uses electricity, pays into rates, and pays into the revenue requirement, that deposit is refunded to the customer or if they don't meet their anticipated load or anticipated consumption, then the deposit is retained by ComEd and used to offset the revenue requirement that would have been allocated to all of ComEd's remaining customers.

So going back to the service station we're talking about, if that service station is not subject to Rider DE, it is included in the revenue requirement that's socialized to all customers, and there's no protections applicable to the cost of it, if that customer does not end up using the volume of electricity that they originally anticipated.

COMMISSIONER REDDICK: But you're -- you're just recovering -- first of all, the only difference is that now you can request a deposit. A deposit then is offset, worn down -- I'm not sure what the right

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term is -- by the revenue that is provided through the rates applicable to the new customer.

HANNA CONGER: That's right.

COMMISSIONER REDDICK: But that mechanism expires after 10 years, I believe?

HANNA CONGER: The DE deposit does, yes.

COMMISSIONER REDDICK: The DE deposit does. And if the customer has not -- I guess, the only violation would be he uses less than projected.

HANNA CONGER: If the customer uses less than is projected, they are -- they would be paying into the revenue requirement each year for the 10 years less than originally was anticipated. And the remainder would be covered by other customers. The deposit mitigates that risk or mitigates that cost risk, so the customer is held responsible through this deposit for that difference in the revenue requirement.

COMMISSIONER REDDICK: Yes. But the monthly charge that this customer would be paying after 10 years will not amount to the cost of the improvement.

HANNA CONGER: I'm not -- I don't think that's correct. I think -- oh. My understanding is that the -- the deposit itself is sized to the cost of

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the facilities. And so over time, that initial cost of constructing those facilities is paid down through rates gradually over time, and by the time that deposit period ends, the customer has either paid in enough to the revenue requirement that they have fully offset the cost of construction or ComEd retains a portion of their deposit which covers whatever they haven't paid.

COMMISSIONER REDDICK: So the customer pays a rate, actually a monthly charge based on the rider, that is annual consumption based on the ramp-up schedule times the monthly?

HANNA CONGER: Yes. Generally. I'm sorry, I wasn't sure that was the end of your question. Yes.

COMMISSIONER REDDICK: End of the question. Probably end of my thinking, too. Now, I -- I have no sense of what the actual numbers are for any of these projects, so it's difficult to construct a meaningful question, but if I understand what you're saying, the deposit is big enough and the refundable portions paid back over time were small enough that at the end of 10 years the amount that has come from the customer to cover the cost of the distribution extension and whatever goes with that totally paid off, nothing left over for anybody else to pay.

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HANNA CONGER: That is correct for the standard portion of facilities. If there are nonstandard facilities, that's not subject to the Rider DE deposit.

COMMISSIONER REDDICK: Uh-huh.

HANNA CONGER: Nonstandard costs are paid up front in cash. So in the -- in the example I gave a few minutes ago with a customer who'S most cost effective means of service would be overhead, but they ask for underground, they would -- they would pay the cost of undergrounding up front and in cash, and if there are other adjustments like that where a certain means of serving that customer would have a lower cost, but they've asked for a second transformer or something to pursue their particular needs, those costs are also nonstandard paid up front in cash.

COMMISSIONER REDDICK: I'm with you.

HANNA CONGER: Okay.

COMMISSIONER REDDICK: I'm having trouble doing the numbers --

HANNA CONGER: Yes.

COMMISSIONER CARRIGAN: -- with the ramp up and -- so a customer, large load, new large load, applies a service, needs an extension of the distribution system, and also needs two special

transformers, special transformers, paid up front Rider NS, everything else is secured by either a deposit or some sort of credit, some other security?

HANNA CONGER: The standard portion of the facilities are covered by Rider DE.

COMMISSIONER REDDICK: And what --

HANNA CONGER: And --

COMMISSIONER REDDICK: -- portion of that is covered by your letter of credit provision?

HANNA CONGER: So that's the second change to Rider DE allows the company to take a letter of credit or cost above $2 million in the deposit.

COMMISSIONER REDDICK: Okay. Functionally, it's the same as a deposit because it goes down over time.

HANNA CONGER: Yes. The letter of credit is -- functions as the deposit. ComEd can call on the letter of credit as needed over time.

COMMISSIONER REDDICK: And the monthly charge in this situation, putting aside the NS charges which are up front in cash, now we're talking only about the DE charges, those are based on some very fancy calculation of the ramp up, the expected use, and that amount of units goes into the total cost that over 10 years times 12 months at varying rates would

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cover the entire cost.

HANNA CONGER: Yes. The Rider DE today and for a long time has set out a way of calculate -- like a method of calculating the cost of the standard facilities, and the expected revenue requirement contribution of the customer. And so that formula is remaining unchanged now. That's how we determine the size of the deposit and the size of the monthly charge that goes to the -- that is compared against the customer's actual charges to see if there's any difference.

COMMISSIONER REDDICK: I expected the mathematical variances, if there are any, will be relatively small compared to the numbers you're talking about in dollars.

HANNA CONGER: I think it's too soon to say.

COMMISSIONER REDDICK: Well, the customer can always use less and use more.

HANNA CONGER: That's true.

COMMISSIONER REDDICK: All of that changes.

HANNA CONGER: Yes.

COMMISSIONER REDDICK: Okay. So bear with me. Imagine three boxes of cost. One is, before you bill the distribution extension, the other is the

distribution extension, and the last one's anything left over. If I understand your -- your presentation, there's nothing in the last box. There is nothing left over at the end of the 10 years, if we're on target with the ramps and we've calculated the monthly charge appropriately.

HANNA CONGER: There's nothing left in the third box no matter what because Rider DE -- they've either already fully paid off incrementally month over month the entire cost or we pull the Rider DE deposit and that covers whatever is left.

COMMISSIONER REDDICK: Okay. So when is the Rider DE -- make sure I need to ask that question. Let's -- let's stay with the boxes. The second box which is actually constructing the facilities --

HANNA CONGER: Uh-huh.

COMMISSIONER REDDICK: -- is covered by the monthly charge, and the footnote I had in my head there was, if there is a lag here, I can't imagine that you're changing the -- you don't change the monthly charge each month or each year based on what part of the proper construction progress you're at.

HANNA CONGER: Huh.

COMMISSIONER REDDICK: And the question that I think you've already answered is, whether the

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cost incurred by the company at each point in the ramp up over the 10 years either exceeds or matches the cost of the construction.

HANNA CONGER: I think I know what you're asking. I'm going to try, and if I don't get it right, we'll try again. So the facilities are constructed and enters a service at a point in time. That's when the customer starts paying revenue, revenues through the revenue requirement.

COMMISSIONER REDDICK: Did the deposit or letter of credit come in before you started work?

HANNA CONGER: Yes. Yes. I -- I'm going to speak at a general level. I'm sure there are nuances that are not -- that don't match this in every situation, but. For many of these large load customers, they will ramp up their usage over time, but. The company is not building incremental facilities over that whole 10-year period. If there are new facilities needed, those would be subject to another Rider DE/Rider NS evaluation.

COMMISSIONER REDDICK: Go through that again.

HANNA CONGER: Yep. Okay. So I am a large load customer. I ask for service. ComEd decides what's necessary to provide me the service at the load

ramp I am anticipating. That -- those facilities are generally built to meet my -- the ultimate point of my load ramp, the highest point, so. They are sized on the day I begin service to meet my load once I've fully gotten up the ramp. So from the day I start service to the day I reach the top of my ramp, those -- the facilities serving me remain the same. If, during that time, I discover I need more, I would go back and ComEd would engineer another solution to provide more than I came in with originally.

COMMISSIONER REDDICK: Okay. You -- you've changed the picture I drew in my head. It seemed to me there are things that you need to do once for all --

HANNA CONGER: Uh-huh.

COMMISSIONER REDDICK: -- beginning. You don't want to go back and have to redo something.

HANNA CONGER: Right.

COMMISSIONER REDDICK: At the same time there are things that could be done incrementally. You don't build to the max right away --

HANNA CONGER: Right.

COMMISSIONER REDDICK: -- 10 years away. So with that qualification, I think I understand what you're saying.

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HANNA CONGER: Yes.

COMMISSIONER REDDICK: Okay. So while I'm -- I'm building because I've already got the deposit or letter of credit, if for any reason a customer goes belly up, the whole thing's done, you have in hand in deposits or letter of credit enough to do -- enough to cover whatever you've done. I'm trying to figure out whether they're coordinated so that --

HANNA CONGER: That's -- that's correct, and we haven't talked about the TSA yet, but that preserves the revenue that the customer would have paid in in the future. Separate issue, but I just wanted to note it.

COMMISSIONER REDDICK: Separate jurisdiction.

HANNA CONGER: Yes.

COMMISSIONER REDDICK: So let's stay in Illinois.

HANNA CONGER: Yeah.

COMMISSIONER REDDICK: We want to make sure Illinois ratepayers are fully covered.

HANNA CONGER: Understood.

COMMISSIONER REDDICK: So with some allowance for, you know, human limitations and

calculations, the objective and the purpose of the deposits and letters of credit as described in the tariff is to have on hand either recovered cost through monthly charges or a residual in your letter of credit or deposit that would cover whatever's been done.

HANNA CONGER: Yes. That's correct.

COMMISSIONER REDDICK: Okay. So last question. How -- how is the total cost determined? Is that a result of your -- your -- your study process?

HANNA CONGER: The total cost of the facility, the interconnection facilities?

COMMISSIONER REDDICK: Yes. I'm -- in my head, the study process doesn't just go forward along the path that I'm trying to walk. It includes other people as well and system problems as well.

HANNA CONGER: Right.

COMMISSIONER REDDICK: So with that in mind, I just want to make sure all the bases are covered.

HANNA CONGER: Yes. So one of the other revisions to the tariffs that we haven't talked about yet is the cluster study process and a deposit that's associated with participation in that process. So

that deposit covers the cost of --

COMMISSIONER REDDICK: The study.

HANNA CONGER: -- the study, that initial study, and then once that initial cluster study is done, each of the projects that wants to continue at that point proceeds into more detailed engineering where they're finding like the precise equipment, the precise locations, exactly how everything's going to be built, and at the end of that process there's a much clearer picture about the total cost of the facilities that will be needed, and there's, I suppose a gate, at that point where the customer can choose to go forward and begin construction or not, if they choose not to.

COMMISSIONER REDDICK: In the situation that I gave you where we have a ramp up and a customer who doesn't want to build it all at once, he's going to change the right -- change the calculation every time you go build something new, because he says I need -- I'm on year seven, I need this much as opposed to what I had in year six, and if it's incremental facilities, they would have been done incrementally, that that's very complicated math to me; is that what you're going to do, though?

HANNA CONGER: I --

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COMMISSIONER REDDICK: Let me ask the question this way.

HANNA CONGER: Sure.

COMMISSIONER REDDICK: Is it your intent to calculate a number that will, at the end of 10 years, cover all the costs?

HANNA CONGER: Yes.

COMMISSIONER REDDICK: Okay.

HANNA CONGER: Yes.

COMMISSIONER REDDICK: Thank you, chairman.

CHAIRMAN SCOTT: Other questions on this -- on this area?

So I'm probably going to confuse matters more. So during that 10-year period when the -- when the payback is -- is happening and you've got the letter of credit to secure that, whatever you build is going into your rate base during that time, and it'll show up in a reconciliation at the end of the year or in some other way a rate case if you were to get off the multiyear plan, so the other customers are carrying those costs during that time. There's a guarantee they're going to get it back over 10 years, but for years one through nine, they're carrying part of that load because you haven't gotten the full payment yet for that service. You're getting it

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one-tenth at a time. Or getting it guaranteed through the letter of credit as opposed to the NS where you're getting all of it up front, and there's -- they're paying that in cash, and there's no -- there's -- nobody's carrying anything for 10 years. They're just paying for it up front. Why the difference? I realize we have two different tariffs, but that doesn't mean you're necessarily limited to that structure, so.

HANNA CONGER: Right.

CHAIRMAN SCOTT: I'm starting to hear you, then I got a follow-up for you.

HANNA CONGER: So the math is complicated, but.

CHAIRMAN SCOTT: I became a lawyer so I wouldn't have to do math.

HANNA CONGER: It didn't work out for me. So I believe that the revenue requirement includes only a portion of the costs each year, only the depreciated portion of the costs of the facilities each year.

CHAIRMAN SCOTT: Uh-huh.

HANNA CONGER: So it's not the -- the revenue requirement that's paid each of the -- in general, each of those 10 years only includes a 40th,

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whatever the appreciated portion is of the facilities in each year.

CHAIRMAN SCOTT: But you're depreciating over a longer period of time than 10 years.

HANNA CONGER: That's correct.

CHAIRMAN SCOTT: Most assets.

HANNA CONGER: Yeah.

CHAIRMAN SCOTT: I mean, it could be different for this one, but.

HANNA CONGER: Yes. That's correct. In the -- the Rider NS up front in cash situation --

CHAIRMAN SCOTT: Uh-huh.

HANNA CONGER: -- that customer pays -- pays that upfront amount, and that is essentially all they pay for facilities, so. As the system that ultimately does serve them grows and changes, they are not paying for facilities that existed before they came on, and they're not paying for facilities that will come into existence past that point in time, so. I think there's a -- there are some offsetting considerations there. One is the portion of the depreciated portion question; although, that's nuance as you mentioned, and then the other is the idea that the customer is in a -- if you're not using the nonstandard, if you're not doing the upfront cash for

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the facilities, they will continue to contribute for as long as they take service to the cost of everything, where they wouldn't if you only keep them to the cost of those particular facilities at the point in time they're constructed.

CHAIRMAN SCOTT: Okay. Let me -- let me ask a -- a different question then, but it's related. Two questions. Yeah. Please go ahead.

COMMISSIONER PARADIS: Can you walk through again your last point?

HANNA CONGER: Let me see. Okay. Yes. So...

CHAIRMAN SCOTT: No. It's okay.

HANNA CONGER: So in a situation where I think you'll hear it called kayak today, a customer makes a kayak payment up front in cash for the cost of the facilities. I think this is clearest in transmission rates, but it happens in the distribution side as well, that customer is paying the cost of the specific facilities necessary to serve them at the point in time they enter service, but that is essentially all they will ever pay for distribution facilities or -- whichever side of the ledger you're on, transmission or distribution. That's all they'll pay for that. So a typical customer, when they enter

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the system, every year they take service from now until forever, they're paying a cost -- a depreciated portion of the facilities that were there before they entered the system and a portion of the facilities that become part of the system over their lifetime. When a customer makes a kayak payment, they pay for the specific facilities that link them to the system. And then they're done. And so they're not -- they will not bear cost responsibility in very small shares for anything that happened before then or anything that comes after them.

CHAIRMAN SCOTT: But everything that is part of your system ends up being part of the rate base at that point, so. They and every other customer are paying for -- for their portion of that as they go on. It's not like that cost goes away unless you guys are going to decide you don't want to put it into the rate base, which I'm guessing isn't the case, so.

HANNA CONGER: This is --

CHAIRMAN SCOTT: They're going to pay their share of it as compared to all the other customers from that point on.

HANNA CONGER: So this is -- when I say it's clear on the transmission side, the -- there's a rule on the transmission side that if you pay the

kayak charge, you don't -- that's your only contribution, and I think the math is more complicated on the distribution side, but the principal is essentially the same, that you -- because, otherwise, you're doing both; right? Like, if you pay your kayak, your cost of your facilities, then you also are paying every month a -- a facility's charge, a facility's component of your bill that includes everything on the system, you are paying for your stuff in the one payment and a portion of it every month as well. So you are double recovering. The concept is to try to make that not happen, try to make the double recovery not occur. And so you are only charged one or the other. NT space.

COMMISSIONER PARADIS: But -- I'm trying to figure out how to say this. But in that scenario, I mean, the way I think you just said it to me that said they're paying for the build of it but not the use of it. That's how --

HANNA CONGER: Huh.

COMMISSIONER PARADIS: Which I don't think is what you mean.

HANNA CONGER: It's definitely not what I mean. I don't think that's -- huh. A -- a build would include a lot of components. The facility's

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charge relates to the physical infrastructure, and then other portions of the build, like the supply charge would relate to -- to, you know, the variable components over time and you're not excluded from that portion of the build.

CHAIRMAN SCOTT: Let me ask a different -- a slightly different question, two different questions. Why 50 megawatts? I mean, we're here because we're talking about gigantic facilities that are different than anything you've seen before. I mean, we've heard Mr. Canonis (phonetic) say a bunch of times that 80 megawatts outside of data centers is the largest load that you've got, and you're talking to people who are 25 times greater than that right now. And maybe larger. I know that was the last time we talked. So why not do something completely different here? Why -- why try to shoehorn everything into the existing framework for something that we all agree is a unicorn compared to what we've seen before and why does -- and why do we make -- why are we trying to make a 2-gigawatt data center for a facility look like Walmart? Why are we -- why are we using that system here?

HANNA CONGER: So I will tell you, we're not trying to do that.

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CHAIRMAN SCOTT: Okay.
HANNA CONGER: But let me explain why.
CHAIRMAN SCOTT: Sure.
HANNA CONGER: So we have -- ComEd has Rider ZSS which is zero standard service --
CHAIRMAN SCOTT: Uh-huh.
HANNA CONGER: -- which applies to customers who are served a 345 kV or above. The enormous massive data centers you're talking about are likely all served at 345 kV and above. That means none of their distribution facilities are considered standard. Everything that they -- that is built to serve them is nonstandard and subject to kayak. So that portion of the -- like, the very, very large customers we're talking about, there already is an existing system that almost exactly fits their situation. We -- ComEd designs facilities that meet their needs, and given the way that they connect to the system, they're considered zero standard service customers, and they pay for the entire cost of the facilities in kayak. Or rentals, then the relatively smaller end of the large load customers -- the customers who are served at 138 kV to 345 kV, those customers are not as unusual. There are, I think, about 100 customers on the system right now served at

138. And so -- and for those customers served at that level, the facilities that are serving them are not functionally significantly different than those -- the facilities that are serving other very large load customers existing on the system today.

So to your question about why are we not developing the whole new paradigm for these customers, I think for the customers that are the very large end of the spectrum, we essentially have a custom paradigm, and for the customers at the smaller end of the spectrum, there's -- there are analogs today.

CHAIRMAN SCOTT: Then that prompts a second question of, why do we need to be here at all? If we've got a system set up that will already handle the super large customers and we've got another system set up and I'm -- I'm being deliberately, you know, broad bush, we've got another system set up where the other customers are falling into now --

HANNA CONGER: Uh-huh.

CHAIRMAN SCOTT: -- why do we need to be here?

HANNA CONGER: Well, a couple of reasons. The DE loophole that I mentioned exists today and should be closed. The other major reason that we're here that we haven't gotten to into the conversation

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yet is the TSA requirement.

CHAIRMAN SCOTT: Pretty sure we will.

HANNA CONGER: I'm certain that we will, but. That -- what ComEd is proposing is that the Commission require customers to sign a TSA as a condition of retail service and that will protect all of the remainder of ComEd's customer base from large load customers that stop halfway or don't get all the way off their load ramp or what-have-you, but those are the main two proposals that are before you. We're not proposing any changes to Rider ZSS, and the only change we're proposing to Rider DE is that loophole adjustment or I should say the primary change we're making to Rider DE. Because it's a little shorthand, but. The -- the concept is that by sort of a quirk of geography or how much property a customer has unused around their facility, that customer can request or suggest that the electric service station serve them which is provided as standard be located within their property line. If it's within their property line, they don't pay a deposit. If it's outside the property line, they do. And the proposal that ComEd has put forward would treat those two situations the same regardless of where it's located. They would be required to provide a deposit.

CHAIRMAN SCOTT: Other questions? Commissioner Carrigan.

COMMISSIONER CARRIGAN: Let's bring the AG into this discussion a little bit, since you've got two of them sitting right there to your right. The AG argues that large demand project applicants and customers present unique challenges and providing service to them is inherently complex from both the planning and engineering standpoint, and thus, should automatically be characterized as nonstandard. The question then is, these large loads do seem to be different. Why does ComEd not? And I'll say that again, not think categorizing them as nonstandard is appropriate.

HANNA CONGER: The standard and nonstandard distinction has been a part of ComEd's tariffs for a very, very long time. And it has never been applied to a customer as individual. Instead, it's been applied to the facilities that serve a customer, so. When the AG is saying that these customers are different, they're applying -- they are suggesting that Rider DE be applied to a customer which is a fundamental change in the way things have been done for a very long time. I would also suggest that the -- to the point I was making a few minutes ago

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about the -- the way that any customer's served, there are tariffs that define what standard service is to a type of customer. And those have been in existence for a long time. But just because a customer is larger, they have larger demands than we've seen previously doesn't mean that it's not possible to set a standard or a generic set of facilities that all customers of that type or volume would be subject to.

CHAIRMAN SCOTT: Other questions? Commissioner McCabe.

COMMISSIONER MCCABE: If the Commission approves changes as proposed by ComEd, will there be an opportunity for ComEd to reclassify large demand customers as nonstandard in the future?

HANNA CONGER: So if you approve the -- the proposals that ComEd has made here, no customer will be classified as nonstandard. That classification will apply only to facilities as it has in the past. If your question is, is there another opportunity to look at these issues, I think the answer to that is yes. There are periodic rate design proceedings every three years under statute.

COMMISSIONER PARADIS: Just to clarify, so -- and I thought this was where you were going for an existing customer if we make this change going

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forward, if they have a new project, does it matter on their property or not if we approve the change and close the loophole?

HANNA CONGER: Existing -- for existing customers, nothing will change. For customers that initiate service after the tariff is approved with this -- the Rider DE change, that change will apply to them.

COMMISSIONER PARADIS: But an existing customer that asks for new service, it wouldn't?

HANNA CONGER: No.

COMMISSIONER PARADIS: Okay.

CHAIRMAN SCOTT: Other issues? That one. Your mic.

COMMISSIONER REDDICK: Is that true no matter how big the request is? I'm a Walmart and I decide to become a data center.

HANNA CONGER: Oh, I'm sorry. I -- I will say the same. Facilities would not suddenly become nonstandard if it's a single facility. If the customer -- if the customer comes back and needs to expand like you were just talking about, those expanded facilities would be subject to the tariff. I'm sorry, I misunderstood the question.

CHAIRMAN SCOTT: Other issues? Sure.

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Commissioner McCabe.

COMMISSIONER MCCABE: Would you explain the importance of the first two pages of your exhibit on TSAs before FERC?

HANNA CONGER: Sure.

GLENN RIPPIE: Good afternoon, commissioner. So the first two exhibits simply illustrate for the Commission the number and magnitude of the projects that would currently have -- that do have TSAs apply to them, but that the new terms and conditions would require -- and I say require a TSA. It -- at the end of this answer I just want to make clear what the footnote is, but. The -- this is the universe of customers in what we call cluster one. It's the current group of large load customers that are proceeding forward. We have filed TSAs for approval with FERC in all of the docket shown on the first page, the day we filed them and the effective date. The proposed TSA under the Federal Power Act is shown on the first page. The second page tells you how big that is. Those eight come out to 6,700 megawatts. They involve about $950 million of transmission upgrades, and the TSAs would require roughly $2.1 billion in revenue security and over 40 years would result in short payments of 11.4 billion.

I must inform you, and you will see this in a reference in a FERC filing tomorrow, one of those eight customers has now dropped out. As of yesterday. That reduces the required investment more proportionally than it reduces the revenue assurance, so. The basic fundamental point of these exhibits remain the same. Does that answer your question, commissioner?

CHAIRMAN SCOTT: Others on TSAs?

GLENN RIPPIE: I was going to tell you the footnote. The proposed tariff I want to be clear specifies not what the terms of those TSAs are.

CHAIRMAN SCOTT: That's what I was --

GLENN RIPPIE: The actual -- the actual language -- and we've spent a ton of time on this docket off that language. The actual language says that the condition of retail service is that the customer has entered into an agreement effective at FERC because FERC has exclusive jurisdiction over its terms that assures the payment of the revenue requirements associated with the service it requests. That's what the tariff amendment says. It does not go into the detailed terms and conditions. It simply requires that that assurance be made and secured.

CHAIRMAN SCOTT: And we have the proper

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jurisdiction because that's been a point of contention in the case to -- to say that you can require a TSA in -- through this tariff?

GLENN RIPPIE: Sure. Let me answer, then I'm going to give you an analogy --

CHAIRMAN SCOTT: Sure.

GLENN RIPPIE: -- which is actually both illustrative and a little bit humorous. You and the State of Illinois have exclusive jurisdiction over the rates, terms and conditions of retail service including those rates, terms, and conditions of service that define what the prerequisites for service are; that is, who can get service.

You've seen examples around the country of some states that have gone so far as to say, no new large loads until we get A, B, and C. That's a perfectly legitimate exercise of jurisdiction in a state. That's not what we're suggesting here, and that's not what the Illinois law has done, but the statute has done. What we're saying is simply this, in order for ComEd to provide retail service that you control, it is a requirement that we have proposed in this tariff that those customers agree that they will assure the payment of the transmission rates at whatever rates FERC sets and secure the payment of

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those rates. If they didn't do that, the cost associated with the either unmet investments or unmet service, because it is both, both the marginal facilities and the existing facilities, would fall on other customers. How those costs and rates are set is up to FERC. But it is entirely within your jurisdiction to say, no retail customer will be connected to this system unless they have agreed to basically do what they've said they're going to do to pay the charges associated with the service that they have requested and that we are required to give as a retail utility. That is your jurisdiction. If that agreement, if that protection is not present, it is an exercise of retail regulation to say then, well, you will not be hooked up.

The humorous example I'm going to give is this, the State of Illinois can say, you don't get a license plate unless you pass the EPA regulations. It cannot rewrite the EPA regulations, but it can sure say, you don't drive your car in Illinois without it. And that's the equivalent of what's happening here. We're not asking you to set any FERC rate. We're not asking you to define what the transmission rate is. Just to say that if you want retail service, you agree to pay it.

CHAIRMAN SCOTT: Could US EPA tell the secretary of state's office that you cannot give a driver's -- a license plate to someone without -- without the emissions test?

GLENN RIPPIE: I don't -- I actually don't think so under that statute. But I will say under the -- to run with your analogy, under the Federal Power Act, my answer is no. That is -- that is your exclusive jurisdiction to control that retail service. FERC can do all sorts of things at the transmission level including changing the rate, and there's been a bunch of times -- a bunch of discussion in this docket about the rate design, and I'm sure we're going to have more of that discussion. I believe most of that discussion is irrelevant because the rate is what the rate is. FERC will decide what the rate is.

The point of this proposed amendment to the terms and conditions of service is, again, simply to assure that whatever the rate is, you pay the rate that you are responsible for. You don't come in and knock other customers out of the queue, make us make investments or use up pieces of the existing transmission system, and then not show up and not pay the rates. And that's what the provision that's in the proposed tariff does.

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CHAIRMAN SCOTT: Commissioner Reddick.

COMMISSIONER REDDICK: I'll tell you what I heard. You can tell me how wrong it is. FERC sets the rates.

GLENN RIPPIE: Yes.

COMMISSIONER REDDICK: The rates are set without regard to any particular project that --

GLENN RIPPIE: Yes.

COMMISSIONER REDDICK: So you're saying we may or may not match what it costs us to build or what it cost to -- costs us to provide that service, but it's better than nothing.

GLENN RIPPIE: No. That's not what I'm saying. FERC decides what the transmission rate is. It tries to adopt the rate design that it believes is just and reasonable and properly allocates costs among customers. Those costs include the marginal cost of the facility built as a but for cause of that customer coming on. But that customer, because of the nature of a network transmission system, also uses other facilities. And remember, these are transmission assets, not distribution assets. And there might be big ones. If there are 345, they're under ZSS. These are network assets. Other customers are going to use those assets inherently, too, because they are

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networked. They're not -- they may be a but for result of a particular customer, but they're not only used by that customer, FERC has come up with rate designs for that, and as Constellation has told us, it is considering some changes which may or may not ultimately make to those rate designs. It tries to make that fair, Commissioner Reddick.

I -- you and I can have a debate over -- over a -- over, you know, dinner whether that's really happening. All we are doing here is saying whatever FERC says is that correct rate design. You're not going to escape it. You're not going to come in here and tell us, I'm bringing 1.5 gigawatts. A, go build for 1.5 gigawatts. B, in all your planning for all the other customers in the system, assume that 1.5 gigawatts is now gone; right? It's just not the new stuff, it's all the old stuff. And then low and behold either don't show up or I only show up with 750.

The requirement that we suggest go into general terms and conditions prevents that from happening. It doesn't charge those customers more. It doesn't penalize them. What it does do is say, if you tell us 1.5 gigawatts and we rely on that, and we behave as if that's real and that impacts our

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investments, it also impacts our planning. It impacts what happens with the use of the existing system. You're going to pay the rates associated with what you signed up for.

COMMISSIONER REDDICK: I didn't hear a big difference between what you said and what I said. I --

GLENN RIPPIE: Sorry.

COMMISSIONER REDDICK: I'm only saying that FERC has determined the rate to cover all the costs to recover the costs.

GLENN RIPPIE: Uh-huh.

COMMISSIONER REDDICK: And you have an addition certain things that are paid on a marginal basis, and my only point was that because this is a FERC waving of the hands to make a rate, it may or may not match exactly the amount spent, but without the TSA, we would have not even that.

GLENN RIPPIE: Yes. The only thing, commissioner, where maybe I -- I want to -- I don't want to say disagree with you but want to amend my -- the answer is, as it was illustrated in the mathematical calculations and they're just math in these exhibits, it happens with cluster one that that revenue guarantee is many times greater than that

increment cost. So it -- it empirically happens in the case of this cluster, that the revenue guarantee is not just pretty good, it's really, really, really good.

COMMISSIONER REDDICK: Well, and the only point was, you lack a precision and not even an attempt to match at the same way we're matching the distribution at the transmission level. Yes, it could be less. It could be more.

GLENN RIPPIE: Correct. And it is different because the T rate is inherently for network facilities and the ZSS rate, for example, that we've been talking about that directly assigns is for facilities that are directly assigned. They're only used by that customer.

COMMISSIONER REDDICK: You said one thing that -- that's going to prolong this thing painfully. You talked about the -- the existing assets.

GLENN RIPPIE: Uh-huh.

COMMISSIONER REDDICK: Whatever, that are being used in a new -- new customer's service, and if I -- when I ask myself that question about the distribution activity, and I think one of your witnesses used the term used up --

GLENN RIPPIE: Yes, they did.

COMMISSIONER REDDICK: A new customer uses up some of the existing capacity paid for by existing customers, how do we cover that cost or raise it another way? Who pays to replace that capacity that's lost?

GLENN RIPPIE: At D or T.

COMMISSIONER REDDICK: I'm sorry.

GLENN RIPPIE: At -- in the distribution or in the transmission or both.

COMMISSIONER REDDICK: D.

GLENN RIPPIE: Okay. In -- in the D system, all -- if you are not a ZSS customer that is only using the 345 system and is not using anything below the 345 system, you're going to pay the rate design that is approved by this Commission in the periodic rate investigations. They're based on a cost of service study. So for the standard equipment that is -- that is guaranteed by the DE deposit but not paid for by the DE deposit, you're going to pay the monthly rate established by the cost of service study, and assuming the cost of service study is appropriate, you're going to get a -- a -- a just rate. I -- look. **A customer -- each customer uses slightly different amounts of different facilities. That's -- that's always inherently ratemaking, but you're going to pay**

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that rate that was set by the Commission and approved by the Commission. So filed by us, approved by the Commission.

If you're a 340 -- if you're one of these big Es, if you're a ZSS customer, you're not going to use those shared D facilities except, you know, like the call center or the billing system, which there is a charge for. You're going to use the facilities that get assigned to you, and those are directly assigned to you. They're either paid for by a deposit or they're paid for by direct assigned charges in the nature -- we call them rentals that are periodic charges. Because some of that equipment, if you went away, might be reusable, so we don't charge you the whole thing up front. We charge a rental. Nobody else pays for that. You pay for all of it including the costs of maintaining it and including the cost of replacing it.

Now, let's go to the -- because you're going to -- you're going to pay all the distribution facilities that use that, and if -- if you are in a rental situation, there's -- there's maintenance baked in.

COMMISSIONER REDDICK: Let me ask the question.

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GLENN RIPPIE: Sure.

COMMISSIONER REDDICK: In that situation, though, we have a -- a large customer who needs something --

GLENN RIPPIE: Uh-huh.

COMMISSIONER REDDICK: -- that's big enough that can be used by other parts of (inaudible) that usefulness to the grid as opposed to a single customer, does that change what he has to pay?

GLENN RIPPIE: If it is distribution facilities and we'll spend -- I'm sorry.

COMMISSIONER REDDICK: Big distribution.

GLENN RIPPIE: Yeah. But if it's big distribution facilities and -- and remember, in this case, we could -- we could -- I was going to say I love Easter, so we can talk about rabbit holes, but. If it's a big distribution facility, it's still under the seven-factor test that we may spend some time on the seven-factor test. It's going to be D, but all those flows go to that customer. And no matter how big that is that customer is using. If another customer comes over here and says, wait, the cheapest way for me to hook on is to share a portion of that, then we make an adjustment to the ZSS charge because then some of those things are shared; okay? But that

is, I will say a very rare -- it's sort of a hypothetical occurrence. Because if multiple customers are in that area, we're likely going to -- the best way to serve it is make some expansion of the transmission system, not to build a bunch of D. Transmission assets are -- are in a sense simpler. That's an unusual thing to say. Usually, transmission isn't simpler, but in a sense, it's simpler.

Just picture the ComEd grid. It's a spiderweb of transmission facilities and a large load customer comes on in a location. We happen to have one -- you know, it doesn't matter where. Could be anywhere. And we have to build some new transmission as a result but for -- it's the but for cause, but it's transmission. It gets used by everybody. But that also -- to use the words of our witness uses up capacity on other parts of the system. Other customers are growing and changing position and doing things that require transmission construction.

As you know from some of your own studies and analyses in the Reed docket, a lot of that is driven by the changing locations of generation and the changing natures of generation, not just load. So there are needs to do things with the transmission system. If that customer burns up that capacity, they

have imposed two costs on the system. They have imposed a cost in the system from the marginal thing that they need to do, but they've also imposed a real cost on the system from the effects on the shared existing embedded facilities and/or the expansions for those embedded facilities that will have to be made next year and the year and the year after because all the capacity got burned up.

The way the transmission rates work now, the way FERC has designed them now, the transmission revenue requirement is socialized and allocated based on a load share mathematical formula the way FERC has designed them now. The transmission revenue requirement is socialized and allocated based on a load ratio share mathematical formula. It so happens empirically that the revenues that those large customers contribute that happen to fall on cluster one more than covers their but for cost, but the rate design insures they're also paying their load ratio shared cost of every single other thing on the system. They are paying their load ratio share of the entire system.

So for example, hypothetically, if we were to say that cluster one, hypothetically, was a 25 percent increase in the load at the -- in the

billing determine -- transmission billing determinate loads of the system, they would end up paying 20 percent of all the transmission rates because 125 percent is 20 percent of 125 percent, if you get me. That is a -- that is not just imposing costs in the system, it's making a huge contribution to all the other things in rate base that otherwise other customers would pay for. So that's the way that rate design works. That's the determination that FERC has currently made. There are some proposals to make -- have other kinds of rates, but -- but they all recognize the network nature of the system.

CHAIRMAN SCOTT: Any other questions? I got one last one for you --

GLENN RIPPIE: Okay.

CHAIRMAN SCOTT: -- since you're here. I love the hypotheticals anyway, so I'm not suggesting this, and nobody else in this case is. Could we say in your TSA that you charge more than the FERC rate?

GLENN RIPPIE: I do not believe -- well, that's an interesting question. I do not believe you could. I think it is my belief that a court would view that as an attempt to change the rate design. There's some precedent for looking at the difference between contracts that use the FERC approved rate and

contracts that don't use the FERC approved rate. There was a citation, for example, to the Tri-State decision.

CHAIRMAN SCOTT: Uh-huh.

GLENN RIPPIE: But it -- it is -- I think it is a different thing for a retail regulator, a fully-empowered retail regulator to say as a condition of taking retail service, we're going to assure that you meet your obligations under the FERC rate. And to say we are dissatisfied with the FERC rate, so we're going to say as a term and condition of taking retail service that you must pay something different than that rate, and I would also -- I would refer you to the statutory embodiment of that in 16-108. I believe it's 16-108(c), but don't quote me on that. I may get my subpart wrong. That says -- and has said since the 1990 -- 1999 amendments that the -- that the charges for things that are regulated by FERC under Illinois law are to be charged at the FERC established rates.

CHAIRMAN SCOTT: Appreciate it. Thank you. Commissioner McCabe.

COMMISSIONER MCCABE: On the subject of incremental transmission system costs, there's a lot of discussion --

GLENN RIPPIE: There is.

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COMMISSIONER MCCABE: -- in the record. And ComEd states it would be difficult to identify incremental transmission system costs JNGO, the AG, NRG provide evidence that ComEd already tracks incremental costs for large load customers. Why does ComEd believe allocating incremental costs would be exceedingly difficult?

GLENN RIPPIE: So -- so again, let's -- let's be clear between the difference between T and D. We do track incremental D. We track incremental D very well. For T, we -- we track -- we can track, but for T with a couple limitations. The first is, why we're in a cluster study? What do we do, commissioner, if we need an incremental transmission upgrade due to four customers and that incremental upgrade is required if any three of them show up or any two of them show up, it becomes a little bit of an arbitrary exercise, and by the way, this is not -- this is not made up. This -- it's not purely a hypothetical. It becomes a little bit of an arbitrary exercise to assign -- do you assign a quarter to each, and then if one drops out, do you assign a third of each?

The second problem with that, though, is even if -- even if you could sort of get past that,

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once that -- once that comes on the grid, that asset starts being used by other customers, and it's used by other customers' dynamic. When they first -- the fact that it is a but for doesn't mean it's the only customer that's using it. So, yes. We could track the incremental cost in the first year in that sense, but it becomes extremely difficult to go back and figure out, well, now we're going to retire a coal plant or a gas plant, and we're going to build some wind, and we're going to add some battery storage, and the flows are different. Can you go back, planners, and analyze the counterfactual of whether you would have needed to make some of that upgrade to meet some other condition, hypothetically, and that becomes really difficult to do.

So in the -- in the short run, if you -- if you treat but for causation as the equivalent of incremental cost, we can do it in the short run. With that complication of sometimes, it's caused by four customers, and it's not clear how you divide it up.

COMMISSIONER MCCABE: You're giving me order 1920 flashbacks.

GLENN RIPPIE: Yes. Yes. I know. It's -- it's -- I could have a 1920 T-shirt.

CHAIRMAN SCOTT: All right. All right.

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Thank you very much.

GLENN RIPPIE: Thanks.

CHAIRMAN SCOTT: Next, the People of the State of Illinois are presented by Mr. Metzger and Ms. Janas.

Mr. Metzger, how are you today?

MR. METZGER: Thank you. Scott Metzger on behalf of the People of the State of Illinois. Can I reserve 2 and a half minutes for rebuttal? So four and a half for the initial presentation here?

CHAIRMAN SCOTT: Okay. Go right ahead, sir.

MR. METZGER: Thank you. Chairman Scott, commissioners, good afternoon. We have a problem here. ComEd is seeing a staggering increase in the number and size of large load customers applying for service. Almost all of them data centers. The amount of power these customers need and the cost to serve them is unprecedented.

In addition to the extraordinary demands these customers place on the system, it seems possible, even probable, that a substantial portion of the applications are speculative. This all adds up to a tremendous amount of risk. Risk the facilities will be built, and the large loads will not be there or

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will not pay enough to cover the cost. And existing customers who are not driving these costs and by and large derive no benefit from them will be left to foot the bill.

To its credit, ComEd has recognized this risk, and it's taken proactive steps to address it. But while ComEd's approach is largely ensured that ComEd is protected, we're concerned that it still leaves existing customers exposed. The people have proposed a pair of recommendations to address that risk. The details differ depending on whether the facilities in question are considered distribution or transmission assets, but in each case, our position is that these costs should be directly assigned to and paid up front by the large load customers that cause them.

On the distribution side, ComEd's existing tariff support the people's approach under the terms of ComEd's Rider NS or nonstandard service. Facilities are serviced that are, quote, larger, more or different, end quote, than standard service directly assigned to the customer.

The record in this case is clear. The testimony of AG witness Seriak (phonetic), JNGO witness Jacobs and even ComEd's own witnesses that

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larger -- large loads are -- by definition are larger. They require more of everything, more demand. The average applicant over the past 12 months has requested 700 megawatts of capacity. To put that in perspective, 700 megawatts is approximately twice the peak demand of Naperville, a city of approximately 155,000 people, and the threshold for ComEd's existing extremely large load rate class is currently 10 megawatts.

Additionally, these customers generally take service at higher voltages than the typical distribution customer. They require more on premises facilities, and it costs more to serve them. The average project requires at least $10 million in investment to connect to the distribution system. Although, it can be as high as $50 million in some instances, and finally, the large loads are different.

As ComEd's own witnesses explained, that wasn't us, Commissioner Carrigan, that was ComEd's own witnesses, the size, density, and uncertainty of these loads present unique challenges from an engineering and planning standpoint. It's not much of a stretch to treat the needs of these customers as nonstandard. ComEd's existing tariffs already do this for any customer served at 345 kilowatts or above or for any

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sort of line extension that's beyond what ComEd considers to be standard service.

Given the record evidence that large load customers have larger, more, and different needs than virtually any other ComEd customer, the cost to connect them should be directly assigned under Rider NS. On the transmission side, the people propose that as a condition of retail service, large load customers must enter into a transmission security agreement that requires them to pay up front for the facilities that would not be needed but for their interconnection to the system. This ensures that the immense cost to serve these customers are assigned to the cost causer, and it also encourages more efficient siting because large load customers are incentivized to connect where there's capacity on the system and upgrade costs are lower.

The record is clear about the risk. Ten years of guaranteed revenue will in many cases not be sufficient to cover the full lifetime cost of the transmission facilities needed to serve such customers. AG Exhibit 2.0 looked at projects submitted to PJM to show that -- the revenue guarantee still leaves other customers at potential risk of having to subsidize approximately $900 million in

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costs. We don't believe it is reasonable for existing customers to bear any of that risk. There's no question this Commission has the jurisdiction to set the terms and conditions of retail service.

Like ComEd, we're asking the Commission to require a TSA as one of those conditions. Unlike ComEd, we're proposing a solution that will more squarely address the problem at hand. Therefore, we respectfully request that the Commission reject the proposed order's findings and adopt the people's recommendations as set forth in our brief on exceptions. Thank you.

CHAIRMAN SCOTT: Thank you, Mr. Metzger. Questions? Commissioner Reddick.

COMMISSIONER REDDICK: If instead of a -- let me ask this question first. Were your complaints mainly about the federal issues and the transmission or you're making the same argument for transmission and distribution?

MR. METZGER: So fundamentally, the same problem in ensuring that the cost that these customers are causing are paid for by them, and second, that existing customers, other customers who aren't benefitting from these facilities, who aren't driving these costs aren't bearing the risk of having the --

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of having -- of having to pay for stranded cost, having to subsidize these costs, so.

On the distribution side, there was some discussion earlier about Rider DE and the addition of on-premises facilities. That's an example where we think there's no reason to treat on-premises facilities for a 50-megawatt above or above customer as standard service that -- that should be considered nonstandard.

COMMISSIONER REDDICK: Let's accept the presentations by ComEd that over the 10-year period of the costs with the exception of footnote of the used up cost, but the -- the cost of the facilities being stalled and whatever goes into that, if they are paying -- I should be more precise. They are securing that entire amount and paying over a 10-year period with the security of either a letter of credit or a deposit to cover whatever has already been spent, don't you end up in the same place unless the -- the 10-year process blows up?

MR. METZGER: So I mean, that's -- the credit risk issue is one where it could be covered by stronger collateral, so a strong letter of credit does address some of that problem, but the -- if that's accurate, that at the end of 10 years, you take the

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rest of the deposit and ensure that the full cost of those facilities has been covered, then you get most of the way there. You're still floating it for that 10 years, but if you have a deposit or otherwise, strong collateral backed, you know, where you're not shifting that credit risk on to other customers, then, yeah, it gets you -- it gets you most of the way there. We're saying that, for one, that's not our reading of the existing Rider DE, that after 10 years, if there's a balance on that deposit, it's -- it's sucked in to pay for the cost of those facilities, but if that's the case, that does help, but we still think this is an approach that for, one, you have -- the magnitude of the cost and the uncertain nature of the cost does give you, I think, grounds to treat these customers differently than fitting it into the pre-existing model.

COMMISSIONER REDDICK: I don't think ComEd and the AG are saying exactly the same thing. One is, we'll pay it all. The other one is, you will pay this amount, and if it's extra, we'll keep it. Is that what you're saying?

MR. METZGER: Can you say that again, please, I'm sorry?

COMMISSIONER REDDICK: I thought you said

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that if there's something left at the end of the 10 years, utility would keep that and apply it for other costs.

MR. METZGER: Right. To ensure -- so you have a cost of a facility, say, $50 million to serve the customer, they pay their distribution rates for 10 years, and those add up to $48 million dollars, does the utility take that rest of that $2 million deposit at the end of 10 years and apply it toward essentially the balance of -- of those facilities, if that's the case, then that -- yeah.

COMMISSIONER REDDICK: I misunderstood what you said.

MR. METZGER: Uh-huh.

COMMISSIONER REDDICK: If the revenue requirement payments do not cover the entire cost, then you have security for that. I thought you were saying that if you had paid the entire costs and had money left over, you'd keep it. That's not the same thing. I understand what you -- I understand your point.

MR. METZGER: Uh-huh.

COMMISSIONER REDDICK: If the month lease calculation reasons or any other reason came up $2 million short, and you've got 2 million, then you've

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got 3 million in your deposit left or letter of credit, you take two, and they -- the other one goes back, so that you pay the whole 50, but you don't pay any more.

MR. METZGER: Right. I think -- I think that's right, but that --

COMMISSIONER REDDICK: And your problem with that, if I understood what you said is that we have not yet accounted for the cost of floating that --

MR. METZGER: That's one of them, and then, again, the other concern with that is that, that's not how we read the existing rider is that at the -- if there -- at 10 years your obligation is -- if you pay rates for 10 years, your obligation is retired. It's not -- you know, so that's -- that's part of the concern is that these are 40-year assets, and you have 10 years of obligations. Yeah.

COMMISSIONER REDDICK: Perfectly understandable. Same problem.

MR. METZGER: Uh-huh.

COMMISSIONER REDDICK: But if we are very clear in the order and the tariff is verified, so we are matching the total cost with the 10-year month lease, do you have problems still or is the float

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significant enough for you that that's still a problem?

MR. METZGER: I don't think it solves the issue because we still think the demands of these customers are facing are fundamentally larger more indifferent, consistent with the underlying principals of the tariffs. I think it -- it's stronger, but we still think that the magnitude -- the magnitude and the types of the facilities are not standard and shouldn't be treated as standard service.

But to your point, at the end of the day the concern is ensuring that the risk of covering these costs isn't shifted to other customers if you could design a -- a deposit and collateral system or a -- yeah. A deposit and collateral system that's -- that sort of perfectly tighten or prevents that risk which is what treating it as nonstandard service and directly assigning it does, then I don't think we would have a problem with that.

COMMISSIONER REDDICK: Let me throw out a hypothetical situation and just to see where you are. If we did a total cost of construction, all of it, direct and indirect costs, that are listed in the tariff and we added to that the cost of replacing used up capacity, and we kept -- we -- we gave the utility

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the authority to retain letter of credit amounts or deposit amounts to make sure they top up recovery, is that enough for you?

MR. METZGER: So I -- I think hypothetically it would be, but in practice, what we're saying is the incremental costs, the cost to connect should be directly assigned, and then --

COMMISSIONER REDDICK: But if you're saying we will cover whatever it costs us to build, we're always ahead.

MR. METZGER: Yeah.

COMMISSIONER REDDICK: We have more of your money than we have spent to build --

MR. METZGER: Sure.

COMMISSIONER REDDICK: -- to serve you. Doesn't that --

MR. METZGER: I mean, that is the fundamental issue, yes.

COMMISSIONER REDDICK: Uh-huh.

MR. METZGER: So if that were in practice, if you had that sort of -- if you had the full cost to serve them secured over a period of time and the full cost to serve them for the lifetime of the assets that are -- that are built, then as opposed to for just the time that they're on the system.

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COMMISSIONER REDDICK: I'm -- if I've paid the entire cost of putting an asset in place --

MR. METZGER: Uh-huh.

COMMISSIONER REDDICK: -- to serve me and the cost of the asset itself in my monthly payments, what have I left?

MR. METZGER: The cost of the assets needed to connect, and as well as I think this is what you were getting at with the portion of the existing system that they use -- so, yes. As long as you're paying for the full cost of -- the full cost to connect plus your use of the embedded system or the existing system, then, yeah, I think that's everything as long as -- yes. I think that's everything.

COMMISSIONER REDDICK: Thank you.

CHAIRMAN SCOTT: Commissioner Carrigan.

COMMISSIONER CARRIGAN: Mr. Metzger, in your initial comments, then in the conversation back and forth with Commissioner Reddick, the word cost or costs came up many, many, many times. Is the AG office -- are you capable of estimating what ComEd's proposal will cost ratepayers?

MR. METZGER: So what -- so AG -- on the transmission side, the -- our witness, AG witness Seriak, did an analysis of submissions at PJM and

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showed that some -- using the 10-year revenue guarantee and you -- and the lifetime cost of the assets, you're going to have some customers that pay more under their -- under their transmission rate than it costs to connect them, and then you have some that are going to pay less on balance more -- more paid less in the exposure out of, I believe it was, seven projects was roughly $900 million, so. That's the -- that's what the -- that's not necessarily a cost. It's a risk. It's an amount at risk to be clear. And -- and it's -- it's an analysis. You know, it's based on what NRG witness Dofinay (phonetic) as well as AG witness Seriak were able to pull from the PJM filings.

On the distribution side, we know what the cost to -- or there's evidence in the record regarding what the distribution costs are to connect these customers that are referred to that as -- I believe it was ComEd witness Perkins talked about the cost of the distribution facilities are roughly $10 million on average, but sometimes as much as $50 million, so. That's -- again, that's the amount that is at risk, particularly, if you're putting it into rate base and treating it as standard, so that -- that's what we -- and that's the -- the risk that we don't think

ratepayers should have to bear.

COMMISSIONER MCCABE: The company has petitioned only to revise Rider DE. What legal authority can you point to that authorizes the Commission to facilitate the AG's recommended change to Rider NS?

MR. METZGER: Where the company has proposed a rate, the Commission has to determine if it's just and reasonable, and if not, it can -- it can impose a replacement rate, so we think that under the commission's existing authority to ensure that rates are just and reasonable that you can -- you can make that change, and the company's also proposed to put that in the general terms -- general terms and conditions, and we think that functionally that same change could be done through the general terms and conditions.

COMMISSIONER PARADIS: You've talked about it a little bit, but let me give you -- I want to give you the opportunity to kind of walk through the proposal on contribution on aid of construction, so I want to give you the opportunity to just kind of outline what that is, then I have a follow-up question for you. I want you to do that.

MR. METZGER: Sure. So the contribution on

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aid of construction essentially means direct assignment of the costs up front, and in cash as -- as my colleague -- as ComEd explained with respect to, for instance, Rider ZSS or -- or things like for any sort of nonstandard service when a customer requests that a -- their service line be undergrounded and we've used kayak as the concept, but ultimately, it's directly assigning those costs.

COMMISSIONER PARADIS: So how do we deal with a issue of free ridership in that scenario, if we approve that?

MR. METZGER: The issue of free ride -- on -- so --

COMMISSIONER PARADIS: On additional customers, and they would be using the same distribution system or transmission system.

MR. METZGER: On the transmission side or on the distribution side? So on the distribution side, we -- again, this is very similar to how the existing tariffs function which is these costs are identified. They're overwhelmingly serving a single customer. And so that's why those costs need to be -- need to be directly assigned. To the extent that there's some ancillary benefit, I mean, this came up in the cross examination of ComEd witness Perkins,

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something that is directly assigned or treated as nonstandard doesn't mean it -- categorically, no other customer ever benefits from it and just because something is -- is considered network service doesn't mean it's not primarily or even overwhelmingly served or built for a particular customer, so. I don't think that that is the -- I don't think that that is the decision point is whether any other customer might benefit from it and that you have to think through how you would deal with that.

That being said, I -- the way that -- on the transmission side, for instance, the way that FERC has handled it with respect to generator interconnection everything from the customer site to the point of interconnection with the existing transmission system is assigned to the generator customer to the extent that there are broader network upgrades required, they might fund them up front, but if they do -- if they do benefit other customers at some point in the future, there may be a credit back for that sort of -- for that -- to the extent of that benefit.

CHAIRMAN SCOTT: I thought I -- I thought I knew coming in, and then I got a little confused during your opening statement, so it's probably

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just -- it's probably just me, but. Walk me through where you differ from the company on the TSA, on the transmission portion.

MR. METZGER: So we think -- we both think that you should require a TSA --

CHAIRMAN SCOTT: Right.

MR. METZGER: -- as a condition of retail service.

CHAIRMAN SCOTT: Right.

MR. METZGER: Our -- our request is that as part of that condition, that the TSA should say this, and that's what we're -- ComEd still has to take it to FERC to get approved. They're still going to do a 205 filing at FERC, but we think it should provide that -- that the -- that the cost caused by these large load customers are directly assigned to the cost causer.

CHAIRMAN SCOTT: Is it a matter of how that's calculated or is that just a matter of -- of actually needing to physically take something to FERC to have it approved ahead of time? So is that the only difference or is there a difference --

MR. METZGER: So I think -- how it -- so ComEd is guaranteeing the revenue under the existing NITS rate that that's how the TSA proposed, but as I understand it, that particular requirement isn't in

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the TSA or isn't in the condition of retail service; whereas, ours would be -- would say a particular -- a particular assignment of those costs is -- is a substantive term of that TSA.

CHAIRMAN SCOTT: Got it. I appreciate that. Thanks. Commissioner Reddick.

COMMISSIONER REDDICK: And if FERC says no?

MR. METZGER: So that's a risk under either proposal, that FERC says no to the TSA. I think -- I won't -- I mean, I'm not going to misrepresent that this is a slam dunk at FERC. So either -- but we think this is consistent with where FERC is headed in a couple of respects, particularly, with the advanced notice of proposed rulemaking as well as even some of the statements Commissioner Chang's occur -- concurrence in the peak code TSA case, but. I mean, fundamentally, we -- you know, that's -- if FERC says no, I think there are a couple of responses to that. One is, like I said, that's a risk with any TSA requirement. And so we're in the same place, and what ComEd said in, you know, on cross examination was, well, we have to come back to you. So that -- that's -- that was the response there.

The second -- the second point -- and I think JNGO does a good job laying this out in the

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brief is that there are arguments that this is within your jurisdiction, if you look at the Tri-State case as well as -- as well as the recent California PUC decision, so. It's cited in JNGO's briefs, so you know, we think that there is risk that if FERC says no, but. We think it's worth the risk.

CHAIRMAN SCOTT: Okay. Thanks, Mr. Metzger.

Next, we'll hear from Mr. Wallace and/or Mr. Klein. I see Mr. Wallace.

NICHOLAS WALLACE: (Inaudible).

CHAIRMAN SCOTT: Okay.

NICHOLAS WALLACE: (Inaudible).

CHAIRMAN SCOTT: Yes. So these are the exhibits that you sent in earlier?

NICHOLAS WALLACE: Yeah. And there's an addition to that.

CHAIRMAN SCOTT: Okay.

NICHOLAS WALLACE: (Inaudible).

CHAIRMAN SCOTT: Yeah. So the -- the requirement is that the exhibits that you want to use are filed ahead of time, so that we're not doing something like -- like we're doing right now, so. I would say don't pass the PJM letter out. The other -- the other things, though, I mean, Commissioner McCabe

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really wants her color copies there, so. You can reference -- Mr. Wallace, you can reference the -- the letter, but. Thanks. And how much time would you want to reserve for rebuttal? Okay. I don't know if the mic's on. Check it real quick. There you go.

NICHOLAS WALLACE: I reserve one minute for rebuttal.

CHAIRMAN SCOTT: Very good. So you've got six to start with here.

NICHOLAS WALLACE: Good afternoon. Nick Wallace on behalf of JNGO. ComEd's proposal fails to protect reliability and affordability in two important respects. First, ComEd's reliance on a TSA is an incomplete solution that does not eliminate the risk of unjust cost shift.

As I'll explain, JNGO accordingly recommend that the Commission require large loads to pay directly for their high voltage line extension cross. Second, I'll discuss JNGO's proposal to protect reliability by establishing flexible interconnection and bring your own generation provisions through a follow-on proceeding to begin within 90 days.

Turning first to line extensions, JNGO's testimony describes how ComEd currently socializes the cost of high -- of new high voltage facilities it

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builds to connect large load customers. It's helpful to look at a specific example. In briefs, we discuss project Manteno as seen on JNGO Exhibit 3.03. ComEd is building this project to provide service to a single large load customer with eventual load of 113 megawatts. ComEd plans to provide this customer with a new substation, the big red dot in the middle of the picture there and multiple 138-kV lines connecting to ComEd's transmission system at multiple points. But this customer is not paying the cost of these facilities. Instead, ComEd will place 64 million of these costs into transmission rate base which means everyone, including residential ratepayers, will pay these costs. That violates the Public Utilities Act false causation principal which states that the cost of supplying public utility services should be allocated to those who cause the cost to be incurred. JNGO and the AG propose a simple solution to this sort of cost shift to require customers like the large load here in project Manteno to pay directly up front for line extension projects like this one. That solution adheres to the cost causation principal, and it is fundamentally fair for the customers that benefit from these sorts of facilities to pay for them.

Earlier you heard ComEd argue, in essence,

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that the Commission can't prevent this sort of cost shift because FERC rules require it. Not so. The truth is that neither FERC, nor PJM dictates how retail customers pay for their connection facilities or which costs go into rate base. On the contrary, as recently as December, FERC said, quote, states have exclusive jurisdiction over the allocation of FERC jurisdictional costs to retail customers. Indeed, multiple other state commissions have recently taken steps to adopt the direct assignment or approach that we recommend here including California in the PG&E case and Kansas, Wyoming, and Pennsylvania. You also heard ComEd say that the TSA alone provides sufficient protection against the cost shift based on new numbers that ComEd just produced today.

What the record shows is that while some large load facilities may generate sufficient revenue to cover their costs, many will not. ComEd's proposal leaves it up to chance whether large load customers cover their costs. There's no reason the Commission has to take that leap. Our direct assignment proposal reduces uncertainty and ultimately provides more protection to ratepayers. Moreover, JNGO do not oppose a TSA revenue guarantee if it is paired with direct assignment of high voltage line extension

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costs. And there's no reason the Commission has to choose one. The TSA will discourage speculative projects and will provide additional protection to customers while direct assignment will internalize the large load customers' infrastructure cost. The bottom line is that this Commission has the authority and indeed, the responsibility under the act to require large loads to pay the full cost of their new connection facilities. Doing so is as simple as extending the company's current policy with regard to nonstandard facilities to all new large load connection facilities at a voltage of 138-kV or higher. And if we can go to the next slide.

Turning to our proposal to establish flexible interconnection and bring your own generation provisions through a follow-on proceeding. ComEd projects thousands of megawatts of load growth from large loads in the coming years. Growth at the system as it is currently designed simply cannot handle with any degree of reliability. This is a profound challenge, but it also presents a unique opportunity for the Commission to establish Illinois as a leader on this issue. JNGO's testimony and briefs recommend a near term follow-on proceeding to develop flexible and interconnection standards to address these

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reliability challenges. Recent developments at the federal level make this recommendation even more urgent. FERC in its PJM collocation order, and PJM, a board letter announcing its proposal for large load additions have made clear the federal rules enabling non-firm service and bring your own generation are coming. But as you can see on this slide, they have also recognized that states must act to make those provisions work. For instance, PJM recognized that while it can curtail load from load serving entities like ComEd, it cannot pass that curtailment down to specific large loads, only the retail utility. ComEd can do that and that requires a state retail tariff that allows ComEd to offer non-firm or flexible service. The proposed order says that the Commission should wait until the next rate case or next rate design investigation years down the road to consider these issues. That would be a mistake. By the time the next rate case rolls around, ComEd will have already connected thousands of megawatts of new large load customers endangering the reliability of the entire system. That's why JNGO proposed this follow-on proceeding to ensure Illinois stays ahead of the issue and aligned with FERC and PJM policies.

Thank you. I invite your questions.

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CHAIRMAN SCOTT: Thanks, Mr. Wallace. Questions. Commissioner Carrigan.

COMMISSIONER CARRIGAN: Just trying to get a clear understanding, you advocate for speed to grid interconnection pathway, then you also talk about a flexible interconnection option. Can you please explain how these two pathways work together?

NICHOLAS WALLACE: I invite my colleague, Brad Klein, up to handle that one.

CHAIRMAN SCOTT: Mr. Klein, go right ahead.

BRAD KLEIN: Thank you, Commissioner Carrigan. Yeah. Both -- both of these policies fit neatly together in sort of a through the -- the utility's large load interconnection process.

So what we've proposed here is really threefold, reforming large load interconnection and ComEd to its credit is taking steps, the cluster study process that they proposed is a good step forward on large load interconnection, but it leaves a lot of the detail terms and conditions that we have or generators when they connect into our Part 466 rules, for example, create a process for how you evaluate different kinds of generation projects to ensure reliability of the grid.

What we're proposing is that -- and there's

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significant testimony in the record from Kyle Thomas, for example, JNGO witness, who is a leading expert in this -- in this field that says these large loads are creating new and unique risks to reliability that require a similar approach and standards in criteria for them for the -- that are clear. They're laid out in a process, and they address all the loopholes, so. By doing so, we would have a -- a follow-on process that allows or all the parties to create a record in, you know, a sufficient time that's near term and not stretching out over years to make sure when these facilities come online, they're safe and reliable.

Now, to your specific question about how to bring your own generation and the flexible interconnection would work, they'd be embedded in that large load interconnection process. They would enable customers that are going to create less of a reliability risk for the grid because they agree to take non-firm service at the times that which the system is peaking, they say, hey, we will agree to be able to curtail our load, so we're not contributing to that resource adequacy problem or reliability problem and -- and/or through the criteria that ComEd would establish in the tariff, they agree to bring some of their own generation to address resource adequacy

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risks; right? The supply and demand imbalance that's creating reliability problems, and also, to be frank, just affordability problems for those types of customers you could accelerate the interconnection review and construction process. You'd essentially bring those to the top of the line to the top of the stack. That's a good way to protect the integrity and reliability of the state's grid and service for all customers because those are the kinds of large loads that are going to create less risk for the grid because they're agreeing to curtail and be flexible, and they're bringing their own generation. We think that should be recognized and sort of rewarded and encouraged in ComEd's load interconnection review process. So those are the ones that are going to move forward here in Illinois. We'll have a much more stable grid.

And just one last point, that's exactly how we handle generators; right? There are expedited review tracks under our Part 466 rules for those kinds of generators that are determined to be less risky, and there's need for less construction of facilities; right? We accelerate those. Same idea here. Hopefully, that addressed your question.

COMMISSIONER CARRIGAN: That was

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comprehensive. When you talk about the flexible interconnection option, what type of incentives are you considering?

BRAD KLEIN: So -- and I want to go right back to Mr. Rippie's description about -- I think he used the example of, you know, the license plate and what are the conditions attached to driving in this state. Same thing here. The Commission has -- and I a hundred percent agree with him. The Commission has exclusive jurisdiction to determine the license to operate as a retail customer here. So the incentive in a situation, we've got this unique situation where ComEd has more than 25 gigawatts of projects queued up. And there's no way without very, very significant investment in time and years to serve all 25 gigawatts. And more as they continue to come in. We need a framework that determines who moves forward and who waits.

So the incentive for this flexible interconnection is to say, if you agree to take flexible service under this tariff, you move forward. You are the ones that are going to get pulled out of this long queue, the innovative companies, the innovative projects, the ones that are thinking of new solutions. Both supply and the demand side are the

ones we reward and allow to move forward, so that's the incentive. Speed to grid is probably the most important incentive for these companies right now, and if we give them a framework that rewards innovation and flexibility, there's going to be a lot of companies working really, really hard to meet it. We want to welcome those companies to Illinois. We want to get them moving faster. We want to say we've got a good system for you to get out of this queue, get out of the line.

COMMISSIONER CARRIGAN: Keep me on point. How do these incentives work with ComEd's proposed cluster study?

BRAD KLEIN: How would the incentives -- so with ComEd's proposed cluster study, we would propose that that in the follow-on proceeding that we've recommended, and just to be specific, that that would occur -- we would -- within 90 days, ComEd would file some tariff amendments that would add to the cluster study process, so it's sort of to amend it or in addition to it that would spell out how they would reform the cluster study to enable the projects within that cluster to meet these conditions, and then move forward faster. And I think that that's one of the reasons why we think it's relatively urgent, in

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addition to what Mr. Wallace said, that FERC and PJM are going to depend on states and state commissions to create pathways to implement the federal policies and bring your own generation and flexible.

We think it's really important that we not wait too long, because as I understand it, I mean, ComEd is moving forward with these clusters now. Cluster one is nearly done. Cluster two is in process and will be done soon. And so when the horse is out of the barn, so to speak, with those projects, it'll be too late to develop these kinds of innovations to -- you know, to let the project move forward. We're worried that we're going to be implementing innovative solutions after there's so much new capacity that's -- that's already moving forward. We'll miss that opportunity.

COMMISSIONER CARRIGAN: And again, keep me straight here. Let's go to the flexible interconnection option and see this could be a good option for customers who want it. Are you proposing that ComEd require this for all?

BRAD KLEIN: No. And it's a great question. We're not. We're not saying that. We're just saying, as I said before, if we have to allocate a scarce resource in Illinois which is access to our

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grid, we want to encourage the companies that are going to be protective of all retail ratepayers; right? And protective of reliability to get on the grid, so. So we're going to say that's a -- we're not going to mandate it. We're not going to require everyone to do it, but those that are willing to get creative, we're going to reward that.

COMMISSIONER CARRIGAN: Chairman, I'm good for now.

CHAIRMAN SCOTT: So let me follow up on this, Mr. Klein, and -- and I might -- I might agree with you on the bring your own, and I might agree with you on the flexibility interconnection. I'm trying to figure out how I put this into a tariff case instead of into something else, because what you've -- what you've laid out reads amazingly like proposed legislation I just -- I just read. And so the question becomes, it is -- where do I find the existing authority to take a tariff that's dealing with a large rate and put into that requirements around how the load is going to perform in the flexible case or even what the load is and how the generation is going to serve that in the -- in the Beyonce (phonetic) or bring your own case. So how do I -- how do I -- how do I make that work given the

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existing authority and -- well, start there.

BRAD KLEIN: Yeah. Yeah. Thank you. I thought where you were going to go, as I said, is that our proposal looks amazing, like what FERC and -- and FERC and PJM were going; right? Which is, I feel like we anticipated that, and it reflects a real movement in the -- in this -- I mean, a lot has changed since things were filed, and things are moving towards this point; right?

CHAIRMAN SCOTT: It does, but they don't get to tell us how to -- how to do that, so.

BRAD KLEIN: Right.

CHAIRMAN SCOTT: So the question becomes not whether it's a good idea, it's whether I can do it under the existing authority we've got.

BRAD KLEIN: Exactly. And I think that's why I think reading the PJM board letter is so important on Mr. Rippie's statement that states absolutely have jurisdiction to create conditions of retail access and retail service, says the exact same thing in the PJM board letter in the FERC rule, and in fact, it even says it -- it says we're asking states to do this because we, PJM, recognize we do not have jurisdiction.

CHAIRMAN SCOTT: Uh-huh.

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BRAD KLEIN: FERC does not have jurisdiction over the retail customers. They can only do it by curtailing ComEd as the load-serving entity. If we do not have a tariff in Illinois to allocate that curtailment, then PJM is moving forward fast. We said we want to have this done and in place and in service before the end of this year. If we do not have a tariff in Illinois to allocate that curtailment from ComEd to its retail customers, we're stuck, and they're going to have to curtail it -- I don't know. I -- I'd ask them, curtail customers generally. Curtail residential customers. So that's why we -- and so the record is really clear, and if you look at Exelon's arguments to PJM, you know, it's a hundred percent consistent. States have jurisdiction over retail rates and rate design and retail customers. You're allocating that to the retail customers through the large load interconnection process. And we think that that authority's really -- the last thing I'll say on this -- Section 9201 C of the Public Utility Act is very clear that in a tariff case, when the Commission is reviewing a proposed tariff, they can -- they have the -- the Commission has the obligation to ensure that they determine that tariff is just and reasonable, and if not, alter it, modify it or even

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adopt new rates, and new rates in terms in lieu thereof, and the statute uses that language in lieu thereof to ensure that the resulting tariff is just and reasonable, and we think the record is really strong, especially with Kyle Thomas's testimony that reliability and resource adequacy are at risk, that without doing this, we don't end up with a just and reasonable rate.

CHAIRMAN SCOTT: So when you talk before about you made the other analogy to the 466; right? But those are regs that are there already, and yes, you could do something in relation to that, because those regs already exist. What -- other than the generalized statement in 9201, which I get. What -- what do I have that tells me that I can take -- because -- because I think we're all agreeing that we're in new territory here, so how do I -- how do I make sure other than just a generalize statement, 9201, understanding what -- what PJM is saying, understanding what FERC is saying, but they're -- they don't have control over what our authority is to do something from a Commission standpoint. Is there something in addition to 9201 C that I can rely on to -- to do what you're asking us?

BRAD KLEIN: Yeah. The Public Utility Act

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gives the Commission plenary authority to ensure just, reasonable, affordable, reliable electric service. This record, we think, is very credible in demonstrating that existing service requirements, notwithstanding ComEd's proposals, which we think are moving in the right direction, and we think are certainly better than the status quo, and we think you should adopt them; right? But notwithstanding those, we think that the status quo tariffs do not result in just and reasonable service because they put affordability at risk, and they put reliability of the grid at risk. Those two very core components of your plenary authority under the Public Utilities Act. Section 9201 C is procedural, and it talks about what you do when you receive a tariff proposal, but that's not the universe of your authority. Your authority comes from the Public Utility Act generally to ensure and -- and the obligation to -- to assure just and reasonable service.

CHAIRMAN SCOTT: So the request is to approve what they've given us, but then tell them that they have to file a second tariff after this process and come back to us.

BRAD KLEIN: With a record. Absolutely right. It's both and proposal. Approve this with

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a -- with the filling the loopholes around direct cost assignment for transmission costs that Mr. Wallace demonstrated; right? Step one. And we think that can be done on this record. And step two, come back in a near term proceeding within 90 days to -- with guidance from the Commission, so we're not just in an abstract nebulous proceeding, but that sets very clear expectations that within 90 days, the company develop and file a tariff amendment that addresses the reliability and resource adequacy issues around large loads through -- by fixing their large load interconnection -- improving the large load interconnection process with flexible interconnection and bring your own generation incentives. And then that would create a record under it with a schedule that would come to you again for a decision to approve those amendments. And we think that would get a decision in Illinois, if the schedule is appropriately aggressive within the time that PJM and FERC are working on their curtailment, non-firm service, and bring your own requirements so that we are in a position to implement those policies and not wait and not leave other customers at risk for curtailments that PJM makes to ComEd without any tariff in place to allocate that.

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CHAIRMAN SCOTT: Thanks, Mr. Klein. Questions. Commissioner McCabe.

COMMISSIONER MCCABE: Did the timing and scope of this proceeding limit the ability of parties to resolve some of these issues?

BRAD KLEIN: Yes. And the quickly changing nature of the large load issue, generally, in the fact that within our docket after we filed direct testimony, PJM and FERC came out with proposals that looked very much like the ones our witnesses put in.

CHAIRMAN SCOTT: Commissioner Paradis anything?

COMMISSIONER PARADIS: No. I think -- I think I -- well, just to be clear, you support everything that ComEd's put up, so you want to close the loophole -- I think they referred to in DE -- continue where we're at with the nonstandard and the ZSS, and you want to do a new -- what kind of timeline are we talking about, because as you just said, things are changing all the time. So how do we best address that when who knows what could be filed three months from now?

BRAD KLEIN: Yeah. I want to take that in two parts. First, just to clarify the first part, we support what ComEd has proposed, and we think that you

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should approve it with the additional fix to -- to fix -- to ensure that large loads are directly assigned the cost of their line -- what are effectively line extensions, high voltage line extensions, directly to serve them.

Like the project Manteno diagram, those -- and this gets to, you know, the discussion with Mr. Rippie, we are not proposing direct assignment of the upstream transmission network cost. We agree that those up -- there will be a need for more upstream transmission driven by large loads. As load grows, we need a bigger transmission system. We're not arguing for direct assignment of those costs. We think the ComEd TSA proposal actually is appropriate for those upstream transmission costs. However, there are certain things that are meant only to serve large load customers. The red line on the diagram to Manteno, the substation; right? That's just a line extension. And you can -- you -- we know how much that costs. ComEd has filed that with PJM. That can be directly assigned under the status quo that's getting folded into transmission rates, too, and socialized even though it's built specifically for one specific customer. So that's the distinction. We support where ComEd's going, but we think those things that

are effectively line extensions for one specific customer can be direct -- can and should be directly assigned under your retail rate authority.

Secondly, to your question about like, what happens next, and how do we know when we're done, we have no illusions that this is the last time we'll be before you on large load policy. It's very likely we're going to keep working on this for a long time, but we've got to start somewhere, and there's a huge risk to us not starting now and having this kind of proceeding to develop the policies where we actually know where the buck is going because FERC has said it. PJM has said it. It's going towards bring your own generation. It's going towards non-firm service. And there's a very strong record in this case describing why that's just and reasonable and necessary to protect reliability and resource adequacy and other customers in Illinois. We know where it's going, so let's start. Let's not wait on those things, get something in place that can implement those policies and protect Illinois customers, because if we don't act now, it's that same dynamic. There's going to be a lot of projects that are approved with no protections, and it's so much harder to claw back or try to apply things retroactively than to create the

framework on the front end, and moreover, creating that expectation in the -- the expedite -- the opportunity for expedited interconnection will pause these companies to roll up their sleeves and get to work and be creative and create the solutions on the front end. It's so much easier to do it then when you're planning a project than to sort of say to a project that's already been connected, hey, you know what? We're going to have to curtail you. You're going to hear a lot of howling about that and maybe lawsuits; right? Like, so if we can stay on the front end, we're going to reward you. If you can be flexible, you're going to get innovative projects that are designed from the start to be able to accomplish that and do that.

CHAIRMAN SCOTT: Can I follow up one more time on that? So following that, I'll -- to its logical end, given what you're saying the record exists in this right now, and you're saying the generalized principals, why do I need the 90 days in the process? Why don't I just order -- why don't we just order ComEd to add the stuff to their tariff now? Could we do that?

BRAD KLEIN: I think that's a -- I mean, we're asking -- that's what we're asking. We're

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asking for the Commission's order, and I think if you look at page 23 of our -- of our brief on exceptions, we sort of pick that excerpt of what a suggestion of what the Commission might consider including in its order which is essentially order ComEd to work with stakeholders to develop and file proposed large load interconnection standards that include these four things.

CHAIRMAN SCOTT: That's not what I'm asking. I'm asking if there's enough in the record right now for us to do it in the order without sending you back to go do this and come back to it.

BRAD KLEIN: I absolutely think there is. I mean, we tried to put enough -- I think there's a lot of evidence in the record, and it's supported by the orders from -- for PJM that this is happening, that you could. It would require crafting exactly what that -- that looks like, but that could be massaged through a proceeding. So, you know, I think you could move right to it. We think a 90-day period to work with the company and stakeholders is reasonable under the circumstances. But -- but I think there's enough -- I think you certainly have the authority, and there's enough in the record for you to do it immediately.

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CHAIRMAN SCOTT: Thanks, Mr. Klein. Commissioner Reddick.

COMMISSIONER REDDICK: To the relief of many, I'm losing my voice. I'm -- I'm recalling what was said by Mr. Rippie, Mr. Metzger, and you. It seems to me that Mr. Metzger is focusing on the calculations, the dollars, what do we recover, and how do we recover it. Mr. Rippie explains that he -- that explains. I'm not sure we can figure out a way to do that. You say FERC is headed in the right direction, but they're not there yet. So we're going to have to -- if we follow your suggestion, overlap what they're doing, that's different from what you say we should do.

And finally, you've got what seems to be a real focus on the process as opposed to the dollars. And that may make it an easier decision, but it brings it with some math that I can't do, so. To follow on the chairman's question, where -- how do we do this? We don't have a record that goes that deep into the woods.

BRAD KLEIN: I sympathize with like the -- it's complex, and I had to learn a lot in this record about the difference between a distribution expenditure and a transmission expenditure and

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following the money on this. If I could -- and I think maybe this example like what made this easier for me is, really looking at a project, one project, and maybe if we could pull up the Manteno, project Manteno slide again, hopefully, this addresses your question, because if you'll notice on that diagram, there's a new substation built for project -- for one large load customer, project Manteno. There's two feeders coming into that substation. Both feeders are intended, specifically, to serve that large load customer and nobody else. Those are connection facilities for the customer.

The first feeder, it's in Phase 1. It shows -- it says, tap configuration. ComEd directly assigned the cost of that to the customer. It did not put that in the transmission rates, and if you look at Phase 1, and you can see it on the left side of the screen, it says estimated transmission costs zero dollars. And this is what they're -- they're -- this is from ComEd's filing with PJM; right? Of their transmission filing, so. They're able to do this. They knew what that first tap cost. They knew how to directly assign the cost to the customer. And the customer paid for it; right? Agreed to pay for it. And it didn't go into transmission rates. When they

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put the second tap in, the second feeder, same function; right? Then they estimated that cost again at 64 million, but they did put that in the transmission rates, and they did that based on their proposal in this case about defining it or functionalizing it as transmission. Now that there's two feeders into one point, they said, okay, that satisfies FERC's seven-factor test. Now it's transmission, now it's going to PJM. But the Commission and FERC has been very, very clear about this. The Commission never intended the seven-factor test to be used to define cost allocation for facilities that the retail facilities that -- retail utility builds for a customer. The seven-factor test was designed for a different process that, you know, my colleague, Nick Wallace, could go deep into, if you have further questions on that. This example simply shows that the same type of infrastructure -- this is not that hard. They can -- they know how much it cost. They know it's connecting a specific customer. They can put a dollar on it, and they can directly assign it. We're proposing both of those are, effectively, line extensions. We know the cost, just directly assign that full cost to the customer instead of socializing. So it shows up in everybody else's

rates. I hope that addressed where you're going. Like, because using the specific example, you can see that it's really not that complicated for these -- all the upstream stuff. The network behind this that goes beyond this picture, there's other transmission costs that are going to have to expend to bolster and make the transmission network more robust. We're not proposing any change to that. We think the TSA is appropriate for that. And we think that will ensure that these customers remain in place and have a revenue guarantee over the long-term to pay for all that network, but this stuff is easy. This is just line extensions; right? We do this on the distribution system all the time.

COMMISSIONER REDDICK: If you do that, you're going to have to define that line. If you want to do what the chairman says, what does he; right?

BRAD KLEIN: Yep. Look at this -- and we cite the PG&E California PUC order. In the PG&E case, it's cited in our brief. We could pull the reference. They do exactly that, and in fact, they include a picture. It looks a lot like this, and they draw lines in it, and they say, if it's a line extension, we, California, direct PG&E to collect that directly. If it goes beyond that dotted line, it's not a line

extension. It's an upstream network cost that goes into transmission rates. It's exactly what we're suggesting. There's precedent for it. It illustrates there's jurisdiction for states to do this. And it's not that hard.

COMMISSIONER REDDICK: The picture you're showing us, you've got direct service to the red dot, customer, and the next picture, you've got two lines to the same customer. How do you differentiate more service to one person or one customer that looks very like the other except more capacity, and then service to one customer, but because there are two lines, there is at least a theoretical possibility that it could be used by somebody else, that sort of thing. That's -- that's what you're asking us to do on this record.

BRAD KLEIN: I actually read it kind of the opposite of that because there -- these are feeder lines going directly to the same customer. I don't know all the reasons why Manteno or the customer Manteno might want redundant transmission service. I know they want very, very, very reliable service. I imagine this is a redundancy to provide even more benefit to the customer than a single service line would get which makes it ironic and somewhat

paradoxical that -- that one that provides even more extra reliable service to one specific customer is a thing that all of us are paying for in a socialized rate; right? We're paying the 64 million. It's socialized. Now, it'll be subject -- it'll be secured by the TSA over time, but effectively, it's going in the transmission rates that everyone will pay, even though there's no demonstration on this record, and no one is -- no one has demonstrated in this record that that second line provides any service or any benefit to any other customer but that one customer, and ComEd with a burden -- has the burden of proof, had an opportunity. We put testimony in pointing this out in our direct that this was a problem. There was never a rebuttal saying, no, actually, that line serves lots of customers or is benefitting other customers than Manteno. It's -- it's for that customer.

COMMISSIONER REDDICK: I think a number of us is still struggling with, where do we get what we need with that in an order? It may be a great idea, but. Aside from the big picture, concerns that the chairman talked about, there's the weedy stuff like, how do you draw a line, how do you calculate the right number, how do you prevent the customer from paying for something that he's paying for anyway because FERC

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hasn't gotten to where you are?

BRAD KLEIN: And the last thing I'll say on -- on this point is, it helped me immensely to read the PG&E order from California, specifically, because it does the hard work for you -- us all already. It drew the line, and I think it drew it in a very reasonable way that said, we know what line extensions are; right? We know when something is built specifically for a customer, and we're just going to literally draw the line that that should be paid for by the customer. It's benefit -- that it benefits.

CHAIRMAN SCOTT: Thanks very much. We really appreciate it, Mr. Klein and Mr. Wallace. Thank you. You've all been very patient. We have to get a Ricola for Commissioner Reddick, so we're going to take -- we're going to take 10 and come back around 10 'til or five 'til, then we'll join up with Mr. Townsend.

CHRIS TOWNSEND: Thank you.

CHAIRMAN SCOTT: Okay. We're all ready to go? Mr. Townsend representing NRG. How much time would you like to reserve, if any?

CHRIS TOWNSEND: I'd like to reserve one.

CHAIRMAN SCOTT: One minute. All right. So you'll have six. Good to go.

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CHRIS TOWNSEND: (Inaudible) Chairman Scott.

(Silence in audio.)

TIM PAYNE: Mr. Chairman, this is Tim. His microphone is not on.

CHAIRMAN SCOTT: All right. Part 2, get to redo it.

CHRIS TOWNSEND: Are we resetting, please? Thank you. Second verse same as the first.

CHAIRMAN SCOTT: Thank you, Tim.

CHRIS TOWNSEND: ComEd has identified two legitimate goals, protecting consumers from cost shift and attracting large load investments to Illinois investments that bring jobs and long-term economic growth. NRG supports both of those subjectives. The problem is, structural as designed ComEd's proposal fails to achieve either of those goals. The record demonstrates three poor issues. The proposal is not cost based. It is inflexible, and it especially beds a wholesale construct that's beyond this Commission's control.

First, the proposal is not cost based. This commission's ratemaking framework centers on allocating recovery of prudently incurred costs, large loads should pay the incremental costs that they

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cause, and NRG agrees with that principal. But ComEd's proposed structure requiring a TSA with a mandatory letter of credit isn't tied to incremental costs. It secures 10 years of projected transmission revenue under worst case assumptions. Using ComEd's oral argument figures for purposes of argument, incremental upgrades total roughly $950 million while the security exceeds $2 billion.

The critical point is this. At the project level a revenue-based TSA doesn't reliably protect consumers. As Mr. Dofinay's analysis showed, in some cases, it immaterially under secures relative to the facility's costs, meaning other customers remain exposed. In others, it demands collateral that's several times greater than the cost associated with the facilities. A mechanism that cannot reliably match collateral to the actual costs does not sound like consumer protection. Rate design is intended to send efficient price signals about system impacts. When collateral is tied to projected revenue, rather than incremental costs projects that efficiently use the existing infrastructure end up getting over securitized while projects that drive significant upgrades have security that's much less than their actual cost exposure. That's precisely the wrong

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price signal. This distinction will be illustrated simply if a tenant is moving into the top floor requires upgrading a building's elevator. The appropriate response is to assign that tenant the (inaudible) of the upgrade. That's cost causation, but the solution is not to charge the tenant for cause unrelated to the upgrade, and it's certainly not to charge the tenant a 10-year guarantee of projected revenues regardless of what the upgrade actually costs. The same principal applies here. Large loads should bear the incremental transmission costs that they cause. No more and no less.

Second, the proposal is inflexible. The mandatory one-size fits all letter of credit does not calibrate security to the demonstrator risk. It doesn't scale with ramping load. It doesn't allow equivalent instruments that can provide prompt and forcible payment. Reasonable alternatives including properly structured security bonds and phased security can protect other customers while preserving flexibility. Consumer protection requires security aligned with actual exposure, not the most rigid instruments.

Third, the proposal embeds wholesale constructs that are beyond this Commission's control.

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The tariff mandates execution of a FERC-approved TSA with collateral equal to exactly 10 years of projected transmission revenue. If FERC modifies the construct, changes the term, adopts some cost space model instead, this Commission would need to revisit the tariff to conform to that federal change. Retail tariffs should be designed to endure as federal policy evolves. NRG doesn't dispute the Commission's authority to establish conditions of retail service.

The question is, how is that authority exercised? With respect to the distribution level impacts, NRG supports ensuring customers' bear distribution state cause using the existing Rider DE and Rider NS, but the central issues in this case are the TSA and the mandatory letter of credit.

In short, the Commission can protect customers and attract large load investment and the jobs associated with them. By adopting a framework rounded incremental cost recovery proportional and flexible security and durable tariff design, NRG respectfully requests that the Commission adopt a final order that aligns responsibility with actual system impacts. No more and no less. Thank you.

CHAIRMAN SCOTT: Thank you, Mr. Townsend. Questions? Commissioner Reddick.

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COMMISSIONER REDDICK: Wouldn't it be true that facing the collateral security on cost instead of on the revenue requirement would leave whatever difference between revenue requirement and cost for somebody else to pay?

CHRIS TOWNSEND: Well, it would either leave or it would match the costs to the revenue so that there -- it would actually cover whatever the costs were for those facilities. So there wouldn't be a -- a gap in the revenue or -- because the goal is not to match revenue. The goal is to cover the costs. You don't want ratepayers to be stuck with costs that they didn't cause, and that's what the incremental revenue requirement proposal for -- of Mr. Dofinay does.

COMMISSIONER REDDICK: But if a customer requires a certain piece of equipment that costs X, you can't get to that without all the things that go along with it under regulatory structure and revenue requirements as the final product of including.

CHAIRMAN SCOTT: Excuse me just a minute. Okay. Go ahead. I wanted to make sure whatever was on the screen is now off the screen, so. Thank you. Go ahead, Commissioner Reddick.

COMMISSIONER REDDICK: I didn't notice.

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But -- but I think revenue requirement is kind of a catchall term for direct cost, indirect costs, all the other things that go into revenue requirement calculation, and if you don't collect all of that from the large -- new large load customer, somebody else is going to have to pay them. That's exactly the opposite of what you said about effecting the cost.

CHRIS TOWNSEND: But the revenue requirement is based on the costs and who is it that -- and the purpose of rate design is to match the cost with the cost causer, not with the revenue with a hypothetical 10-year revenue stream. So the question is, what is the goal that you're trying to achieve with rate design? And --

COMMISSIONER REDDICK: Well, one of the goals is to protecting the other ratepayers.

CHRIS TOWNSEND: Protecting them from having to pick up the costs associated with the costs that other new customers are imposing on the system.

COMMISSIONER REDDICK: But if everybody paid marginal costs, then where's the -- all the rest -- you know, the revenue requirement that -- that --

CHRIS TOWNSEND: Everyone is contributing to the revenue requirement. Everyone pays those costs

and it -- what you saw --

COMMISSIONER REDDICK: You think the only bear to cost is of the equipment that I require?

CHRIS TOWNSEND: No. You're still paying -- you're still paying the costs that are the transmission rate. You're still paying those costs because that's what was -- the rate was set --

COMMISSIONER REDDICK: Is this discussion at the FERC transmission level?

CHRIS TOWNSEND: It is.

COMMISSIONER REDDICK: Okay. Then I'll change the questions then. Whether that gets approved is going to be a FERC decision. Whether it gets proposed would be an Illinois decision.

CHRIS TOWNSEND: Be a ComEd decision or it could be a petition that the Commerce Commission could file before FERC. There are obviously a number of different forums that are -- that are put forward at FERC.

COMMISSIONER REDDICK: You can do that?

CHRIS TOWNSEND: Definitely. There's all sorts of different folks that could be advocating things at FERC, and they are. And there are all sorts of different proposals that are moving forward at FERC. Our point is, that you shouldn't lock in in

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this tariff a specific -- what happens if FERC decides that it's not going to approve TSAs, for example. None of those TSAs in ComEd's oral exhibit have been approved by FERC. You would have a retail tariff here that says you must sign the TSA, but FERC comes out with a decision that says, we're not going to do TSAs, and by the way, this tariff does include mandatory rate design. It does force two things. It forces it to be a 10-year revenue guarantee, so 10-year and tied to revenue. If FERC decides it should be 15 years or five years, then you have to come back and change this tariff. If FERC decides it should be cost based as opposed to revenue based, you have to come back and change this tariff. So you are trying to mandate in this tariff. ComEd's proposal would mandate in this tariff or suggest in this tariff what the design should be for a FERC jurisdictional agreement.

COMMISSIONER REDDICK: Well, I -- I won't pretend that I could do a cost base rate that FERC would automatically agree with. Your disagreement is over cost just as there are with revenue requirement versus (inaudible).

CHRIS TOWNSEND: The question is, should you -- should you embed that in a retail tariff, should you include those requirements -- you could

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certainly say that that the large load customers must agree to abide by FERC's decision with regards to cost allocation associated with their facilities. No question.

COMMISSIONER REDDICK: We're not going strictly rate design here. One of the things that we're looking at is a unique nature of the customers that are coming (inaudible) monstrous for lack of a better word, potential impacts if these costs aren't covering all of them and protecting the ratepayers for not causing this cost. Now you -- that's not going to be an exact agrammatic solution, so how would you protect the ratepayers?

CHRIS TOWNSEND: So again -- and your question actually goes to exactly the point that we're making. You should protect them from the costs. And -- and that's -- that's not what ComEd's proposal does. It was referenced earlier --

COMMISSIONER REDDICK: Yeah. We're not moving anywhere.

CHRIS TOWNSEND: Okay. But that's -- the question is, how do you protect them? You advocate at FERC for a cost base solution within a TSA or another mechanism that protects ratepayers from those costs. You don't embed it. You don't embed those specific

terms into a retail tariff that if FERC for whatever reason changes those two mechanisms, changes it from 10 to 15 to five, if -- you have to reopen this and create regulatory uncertainty for everyone, and in the meantime, by the way, the answer -- what happens with large load development? ComEd's answer is, well, if it doesn't match up, we cannot connect them, so they're not going to get connected, because they didn't sign a 10-year TSA agreement. That's not the message that the state wants to send, I don't think. They -- you're going to have to wait until you come back and get this done and especially because there's no reason. What's the benefit of saying 10 years in this -- in this retail tariff? It's not going to change FERC's mind as to whether it's going to be 15 or five. What is the benefit of saying it's going to be revenue based in this tariff, if FERC decides that it's going to be cost base? Why -- why would we have to come back here? You didn't have to do that. If FERC comes up with other mechanisms that aren't identical to those two characteristics, then this tariff should be able to endure. You shouldn't have to have another proceeding to come back here to change the wording based on this.

CHAIRMAN SCOTT: So you're advocating

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taking out the letter of credit requirement?

CHRIS TOWNSEND: So the -- we don't think that it's necessary --

CHAIRMAN SCOTT: Necessary.

CHRIS TOWNSEND: -- or appropriate. To the extent that there is a requirement that there be a letter of credit, it should also allow for other mechanisms that provide consumer protections.

CHAIRMAN SCOTT: So in -- in your opinion, Mr. Townsend, is the system the way that it functions right now protective of the other customers? I mean, you using the mechanisms that are available right now?

CHRIS TOWNSEND: Yeah. So we asked that question of ComEd. Are there empirical examples of, for example, that Rider DE loophole --

CHAIRMAN SCOTT: Uh-huh.

CHRIS TOWNSEND: -- that they referenced earlier?

CHAIRMAN SCOTT: Uh-huh.

CHRIS TOWNSEND: Who is all -- how many people have gotten through the loophole? And the answer is, that they don't have any. There's not a one. So we're trying to anticipate some other problem that's going to come up. What costs are they going to be covering within this Rider DE loophole? We don't

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know. I mean, you heard them say that Rider ZSS is going to handle a lot of the mega extraordinary customers, so now we're talking about how many customers fall into that next range. They don't know. There's no evidence in this record. What are the costs that those Rider DE -- what is -- give us the examples; right? Take it down to a project and walk us through. That doesn't exist in this record. We understand that there's a fear that that could exist, but that fear, we've got other cases to talk about changing ComEd's rates on a regular basis; right? Well, I'll tell you rate cases exist for a reason. The rate design comes up within that. We don't have the empirical evidence in this record, and you have to make the decision on the record; right? We can't look at all of these other things that are out -- in this record, there's no evidence that that's happened.

CHAIRMAN SCOTT: So we should -- so the thing to do would be just reject what's -- what's in front of us and --

CHRIS TOWNSEND: Like, with regards to the -- those issues, hey, having said that, there are things that ComEd's tariffs do, like, require more money for the study and --

CHAIRMAN SCOTT: Uh-huh.

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CHRIS TOWNSEND: -- provide for clear interconnection standards. Those all make sense; right? You know, one of the NRG's proposals is that ComEd should be required to give a reasonably binding estimate of what the interconnection costs are for the facility. That makes sense. You know, that would be helpful to everyone, so. Those types of things certainly you can do in order to be able to get ahead of that, and again, we've got a lot of forums going on in Illinois to talk about these mega changes. And all of these discussions should be a part of those discussions -- or should be built into those other processes, but in terms of the specific on Rider DE, that one, this record doesn't give you the -- the evidence that you need. I mean, you have to base it on evidence, and they don't give you that. Let them come back in their multiyear rate case and provide it there.

CHAIRMAN SCOTT: Others? Commissioner Paradis.

COMMISSIONER PARADIS: Sure. I'll give it a whirl. One of the things that came up, so we've talked a little bit about letters of credit and surety bonds. One of the arguments that ComEd made supporting letters of credit as opposed to surety

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bonds is the immediate liquidity that they provide. So can you provide a -- an example? So your argument -- let me make sure I'm correct, is that surety bonds are equivalent, essentially, to letters of credit.

CHRIS TOWNSEND: Not all of them, but you can draft -- it's a question of legal writing at that point; right? What is it that you put into the surety bond to make it equivalent to a letter of credit?

COMMISSIONER PARADIS: So is it possible to then draft that so that a -- so a surety bond is going to pay within one day like you would --

CHRIS TOWNSEND: Yep.

COMMISSIONER PARADIS: -- with a letter of credit?

CHRIS TOWNSEND: Exactly. And that's what -- that's what is in the record from Mr. Dofinay, and that's what PJM does, so. The -- the specific conditions are in Mr. Dofinay's testimony at pages 25 and 26, and it lists off -- it's an unconditional pay on demand language, so. ComEd asked for it. They pay. Next day funding, waiver of defenses or you're not going to be going into court to object to it. Reading requirements for the surety, beneficiary-controlled fraud rights, all of those are

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things that are in the record that you can say, well, those are the types of things that you need to have to make it equivalent.

COMMISSIONER PARADIS: So one of the other things that ComEd notes that PJM really only allows surety bonds and limited security amounts and prohibits them from high risk FTR market activity. Why would this Commission want to take a lower standard?

CHRIS TOWNSEND: Yeah. I -- so that argument wasn't really fully developed on this record. You won't see those arguments in this record. The idea that ComEd has -- or that PJM has a cap on -- on the way which it allows for surety bonds, that's not in the record. It -- we had additional discussion in the briefs about whether or not you can do that appropriately and whether or not those are actually equivalent protections, but in terms of looking at whether they are equivalent protections, we've got very strong testimony from Mr. Dofinay that says these are -- you can craft these to be equivalent protections. And so you wouldn't be just settling. I don't think that you should settle for anything that would provide those types of risks or the list of horribles that you're -- you know, that the

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hypothetical suggests.

One other point. You know, one of the other areas where PJM does not accept letters of credit is with financial transmission rights which are a completely different kettle of fish from transmission planning. FTRs are speculative risks. They are marked to market. They vary daily with extreme volatility. Transmission planning is capital based. There's a whole planning process associated with it. The cost of the facilities are known ahead of time, so. It -- it's not -- it's not helpful to say, well, they don't accept it with FTRs because that's a different type of risk. It's not -- it's not that it's less -- it's less protection here. It's just that that's a different thing that you're trying to protect against.

COMMISSIONER MCCABE: In ComEd's reply brief, they say if the Commission were to adopt NRG's proposal to address changes to Rider DE in a later proceeding, NRG and other large load customers would continue to receive standard off property facilities while not being required to post deposits for on-property facilities leaving other customers at risk for those costs out of the loophole. How do you respond?

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CHRIS TOWNSEND: I -- again, what's the magnitude of that risk? You know, what is the risk that you're going to have data centers that have substantial amounts of on-premises facilities that you're trying to cover. That -- the numbers associated -- Commissioner Reddick, you mentioned earlier, it really helps when you get the numbers -- the numbers aren't here as to what is behind that. So you know, it's not a question of, are you getting the benefit of it? It's a question of, well, what's the justification to change? Why is it in this proceeding we're going to be changing Rider DE, and they just haven't proved it up? I mean, the -- that's just not here. It's not giving a benefit to somebody. It's saying, we're not going to change the way in which we apply a rate non-discriminatorily currently, and we're going to change it just for customers over 50 megawatts because there's a theoretical risk that something may occur? Well, why is that so substantially different than a 40-megawatt customer? Shouldn't you be thinking about, well, what are the costs that we should be thinking about as -- what types of costs? You know, for example, they were talking about service stations earlier. You're talking about gas stations. They're talking about

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transformers; right? And the related things associated with transformers. But customers have the opportunity to buy their own transformers. Why is it that they are going to use ComEd's system which, again, we talked previously in other cases about ComEd's rental rate for transformers has just been skyrocketing. Why are you going to sign up for that? When you can just bring your own. If that -- if the risk that the customers are going to have their own transformers on-site is near zero, then what -- why are we -- why are we changing that tariff which inevitably will have unanticipated consequences?

CHAIRMAN SCOTT: All right. Thanks, Mr. Townsend.

CHRIS TOWNSEND: Thank you.

CHAIRMAN SCOTT: Next, Constellation. Mr. Skey, Mr. Bai, and Ms. Trent. And how much time would you like to reserve?

CHRIS SKEY: Thank you, Mr. Chairman. I'd like to use 6 minutes for the main argument. Reserve one for rebuttal, if that's --

CHAIRMAN SCOTT: Very good.

CHRIS SKEY: On behalf of Constellation Energy Generation, LLC, Chris Skey, Quarels & Brady together with my colleagues, Alex Bai and Paige Trent.

Good afternoon, commissioners and counsel. There's been a lot of fundamental disagreement expressed in the argument today. We're going on three hours now, I believe. And some of these issues Constellation certainly has views on, but with respect to the proposed order that is before the Commission, our requests are actually relatively limited, and I think rationale and sensible, so I'd like to lay those out for you. But I want to take a step back first.

I last appeared before you on Constellation's behalf in November of 2024 at the oral argument in the first ComEd grid plan case, and there I argued that collocation of large loads with existing generation sources has several advantages. Those include less need to build new utility transmission and distribution infrastructure to connect those large load customers to the system, meaning less expensive overall infrastructure costs. Plus, faster interconnection of large loads such as data centers. In summary, less new utility facilities, less overall ratepayer costs, and quicker data center development.

Now, since that oral argument, as you know, colocation policy and law have further matured. In particular and very importantly, on December 18th of last year, FERC issued a seminal decision emphasizing

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some of the points that Constellation made in 2024 and directing PJM to take concrete steps to facilitate colocation. That order supports colocation by establishing four different transmission service options for co-located loads.

Now, FERC's view is clear from that order. Paragraph 199 states, quote, eligible customers taking service on behalf of co-located loads should be allowed to choose the transmission service that aligns with their use of the transmission system, and therefore, aligns the charges for service with the benefits received.

Now, Commissioner Rosner's concurrence which has gotten a little bit of coverage summarizes the four transmission options, and those options are depicted in the four figures attached to the concurrence, which we present as Constellation Oral Argument Exhibit 1. And I don't think there's any value in actually going through the specifics there. I think you're probably pretty familiar with them. And we don't need to get caught up on the technicalities, but the order directs PJM to provide access to four transmission service options or a combination of those. Now, the concurrence emphasizes that, quote, for all, quote, transmission options,

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quote, a co-located load will pay a fair rate that is commensurate with its actual usage of the grid, closed quote.

Now, respectfully, good regulatory practice dictates that the ICC's decision in this case should align with FERC's December 2025 order with respect to those cost allocation decisions that FERC has indicated. Now, I'm happy to discuss all of the oral argument topics, but of course, we have compressed time, and I'll focus on two, and again, I think these are relatively modest requests under the circumstances.

First, topic E, substantive provisions of the TSA including collateral requirements. Constellation's position is that ComEd should be required to demonstrate respect for and adherence to FERC's December 18th order regarding transmission services for co-located load.

So what does that mean? A couple of specific changes. First, the general terms and conditions that are under review before you under this case should be changed from, quote, calculated in accordance to Attachment H13 of the PJM open access tariff or any successor tariff enforced at the time of service. Two, a slightly more broad flexible

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articulation of the language, quote, calculated in accordance with FERC-approved transmission rates and rate design.

Now, we -- it should also insert in the T -- in the terms and conditions should also recognize that there will be timely adjustments to the credits support and collateral. For example, quote, the order says committed revenue -- excuse me. The tariff now says, committed revenue contribution and credit support requirement. Excuse me. I misspoke, this is the proposal. From Constellation. Committed revenue contribution and credit support requirement will upon request by customer or ComEd be adjusted within 30 days of the change in customer's selected transmission service. Again, that's referring back to the four categories of transmission service that FERC has now ordered. And I'm going to note just in passing that is a -- a FERC order that is enforced now. There are some pending requests for rehearing, but the law is clear, just as it is at the Commission here, that unless somebody requests a stay, which to my knowledge no one has, that order is enforced.

Now, the change that we're requesting there conforms with ComEd's admission in data requests, which we've included in the record at Constellation

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Exhibit 1.1. That credit and collateral are designed to guarantee ComEd's collection of the customer's annual transmission payments and are to be based on the applicable transmission rates and rate design applicable to that customer under the FERC-approved PJM transmission term. That amount should not be based on gross load for projects that do not take 100 percent front of the meter NITS service, and again, that's entirely consistent with the four categories that -- that FERC has now recognized.

I want to briefly -- because time is short -- also note that staff has proposed, and I believe there's some consensus around some follow-up proceedings in this case, but we think that those should be more robust. We think that there should be the establishment of a large load working group that meets quarterly including all stakeholders that communicates plan changes, vets those plan changes, and accepts feedback on those changes. We believe that there should be public posting on ComEd's website of the process and standards and guidelines for large load interconnection including specific requirements, business practices, and policies as well as general timelines.

Finally, we believe that ComEd should file

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on a quarterly basis the status of loads whose interconnection is in process or was completed in last quarter along with salient characteristics and details including size, application date, date of system completion study, and whether or not the load is co-located. I see my time is up. So I'm happy to take any questions you might have. Thank you.

CHAIRMAN SCOTT: Thanks, Mr. Skey. Commissioner Carrigan.

COMMISSIONER CARRIGAN: Thank you. Lots have been packed into the last three hours here, so.

CHRIS SKEY: Yes, sir.

COMMISSIONER CARRIGAN: Keep me -- us clear. Two-part question.

CHRIS SKEY: Okay.

COMMISSIONER CARRIGAN: Does Constellation believe that the JNGO's bring your own generation proposal, does that interfere with the PJM capacity market, and the other half is, if so, explain away.

CHRIS SKEY: To Part 1, yes. Part 2 is that a little more nuance, and I'll try to lay it out for you. We read the JNGO proposal for interconnection standards to be really a proposal about generation sources. So we -- we think it is a proposal that is seeking to advantage or disadvantage

certain generation sources rather than just set interconnection standards. And I think for reasons that would derive from a lot of the discussion today that we've had, that -- that falls within a FERC -- FERC jurisdiction. It implicates FERC capacity markets. There is no -- and this has been referred to in the discussion today on sort of the flip side of the state jurisdiction. There is no clear Illinois law that provides the -- the Commission with that authority, and reference has been made to proposed legislation that would arguably give that authority to the Commission depending on how it comes out. I think that's a pretty good signal that a lot of smart people understand that the Commission probably doesn't have that jurisdiction now with due respect.

I would also point out that Constellation submitted testimony from two witnesses who explained problems that could derive from the bring your own generation proposal at this point. Keep in mind even though there's been some reference to that with respect to a PJM letter, that's different than a FERC order. That's in a different status than the -- the interconnection for collocation issues that I spoke about at the beginning of my presentation. So I think that letter falls short of anything like the FERC

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order that supports our position on the -- on the change to the T -- excuse me, the change to the general terms and conditions language to accommodate the TSA. I would also say that, candidly, you know, the history of these nuclear generation stations that Constellation owns in the State of Illinois demonstrates that the state has taken steps to make sure that those are preserved, both for economic and environmental reasons. And again, there's no law that would suggest that that should be changed. And I think it would be -- again, with due respect a step too far for the Commission to be going there at this stage, but to get back to your original point, Commissioner Carrigan, I think it's pretty clear that at least right now that would impinge on FERC jurisdictional and PJM capacity markets, and therefore, would be inappropriate. Thank you.

CHAIRMAN SCOTT: So if the legislation passed that, you're referencing that I referenced earlier, that would also infringe on -- on FERC.

CHRIS SKEY: That's a good question. I think it totally remains to be seen. It depends what the legislation says.

CHAIRMAN SCOTT: Okay. But assuming you had a legislative provision that provided for bringing

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your own, I'm trying to work through how that infringes on FERC's ability any more than an IRP does in any other state where they dictate what the -- what the type and -- and manner of generation would be.

CHRIS SKEY: Well, I think that, first of all, it -- there are arguments around whether, in fact, doing that would be a positive development or actually detrimental to -- to least cost service of utility service.

CHAIRMAN SCOTT: Yeah. But that's a different -- that's a different question, though. I'm talking about the question of how would it infringe on FERC wholesale jurisdiction, if we were to make some kind of requirement for large loads to bring your own, why would that be any different than an IRP inadvertent, integrated state where they tell people what kind of generation you can build, that -- that's --

CHRIS SKEY: Yeah.

CHAIRMAN SCOTT: That's even further along the line, so.

CHRIS SKEY: Well, I want to be a little careful, chairman, about -- about how far I want to extend Constellation's view of the issues in the case. I mean, we've -- again, as I said before, our position

and our ask is pretty confined here.

CHAIRMAN SCOTT: Yeah.

CHRIS SKEY: Our focus is on collocation. It focuses on the development at FERC that makes it clear that that is something that -- that FERC is trying to accommodate. I know the State of Illinois is grappling with those issues and --

CHAIRMAN SCOTT: Sure.

CHRIS SKEY: -- you all in the first instance are grappling with them to try to find the right balance there. But -- but, you know, the -- the question of how and whether that legislation, if it were, in fact, enacted would -- would or would not impinge upon purchase additional issues, I think, is a little bit speculative for me, generally, but particularly with respect to my client's positions in this case.

CHAIRMAN SCOTT: No. I understand. I was just trying to follow up based on what --

CHRIS SKEY: I appreciate that.

CHAIRMAN SCOTT: Other -- other questions? Commissioner Reddick.

COMMISSIONER REDDICK: What specifically are you objecting to in the structure of the proposed tariff?

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CHRIS SKEY: We, in general, are not -- speaking for Constellation, of course. Constellation is not in opposition to the concept of a TSA. And it is not in opposition to the concept of the way that is being -- that the reference to that in the state-approved tariff, but we believe that it is very important that the state-approved tariff include language that is sufficiently flexible to account for what will happen in the future when those new FERC jurisdictional transmission rates are put into place, and I think a plurality of folks in the room have indicated that that is coming; right? That that order is -- is a -- a -- a significant step, and that it signals that there's a view about colocation and its value, and its advantage is to address some of the issues that a variety of people have raised in this discussion today, and therefore, FERC is taking concrete steps to facilitate colocation, and what we are saying is, the tariff that this Commission is reviewing and -- and determining whether it is just and reasonable should account for that and should align with it such that it does not frustrate the FERC order or -- or not be sufficiently flexible, so that in a year, somebody who has chosen to take one of the new trans -- transmission service categories that's

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established by that -- by that -- by that order and who does not to use the language that Commissioner Rosner used in his concurrence does not lean on the grid, should not be charged a hundred percent gross load as the part of the calculation that determines what its credit and collateral requirements should be under the TSA. That would be inappropriate. And it certainly would not be accurate cost allocation because as -- as the FERC order makes very clear, the whole point of these new -- these new categories is to recognize what customer -- what these interconnection transmission service customers are using on the grid and to appropriately charge them as accurately as possible. I think it's important to keep in mind, and I -- I -- with due respect to some of the other arguments that have been made, a lot of the discussion seems to suggest that the only thing that can happen is -- is costs are going up and up and up. But actually, what FERC is doing here is recognizing that -- that the door swings both ways. So it might be that a customer who's taking 100 percent full network transmission service should have their -- should have the calculation based on a hundred percent of their load. But for a customer who's not -- so that's X. But for a customer who's not doing that,

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who's taking advantage of one of the new FERC categories, it's -- and I'm just making this up, but for illustrative points, it's half X. So it may be that there are some new costs, but what FERC is doing is, they are trying to find mechanisms to bring those costs down. The ComEd tariff should not be allowed to frustrate those efforts, and I think that the folks in -- I'm hopeful that everybody can -- there's consensus around the notion that these new categories will lower costs even more than ComEd, and Mr. Rippie pointed out that there's some lowering of costs that he already highlighted, but there's an opportunity for even more -- more -- more substantial lowering of costs related to interconnection using the colocation model. That's what FERC has recognized, and our limited ask is that the tariff that ComEd has presented be modified to -- be sufficiently flexible to accommodate that.

COMMISSIONER REDDICK: And do the services that you're referring to, the alternatives to the whatever percent route, are they -- is there a contractual limit on that? So that we don't say, oh, he's not like the other guys, he's only going to use 60 percent of what's available to him? How do you -- how do you enforce that?

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CHRIS SKEY: I think that the FERC order makes it clear that if you deviate from -- the FERC order, first of all, just to step back, is quite clear about this concern about cost allocation. And -- and -- and is quite attentive to the issue of what I'm going to use to describe I think the sort of standard cost problem where you think there's going to be a certain cost, and it's different. It's -- and somebody's arguably stuck with it. The FERC order is quite attentive to try to address those issues.

Now, I think some of the details -- and I would characterize your question as probably in this neighborhood of, like, fairly granular detail will be worked out through the development of the PJM tariff that will ultimately go before FERC, but. The principals in the FERC order, I think, account for many of these types of -- of concerns. I will also add, for example, the FERC order makes clear that -- that on the generation side that we -- that there will not be risks associated with load going to one customer until there are sufficient protections against the load that might be moving from, theoretically, other customers that were being served, so that's addressed in the order as well.

COMMISSIONER REDDICK: Could you read the

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language that you quoted from your proposal after the word (inaudible) I think that was (inaudible).

CHRIS SKEY: I'm sorry, I didn't hear exactly what you said there, commissioner. The order --

COMMISSIONER REDDICK: I'm sorry, I was too far away from it. Didn't want to cough on anybody.

CHRIS SKEY: Thank you.

COMMISSIONER REDDICK: Read the language, your proposed language, is the simple way to do it.

CHRIS SKEY: Okay. So our proposed language which would be a modification to the general terms and conditions that -- that ComEd is seeking approve of in this -- in this proceeding would be to change from, quote, calculated in accordance with attachment H13 of the PJM open access tariff or any successor tariff enforced at the time of service to, quote, calculated in accordance with FERC-approved transmission rates and rate design, and closed quote. And I think the thrust there is recognizing that -- that there's going to be a variety of transmission rates depending on what -- what category of service a particular co-located load seeks, and therefore, we want to make sure that there's sufficient flexibility to reflect that in the calculation of the -- of the

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TSA engenders.

COMMISSIONER REDDICK: You think FERC will not make the changes in H1 or -- I forget which number.

CHRIS SKEY: I don't know that they will. Of course, we're hopeful that will be very clear, but you asked a very pointed question earlier of what if they don't get to, yes, and I think that they -- all things being equal, they're more likely to get to, yes, if the state -- the coordinated state tariffs that incorporate by reference that -- that TSA recognize the structure that FERC itself has now set out. So hopefully, there is alignment there, and I think that brings clarity. It brings flexibility and it ultimately engenders lower costs deployment of -- of data centers and other large loads that are co-located.

CHAIRMAN SCOTT: Commissioner Paradis.

COMMISSIONER PARADIS: Just one clarifying question. So if we leave the -- as proposed, what's the irreparable harm? You keep talking about how, you know, we got stuff in Springfield. We got FERC doing this. We got everybody's doing stuff all the time. That's -- that's the reality we live in every day. So I don't know why we need to, A, be so concerned about

that specifically in this case. The reality is, we have to do the work that's put before us, so. It's just a general statement more than a question, but. Talk to me about what harm there would be if we don't take your changes and just go with what ComEd has proposed.

CHRIS SKEY: Well, it's --

COMMISSIONER PARADIS: People have to come back to us; is that the biggest harm that comes from it?

CHRIS SKEY: We -- I think that as a matter of good regulatory practice, it makes sense to try to avoid as much of that sort of thing as possible, and it seems -- it seems pretty clear given the FERC order that there is a move toward recognizing cost allocation that is not based on a hundred percent gross load of a large load customer that's co-located. In fact, it's clear that there are now new categories of transmission service and -- and Commissioner Rosner uses the term how much you lean on the system. He's talking about how much -- how much you're leaning on the transmission system such that costs are being incurred to build out the system, and under these new categories, that cost may be less than a hundred percent and very likely will be less than a hundred

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percent of gross network transmission service.

COMMISSIONER PARADIS: But it's not yet. You're still asking us to make an assumption of where someone else -- some other body is going to go.

CHRIS SKEY: Well, again, I appreciate that. It is not yet as a factual matter. But again, my -- the ask that Constellation has here is rather modest. It's to build in some language that acknowledges the need for some flexibility in the tariff that they are incorporating by reference into their -- into their state tariff, the TSA that they're incorporating by reference into their state tariff, and you know, recognizing that there are new categories of transmission, and therefore, there will be logically deriving from that new ways and appropriate ways to calculate lower costs, if a customer is choosing one of those -- one of those categories that imposes less cost on the system. And I think just to follow up very quickly, and I appreciate the question, I think -- I think the ask here is some general language recognizing flexibility. It's not asking the Commission to predict exactly what FERC is going to ultimately approve or what those percentages are going to be. For example, we -- we recognize that that -- we don't know that yet. But I

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don't think that prevents -- as Mr. Klein said, this is coming, and I don't think it prevents the Commission from being attentive to that and trying to accommodate it.

CHAIRMAN SCOTT: Thank you, Mr. Skey.

CHRIS SKEY: Thank you, commissioners.

CHAIRMAN SCOTT: And now from staff, Ms. Morley, Mr. Ray, and Ms. Bukowski. How much time would you like to reserve?

MEAGAN MORLEY: Three minutes, please.

CHAIRMAN SCOTT: Very good. Okay. Go right ahead.

MEAGAN MORLEY: Thank you. Good afternoon, chairman and commissioners. My name is Meagan Morley. And I represent the staff of the Illinois Commerce Commission along with my colleagues Kolton Ray and Ashley Bukowski.

The Commission should adopt the ALJ PO and approve ComEd's proposed modifications to Rider DE and general terms and conditions, tariffs G, T, and C with staff's proposed modifications. As we've heard today, the influx of large demand customers creates both challenges and opportunities for the State of Illinois. ComEd's proposed tariff modifications are an important and reasonable first step to protect

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ratepayers from the risks that large demand customers could cause while also positioning Illinois to remain competitive and take advantage of the economic benefits that these customers may create. The purpose of this docket is to review ComEd's proposed modifications to Rider DE and G, T, and C tariffs and for the Commission to determine whether these modifications are just and reasonable pursuant to 9201 of the act. ComEd has shown that these modifications are just and reasonable and that they should be approved. This proceeding includes a diverse group of parties that represent a variety of stakeholders, the AG, environmental groups, industrial groups, large load customers, just to name a few, and all have proposed different and often conflicting solutions to address the influx of large load customers. The overall process for interconnecting those customers and the methods for protecting ratepayers that align with their organization's values. Staff recognizes and appreciates these proposals, many of which warrant a different explanation. Notably, some of these proposals involve different tariffs than the one suspended in this docket. And others seek to address large scale policy considerations in an industry that is rapidly evolving. Staff encourages discussions to

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continue outside of this docket related to these proposals. ComEd's proposed tariff modifications are an important first step, but approval of these tariff modifications does not foreclose the opportunity for the Commission to both review and ensure ComEd's processes are working as intended and to address many of the intervening parties' proposals and policy considerations in the future.

Importantly, staff recommends a specific mechanism to hold ComEd accountable and create transparency by requiring ComEd's submission of an annual report to the Commission. The proposed annual report allows for the Commission to track ComEd's progress and provides a procedural avenue for the Commission to intervene if additional safeguards or changes become necessary. Adopting ComEd's proposed revisions now will provide ComEd the flexibility it needs to adapt to the rapidly evolving market conditions, provide regulatory certainty to large load customers looking to locate in Illinois, and provide important protections for current and future ratepayers should these projects never materialize.

And with that, we are available for questions with regard to the scope you issued and questions, and if it's okay with you, I'm going to go

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ahead and sit with my co-counsel, if that would --

CHAIRMAN SCOTT: That's fine.

MEAGAN MORLEY: Thank you.

CHAIRMAN SCOTT: Questions. Commissioner McCabe.

COMMISSIONER MCCABE: We've had several hours of discussion. Wondering if you'd like to respond to some of the points you've heard to -- to this point including the one on the Commission's authority. Thanks.

MEAGAN MORLEY: Thank you, commissioner, for the question and the opportunity. As I said in my initial remarks, and I'm going to be focusing particularly on the distribution costs and Rider DE in my remarks here, and my colleagues will address some of the other issues including the TSA. I think I want to start with Rider DE, and just kind of add a little bit of color to what we've heard today.

So it's staff's position that the amendments to Rider DE are an important first step in the process, but they are not the end of the discussion. So ComEd has identified this problem, and we keep referring to it as a loophole. So I'm hesitant to say the word loophole, but -- and that loophole was that the -- is that these -- the deposit

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requirement for Rider DE is only applicable to standard distribution equipment that goes on -- up to the premises and not on the premises. We've heard from ComEd that there's several requests from large load customers to have equipment on the premises. And so it's important that we close that loophole to ensure that customers are not -- if that project never comes to fruition, that that -- that the rest of the customers are not stuck with those costs, and ComEd can pull from the deposit. So that's how it's protecting customers with the deposit.

The second change is the collateral requirement. And the collateral requirement is important, because as we've heard, the cost that large load customers will be needing for standard equipment is going to be quite expensive. So having that $2 million kind of threshold and requiring a letter of credit is critical because it allows ComEd to quickly and easily and efficiently, as we've heard, be able to pull from that deposit in the event that the customer never comes online as they projected to.

So those are the two kind of basics about Rider DE that I just wanted to provide a little bit more context. I think we've heard from counsel for NRG that, you know, there's the opinion that there

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might not be a sufficient record to approve the changes to Rider DE. I think that -- that is incorrect. I think there is a record in this proceeding to approve the changes to Rider DE. ComEd has identified a problem. We have an influx of customers that are coming. We have an estimated cost for how much those standard facilities could end up being, and we are hearing that there are going to be requests for customers to have this equipment on their premises, so there is sufficient evidence in the record to show that this is just and reasonable. We don't need to see some sort of large scale problem down the line in order to find this just and reasonable now to protect ratepayers in the future. And I think that as far as the letter of credit, as I mentioned, you know, this is -- we understand that the costs are going to be higher for large load customers so that $2 million threshold, you know, makes sense. I think that here what we need to keep in mind or what the Commission needs to keep in mind is that ComEd is not proposing any changes to Rider DE that would change the way that standard versus nonstandard costs are determined. These are just protections for consumers, and the overall question of cost recovery and Rider NS, those can be addressed in the future.

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Those can be addressed and should be addressed in the future where we have a full record to be able to understand how the costs are allocated among all customers, and we need a full record to do that, and I do not believe that we have that record here today.

Commissioner McCabe, you had mentioned the alternative proceeding. Staff originally recommended proceeding in two years to -- or no more than two years to have ComEd come back with any proposed tariff modifications and to address the proposals provided by intervenors. The ALJ PO did not adopt that. The ALJ determined that we can address these issues related to cost recovery in the multiyear rate plans, rate design investigations, and other Commission dockets where that can be appropriately analyzed. And that we should have a workshop for the interconnection standard process. Staff does not have a strong opinion about where that happens, just that it does happen, and that there are a lot of opportunities for this Commission to address cost recovery issues and other issues related to large load customers. This docket is providing these customer protections now but is not foreclosing any discussions in the future, and as we've heard, there's legislation, there's other avenues in addition to that, but we do not think

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that's in this proceeding.

CHAIRMAN SCOTT: Let me follow up on that for a second. So leaving aside the issue of the record, and -- and it may or may not be complete enough to -- to do something. From an authority standpoint, and you know, you heard our colloquy with Mr. Klein before, I mean, do you -- do you think that we have the authority as a Commission to make changes in this docket now, because I'm a little concerned if we -- if we don't have the authority here, but we would have, if we did a workshop where we kept coming back on -- on different -- in -- through different avenues, I'm -- I'm trying to --

MEAGAN MORLEY: Sure.

CHAIRMAN SCOTT: -- figure out how we -- how we have it to do that, but we don't have it to do something now.

MEAGAN MORLEY: So...

CHAIRMAN SCOTT: Or is it just a matter of the record?

MEAGAN MORLEY: Yeah. And the record in this case supports ComEd's proposed amendments. As I've mentioned, you know, we believe that the record finds -- has determined and the Commission should find these changes to be just and reasonable. I think that

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we do have the authority -- the Commission does have the authority to adopt proposals in lieu of what is being proposed here. And it is staff's position -- just referring to Rider NS since I -- you know, that's the hot topic of the day. Rider NS -- essentially, how ComEd's tariffs work now is that all customers are entitled to standard service. If this Commission is going to determine that large load customers as an entire group of customers is not entitled to any standard service, we believe that requires a thorough consideration, we should understand how that's going to be impacting all over customer classes, and that is not supported in this record here today, and I think that's our position is there is a record to support DE but including NS here and making that whole change to the way that a group of customers is able to not receive any standard costs. I think that that's -- that's a larger consideration.

And I think, just to note another aspect of the tariffs, the way the tariffs are now, large load customers are still going to be entitled or are still going to have some cost subject to Rider NS. As I think we heard from ComEd, there are going to be costs pursuant to Rider ZSS, so there are those large load customers that are at 345-kV that are going to be

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paying up front for all their costs under rider ZSS. We are going -- there are large load customers that are going to require equipment that is above and beyond standard that will be subject to Rider NS, so the tariffs are functioning as intended as they are now, but the conversation doesn't end there, and I think that staff's point is, they make a lot of valid points about Rider NS, but here is not the right place to do that.

CHAIRMAN SCOTT: Mr. Ray, did you want to add to that?

KOLTON RAY: Yeah. If I can just add something very quickly here is that the Commission by statute cannot require an electric utility to offer any tariff service than what's required by statute or proposed by the utility. That is in the Public Utilities Act, Section 16-103E. So to the extent that any proposals would constitute a new tariff service, that's pretty clearly barred by statute.

MEAGAN MORLEY: But I think it's important to also note that the Commission has very broad discretion over public utilities and the tariffs that they -- that they have, and I think that there is broad authority under 1001. I think that there are plenty of avenues where the Commission can

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appropriately address these issues.

CHAIRMAN SCOTT: Thank you. Anyone else? Commissioner Reddick.

COMMISSIONER REDDICK: Mr. Ray, are you saying that if the Commission ordered a change, we're ordering a new service?

KOLTON RAY: Thank you, commissioner. That's a great question. I should clarify. No. When it comes to what my colleague has been discussing like things about whether a cost should be categorized as Rider DE or Rider NS, that's very clearly within the Commission's jurisdiction. However, there are some proposals in this docket. If I have to provide an example, establishing a non-firm interruptible service option that sounds like a new service that ComEd does not currently offer.

COMMISSIONER REDDICK: And to whichever one of you would take this issue, we've heard from ComEd that -- excuse me, heard from ComEd that the proposed security deposit letter of credit provisions will cover and protect ratepayers -- other ratepayers from 100 percent of what it costs to build facilities that's being requested by the company, that at the end of the 10-year period, there won't be anything left -- stranded cost in rate base left, but I -- I -- there

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is still, I believe, a problem with the capacity that's used up while we're building capacity to be used and paid for by the large load customers. The fact that that may lead to ratepayers having to pay twice to replenish that capacity that was there before we started this rush to accommodate the large users; was that a problem for staff?

MEAGAN MORLEY: So if you're referring to Rider DE, which I think that you are, based on the conversation with Ms. Conger earlier today, I won't get too far into the weeds on the formula, as I'm not the expert in the case, and I know that counsel for ComEd did explain kind of how the formula works, although, it's mathematical, and we try to stay away from that the best we can, but my understanding is that the rider -- the calculation in Rider DE is intended to make sure that all costs are included in that 10-year period. I mean, I don't think that you can say that any -- anything is perfect, but that's the intent behind the calculation, and I would note that the calculation is not changing here. There -- nothing is changing in the Rider DE calculation in this proceeding.

COMMISSIONER REDDICK: The calculation does not, as I understand it, include replenishing the

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capacity, the head room that existing customers had built up and paid for in -- in the future. We're just going to use it and move on with all of the construction, all of the indirect asset costs being covered by the 10 years of revenues, and the security that's needed, but if we want to rebuild that head room and have it available to the people who have paid for it, I don't -- I don't know how -- how that's happening.

MEAGAN MORLEY: I honestly can't speak to kind of some of those technical questions with the formula. I don't think that -- I don't believe that parties took issue with the formula itself in this proceeding. And like I said, that -- it's not changing. It's been in place in prior years, so. I cannot speak to the specifics about that, but I can say that staff did not take issue after reviewing ride -- the Rider DE tariff, the changes that were proposed here. They found those to be just and reasonable, and this Commission has previously found Rider DE to be just and reasonable.

COMMISSIONER MCCABE: While the decision in the PG&E case is not final or binding, can't the Commission view it as persuasive?

KOLTON RAY: Nothing prevents the

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Commission from viewing it as persuasive, commissioner.

COMMISSIONER MCCABE: And is staff aware of another case that finds the opposite of PG&E or did you look at what other states are doing in this regard?

KOLTON RAY: The opposite of PG&E being --

COMMISSIONER MCCABE: Whatever they determined, yeah.

KOLTON RAY: Thank you for the question, commissioner. The PG&E docket involves an entirely different utility. It's also an interim order, so it's not even final. It also involves a state that has their own single state independent system operator. There are discussions being made about large load customers all across the country. This is an incredibly moving issue. It's happening at the state level, and it's happening at the federal level. Even if some parties here think that certain arguments are a slam dunk or that is definitely where we are headed, there hasn't been many final decisions made on that. There's ongoing litigation at FERC considering this. I believe there's also a rulemaking that is open, and other states are still trying to determine how to manage this increase in load from these

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particular types of customers.

COMMISSIONER MCCABE: And PG&E/Evergy, in those cases, in their large load tariffs, they directed costs to large load customers apply only to directly incurred costs such as high voltage lines or substations.

CHAIRMAN SCOTT: Okay. Thank you very much. Appreciate it.

Now we'll go to rebuttal. Ms. Conger, Mr. Rippie, you've got 2 minutes.

GLENN RIPPIE: (Inaudible).

CHAIRMAN SCOTT: Sure. Sure. Okay. Sure.

(Silence in audio.)

GLENN RIPPIE: (Inaudible).

CHAIRMAN SCOTT: Of course. Mr. Rippie, go right ahead.

GLENN RIPPIE: (Inaudible).

CHAIRMAN SCOTT: Sure.

GLENN RIPPIE: Testing. So I want to address what I believe are the central issues in -- that we've talked about today the previous two and a half hours. The first relates to the jurisdiction of this Commission and FERC. You have ample jurisdiction to set criteria and requirements for retail service, but you cannot change transmission rate design. It is

clear that you can allocate key charges made under an approved rate design to different customers of an LSE, but that is a very different thing than deciding what goes into rate base and what doesn't go into rate base and whether or not incremental assets -- whether or not rates are based on an embedded or a marginal basis. However, trying to do that would be disastrous. Kayak only includes initial investment costs and FERC prohibits and pricing. If people pay the marginal costs of the assets, that is their transmission rate. They don't pay for the rest of the system. They don't pay for O&M. They don't pay for replacement. Other customers eat those. That is the loophole at transmission in kayak. But we know what the reality is here, too. We know that revenue guarantees are empirically more protective for cluster one, not a retrospective lookback, and please look at Mr. Perkins' testimony both rebuttal and surrebuttal on Mr. Seriak's analysis.

As for Manteno, I -- I'm happy to do a deep dive into the engineering if anybody wants to. But that second line is not a tab. It is a network line that converts that substation into a network substation that addresses and handles through flows. Many parties have talked about revisions to the

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substantive terms of the transmission rate. What is a credit, collateral, et cetera? Those aren't in the tariff before you. The tariff before you says customers must agree to pay the revenues under the rate that's enforced. I'm happy to answer questions about the substance of those provisions and why the suggestions made by many of the other intervenors by other intervenors here are really self-serving efforts to reduce the protections of the tariff, but they are not in front of you. I'm equally confused by the repeated references to collocation. FERC has kicked off a process to add for new rates, but it is very much still in process. It is under challenged, and I will not discuss the merits. I will merely point out that if and when new transmission rates are established, they fit seamlessly into the requirements of the tariff. And by the way, we have accepted the suggestion to amend those terms to be more general than H13 in the record.

Lastly, BYOG and large load interconnection are important policy issues. They should be addressed. But they shouldn't be addressed on this record rather an IRP, REAP, and elsewhere. And they will require both state and federal coordination. Illinois cannot get out ahead. Thank you. I'm happy

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to entertain any questions.

CHAIRMAN SCOTT: Questions. Commissioner Paradis.

COMMISSIONER PARADIS: You did it in about 10 seconds, so why don't we do it a little longer on Manteno?

GLENN RIPPIE: Sure.

COMMISSIONER PARADIS: We spent a little bit more time than that talking about it, so why don't you just -- just walk through it. I think we can probably even pull up the exhibit, just so we're all on the same page.

GLENN RIPPIE: On Manteno? Yeah. So actually, if we could put --

COMMISSIONER PARADIS: It's not their exhibit. It's --

GLENN RIPPIE: I can do it from memory.

CHAIRMAN SCOTT: We've got it in front of us.

GLENN RIPPIE: Yeah.

CHAIRMAN SCOTT: But it's JNGO 3.03.

GLENN RIPPIE: So the initial state is a radial tap to a substation that serves only that customer. If you look at the seven-factor test, which by the way is not only FERC, this Commission in

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1998 -- I can't remember the exact docket number has also approved that. Oh. Tap. So a tap is, you've got a network system -- imagine a hose; right? You've got a network system. You connect one line to it, and it goes to the load. There's no loop. Power never flows both ways. And it never -- and power going somewhere else never flows through it. Hey, thank you.

So it is a lollipop where the stem of the lollipop is plugged into the rest of the system. We change that, not because somebody, you know, requested something nonstandard because the load changed and that's explained in the record as well, but once that change is made, there's not two lines, there's four; right? We cut each of those lines and looped each them through the substation. There is no tap anymore. Now, all those lines not only serve the load connected to that substation, they serve flows above the Manteno area, and they serve flows below the Manteno area. They also sectionalize those transmission lines which change the electrical properties and capabilities of the lines on each side of the below and above. I don't disagree with the premise that if assets serve only an individual customer, that is the power flows into that individual customer's load, it doesn't have

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network flows, it doesn't have through flows, it doesn't have power going into the other direction, then that is something that ought to be addressed by different rates. And if it's a 345, it is. It's called Rider ZSS, but that is the seven-factor test. The key factors of the seven-factor test are, are there through flows, is it mono directional, does it serve local load as opposed to the network, that's exactly what we do, and if somebody ever has a complaint about how we functionalize something, there's multiple ways to bring that, including in either our FERC transmission rate or before you in our next distribution rate.

I don't want to get bogged down with the example of Manteno. I just want to end with my response with the principal. If it serves that one customer and that customer alone, it doesn't support the rest of the network or have flows through the rest of the network, then it's going to be -- I think always, but certainly, in the vast majority of cases, B, and it's going to be addressed by your rate design, and if it's 345, it's going to go under ZSS, and it's going to be directly said.

CHAIRMAN SCOTT: Commissioner Reddick.

COMMISSIONER REDDICK: I have a series of

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short questions that don't relate to anything, so if you want to take this discussion --

CHAIRMAN SCOTT: Go right ahead.

COMMISSIONER REDDICK: Okay. Tariff administration is what I gave this title to my bunch of questions. If I have a customer who is projecting by eight years down the road to be at level X, and because of the nature of the project, you do all the heavy lifting first, and once that's in place, is there any effective control on how much is actually used?

GLENN RIPPIE: So forgive me. It's 5:18. I'm truly not sure I understand the question, and I --

COMMISSIONER REDDICK: That's not surprising either.

GLENN RIPPIE: I don't want to just ramble. So you have a customer --

COMMISSIONER REDDICK: Yeah.

GLENN RIPPIE: -- that has a load ramp.

COMMISSIONER REDDICK: Right. And he tells you you're five, I'll be at eight.

GLENN RIPPIE: Got it.

COMMISSIONER REDDICK: And he went to nine.

GLENN RIPPIE: And it makes sense because of lumpiness or whatever to install -- install the

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eight up front rather than to do it --

COMMISSIONER REDDICK: Right.

GLENN RIPPIE: Okay. I've got the facts. And the question.

COMMISSIONER REDDICK: Is if he goes to nine or 10.

GLENN RIPPIE: Oh. Okay. Yeah. If he exceeds that eight, there's a question of engineering capability. Obviously, we build certain reserves into every single component on the system. But, yeah. If that customer starts pulling demand that exceeds the capability of the -- of that system element to sustain the customer to serve the customer, the -- we are going to tell them they can't operate at those loads, and we're going to have to add to it, and then that kicks off that process we discussed where a second request is made, we determine whether that's standard or nonstandard, and they will have to pay an additional DE deposit. If we put money into that and to -- into additional DE -- additional distribution line extensions, there's going to be another charge.

COMMISSIONER REDDICK: The case I had in mind was, he does it, but you don't have to add new capacity right away.

GLENN RIPPIE: If -- if they go to nine or

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10, and it doesn't require any additional investment, then the effect of that is simply that customer is paying more rate sooner, and in essence, paying off the cost of that thing sooner, and yes, we reconcile the DE, so it'll match cost to revenues.

COMMISSIONER REDDICK: Okay. Your cluster studies, imagine a project that is intentionally designed to be electrically as isolated as you can make it and still do the job geographically, remote all the things that would say, "this guy does not look like everybody else," what do you do with those?

GLENN RIPPIE: We study them in the cluster, and let me tell you the three reasons why you do that. The first is, it's really hard to understand that they are electrically isolated until you study them. Because sometimes load way out geographically in the middle of nowhere is not electrically in the middle of nowhere, and -- and there's many examples of this including, as you can see, how things way out east can affect behavior in here. The second is, if we started breaking those up and not doing them in the cluster, it would take us longer rather than shorter. If we -- the -- the part -- the idea of the cluster study is that we have to study them that way, but part of the idea is more efficient for us to study them

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that way and the testimony explains that.

COMMISSIONER REDDICK: Okay.

GLENN RIPPIE: And -- sorry.

COMMISSIONER REDDICK: You got me with you can't --

GLENN RIPPIE: Okay. There's a minor third reason, but that's good.

COMMISSIONER REDDICK: Oh. I love minor reasons.

GLENN RIPPIE: No. The -- the third reason is, because there's an order of operations problem. Do we go to the people in the cluster first or do we go to the singlet at first, and if we go to the singlet first, that may affect what we do with the cluster and vice versa. So if we do the cluster, everybody gets their answer at the same time, and they run in the same schedule.

COMMISSIONER REDDICK: I think this question gets the same answer as the last ramp question, and is it possible for -- well, not if you're watching, but under the language of the tariff seems that a bad actor could institute a strategy of underestimating, and then bumping his load up so that things don't match. Do you adjust your deposits, do you adjust what the customer can or can't do? How do

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you handle that?

GLENN RIPPIE: So it's a really good question. And the -- the answer is, there's no mechanistic way to handle that, but it is the same answer in effect as the last one, particularly with loads, the size of transmission loads, the size of these customers. If somebody comes to us and says, we want, you know, 300 megawatts, and they end up pulling 500 megawatts, that -- that is not just going to, like, slide under the radar. We're going to figure that out. We're going to figure whether that's sustainable without cost shifts, without adding things, and if we don't have to add things, that solves one problem, but also, remember, commissioner, that if they're, in fact, going 500, they're paying 166 percent of the transmission rate they would have been paid at 300, so. The -- in a sense, it is -- it is self-correcting unless they get to the point when additional things have to be done or they start gobbling up other people's capacity, and then we'll act. We'll tell the customer they can't operate at that level.

COMMISSIONER REDDICK: Okay. And finally, what's your thought -- what's ComEd's thought on the suggestions for further proceedings?

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GLENN RIPPIE: So I can get as granular, I think, as you want, but in general, these are very important policy issues. I -- I won't say that they're not. They're important to reliability, they're important to affordability, they are going to be addressed in a variety of places already. We have the IRP, first and foremost. We have discussions in the legislature, we have REAP, we have the whole concept of transmission planning. It also involves generation issues, which are inherently, I would suggest, not a -- not something that is well suited by a tweak to a -- to a delivery tariff, but by something more comprehensive. We also, on some of these, like interruptible service rates, need to be very careful that the state work is in sync with the regional and federal work; right? We cannot write a tariff that says we're going to interrupt retail service to a customer on these three conditions unless we know that PJM can analyze those three conditions, tell us when they're going to be tripped or in the case of advancing somebody in the queue, tell us that those three conditions are the meaningful conditions that will relieve constraints especially when some of those constraints may not even be in ComEd.

Okay. That's the -- but, so what's the

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bottom line? My suggestion is, you have authority to do a variety of things. My suggestion is that you not write into this order what you're going to do. But instead, look at what is happening at FERC, look at what is happening here. Staff can propound data requests. We are absolutely having discussions on this through the PJM process. We're having discussions on this at -- at FERC, both formal and informal. I'm not arguing against additional proceedings. Hear me, please. I'm not arguing against it. What I'm arguing against is writing something in this order that says we've got to be ready to pull the trigger in 90 days because I don't think we're going to be ready to pull the trigger in 90 days. And if we're forced to pull the trigger in 90 days, I think we're going to end up with a suboptimal result.

COMMISSIONER REDDICK: What are the suboptimal results that extending the process so that we don't get an answer to some of these questions for nine months, a year, a year and a half?

GLENN RIPPIE: I wouldn't suggest waiting necessarily nine months, a year or year and a half. You know, I'll tell you, ComEd is -- and Exelon is looking at these issues itself. We're talking to

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stakeholders about this. We're talking to PJM about this. We're talking to other TOs about this. We're talking to JNGO about this. It -- we're -- this is not a plea to sit on our hands, Commissioner Reddick. It absolutely isn't. It's a -- it's a request that what action you should take. You take -- you don't lock in in this order that you need to enter in on this record. But watch what FERC does. Watch what PJM does. Start a dialog and -- and you know, I don't know that the tariff that we would file in 90 days is going to be the tariff we would want to file in 180 days. That's all.

COMMISSIONER REDDICK: What are the bad things that happen with delay?

GLENN RIPPIE: So if we, for example, filed a tariff that advanced in the enter -- in the low interconnection queue, which is -- which you can control where it controls the generation and interconnection queue, and I believe you control the load interconnection queue, based on a criteria. Like, for example, we don't see a -- if they're willing to interrupt under conditions that would alleviate presently identified thermal or voltage problems over the -- in a five-year study, for example, I'll say the following. The first is, that

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five-year study may not be enough. It may not take into account the next cluster. It also may not be something we can operationalize; that is, how do we know when we actually open the breakers and drop that customer? Does PJM have the capability, because they're monitoring the network to tell us when that condition that we thought about is going to hit, and to tell us that, yeah, that's the right condition we should worry about. It -- we might get lucky. We might not. I'm not saying that we won't end up with -- with a tariff that does something like that. I'm just saying, I don't know whether I know how to write it in the right way in 90 days, and if we propose something that -- that five or six months later we figure out is wrong or inconsistent with what PJM is doing or inconsistent with something that FERC has adopted, that's going to slow us down, not speed us up. Again, I am not arguing for inaction. I'm emphatically not arguing for inaction. What I'm arguing for is, not setting the time, not setting the schedule, and the content of those proceedings now when we know we've got an IRP coming up, and when we know we've got PJM looking at this now, and when we know we have the federal authorities looking at this now. We want to work with the stakeholders in this

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room and in Washington and -- and that's how I think it ought to be looked at. And if you think there's action required in -- in 90 or 120 days, you have ample ability to pull that trigger then. Just don't presuppose it now.

COMMISSIONER REDDICK: Does the record -- I don't remember this -- contain anything that looks like a discussion by the parties of what needs to be done first, second or what can't wait?

GLENN RIPPIE: I would say the answer to that is, yes, but incompletely. I mean, JNGO rate is some issues, which we no -- no -- no surprise think are outside the scope of this proceeding. Our witnesses have explained some of the reasons why we think it's out of the scope of this proceeding. But they didn't say these aren't important issues or you shouldn't look at them, so. The answer is, yes, there's a discussion of this in the record, but it is my view that the record does not support demanding action faster than it ought to be taken. Faster isn't even the right word. To presuppose the -- the timing and the procedural format of how to drive to the best answers.

COMMISSIONER REDDICK: Last one, guys. You are completing -- in the process of completing your

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cluster one which has got to happen before you start building it.

GLENN RIPPIE: Cluster one is complete.

COMMISSIONER REDDICK: Okay. It's complete.

GLENN RIPPIE: We notified the customers. There were 11 customers, eight initially said go forward. We filed those eight with FERC. They're on the chart. As I've told you, as of yesterday, one of those eight has removed itself, so we now have seven. What -- what remains on cluster one is hopefully FERC approving those TSAs or potentially modifying them, but in either sense, our tariff says, do what FERC says.

Cluster two, we'll -- we are targeting releasing the results of to customers at the end of March. And then that process will go with -- February, March -- did you just shake your head? I think it's March. And then the process will proceed the same way. Customers will have 30 days to react, decide whether they want to go forward or not. If they go forward, then they'll be assuming you accept the proposal. In substance, they'll have a TSA to execute, we'll file the TSA, and it'll proceed. By the way, that's about 11 gigawatts, I think. Assuming

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everybody -- assuming everybody said go forward.

COMMISSIONER REDDICK: Does that assume that the proposed tariff is in place or do things stop if there isn't a tariff?

GLENN RIPPIE: No. It does not assume that. Although, it's affected by it. We have taken the position that we do not believe it is appropriate to proceed in the absence of transmission security for reasons that we've explained in our filings at FERC. And I cannot speculate how we would react if you reversed our tariff and said no, no, there is no such retail. You know, we'd probably do something different. But what the purpose of this tariff is to make clear that this process is aligned between state and federal jurisdiction that FERC is going to have -- is going to view, and hopefully, accept a -- a contract with all those details in it that we've spent a lot of time arguing about; right? They -- they look at the -- the credit requirements and the periods of time. Those are -- none of those are in this tariff. This tariff just says 10 years of revenue. We're asking you to say that that policy makes sense, that it is protective of customers, and indeed, in the absence of that policy, and as I said, a revenue policy, pay your rate, all your costs, not just your

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marginal costs. In the absence of that, it's not fair to other retail customers. Therefore, as a matter of retail law -- if I can say retail law, that is a requirement of service, that will align what we believe is the appropriate FERC jurisdictional position with what we humbly believe is the appropriate retail.

COMMISSIONER REDDICK: I think you set up everybody else's response.

CHAIRMAN SCOTT: Commissioner McCabe, did you have a question?

COMMISSIONER MCCABE: The record says that the average large load in the last year was 700 megawatts. Can you say how many of those were nonstandard or under 345?

GLENN RIPPIE: Under 3.5.

COMMISSIONER MCCABE: 345.

GLENN RIPPIE: Oh. Under -- yeah. So I'm going to -- I believe -- and I will tell you -- I will -- I will commit that I will send a note to everyone in the service list that this is not true, that all of the projects that are still going forward in cluster -- I cannot say that. The vast majority of them are 345. They may all be 345. And in cluster one. Remaining in cluster one. I'm trying to think.

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If that -- I'll say the vast majority, but it may be the vast majority equals all. ZSS does not -- I'm making a technical distinction, commissioner. ZSS does not say they're nonstandard. It says they're treated as if they're not standard. So, yes. That would -- that would make all the -- all those facility's charges be calculated under Rider NS, and then passed through as ZSS charge.

COMMISSIONER MCCABE: And beyond the last year, any -- any sense of --

GLENN RIPPIE: So a rough standard is when we get north of about 200 megawatts, you're going to be in 345. So you can look at the nature of these data centers and make a pretty good guess. I'm not -- you know, I'm not the system planner here. I cannot tell you that there's not going to be a 205 that sneaks over a 190 that doesn't sneak -- you know, that -- I cannot say that, but when you start getting into 500, 400, 600, and God forbid a gigawatt or gig and a half, those are going to get served at 345, period, full stop.

CHAIRMAN SCOTT: Okay. Thanks, Mr. Rippie.

GLENN RIPPIE: Thank you.

CHAIRMAN SCOTT: Appreciate it.

Mr. Metzger, Ms. Janas, you have two and a half

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minutes left.

MR. METZGER: Thank you, Chairman Scott. Just a couple of quick points on rebuttal. First, I wanted to clarify some of the discussion regarding Rider DE, so just -- Rider DE is distribution extensions, so we're talking about the cost to connect, and I think there's been some overstatement of the double recovery issue, particularly on the distribution side. So it's not the case that directly assigning certain costs to connect absolves the customer of paying their rates under the related tariff work today. If a customer requests that their line extension be undergrounded, they still have to pay their distribution rate, and I think pulling back the scope a bit, the principal is underlying that, and the prohibition on and pricing, fundamentally, it says you cannot force a customer to pay twice for the same service over the same facilities, and we don't think our proposal contemplates that.

What we're saying is that the cost to connect, particularly the -- those line extensions costs like we -- like we discussed here today must be directly assigned, but they still are going to have to pay their rates for the part of the system that they use.

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And then I also just want to clarify a fundamental difference, and I think this came up with a -- a question that Commissioner Paradis asked, but the difference between kayak and guarantees based on revenue, I mean, in the simplest terms, kayak directly assigns the cost to customers, and they pay it up front, and it doesn't go into the revenue requirement. So it's -- whereas, cost based on revenue or, you know, protections based on revenue, the cost will go into rate base, there will be depreciation expense, taxes, cost of capital and all and the like over the lifetime of the asset. And so when you see those costs spread out over 40 years of the asset, and you don't have a guarantee that the customer is going to be around long enough to pay for those, that's when we see the risk that we're trying to prevent with our proposals here.

CHAIRMAN SCOTT: Thanks, Mr. Metzger. Anybody? Commissioner Reddick.

COMMISSIONER REDDICK: Your last statement you're saying, just for clarity, that even if I pay 100 percent of what it costs to build, there is stuff that I'm not paying.

MR. METZGER: Right. To the extent you're still relying on the existing system or the system as

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it grows over time, you still have to pay rates for that.

COMMISSIONER REDDICK: I didn't express it correctly. If I'm trying to protect you, ratepayer, from every cost that I cause, and over 10 years I pay all of the direct and indirect costs in the tariff calculation, I -- I cover a hundred percent of that; is what you just said in assertion that there will still be some residue in rate base that will continue for 20 years?

MR. METZGER: Likely, yes, because of -- because of over time, that's not just -- it's not just the -- those costs. It's also the cost of capital, it's the depreciation expense, it's the taxes that are being paid on the revenue -- on that -- in the revenue requirement every year. So I -- I think there is still -- I must not be understanding, and I feel like this is how we got --

COMMISSIONER REDDICK: My -- my annual -- no. Monthly payments for 10 years would include -- basically, it would --

MR. METZGER: That portion of the revenue, yes. Yes. Yes.

COMMISSIONER REDDICK: So what's left?

MR. METZGER: So if the revenue is there

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for 10 years and the assets need -- or the -- well, I guess -- okay. I see what you're saying. The additional assets are covered up front, but I don't think there is anything left in that case. I think if you're paying those costs to connect up front, and then you're also paying your rates over time, for that portion of time, you're -- then you've covered your costs, yes. I think that's correct.

COMMISSIONER REDDICK: I --

MR. METZGER: Okay. I --

COMMISSIONER REDDICK: I thought I heard something different (inaudible) comments.

CHAIRMAN SCOTT: Thank you.

MR. METZGER: Thank you.

CHAIRMAN SCOTT: Mr. Wallace, Mr. Klein. You have a whole minute, Mr. Wallace. I think your mic is off. There you go.

NICHOLAS WALLACE: Yes, it is. Thank you. So I'm going to address four issues as quickly as I can here. On project Manteno, Mr. Rippie's description belies the reality that ComEd built this project to benefit and provide service to a single customer. So in ComEd's own testimony, Exhibit 3, the witness says, ComEd built this project to meet the capacity need required ComEd to extend a second line

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to the customer's location. In response to JNGO Cross Exhibit 3, we asked how common is this type of two lines in this situation? ComEd said, providing a customer with a second line is part of ComEd's standard service requirements for customers similar to project Manteno.

Second point on the seven-factor test, the seven-factor test does not control cost assignment especially to retail customers.

Third point on and pricing. Mr. Rippie, with all due respect does not have the and pricing correct. FERC has been very clear that you can directly assign interconnection facilities to customers and charge those customers rolled-in rates, and I have a quote that I can read from a FERC case, and lastly, on the idea that bring your own generation should wait or that it interferes with the capacity market. PJM is already short on capacity. On their last option, they were short on capacity. And they respond to that with the board letter where they said, and I'll quote, the board notes ongoing efforts by several states to facilitate bring your own new generation while these efforts fall outside the jurisdiction of FERC. They will be important to accelerating the addition of need generation to the

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system, so the time to act is now. And -- and this really can't wait. PJM doesn't expect you to wait and -- and you should not.

CHAIRMAN SCOTT: Thank you, Mr. Wallace. Questions? I think we're in the lightning round phase here. Thank you.

Mr. Townsend, you have a minute, sir.

CHRIS TOWNSEND: Thank you. I first want to circle back to an exchange Commissioner Reddick and I had with regards to the size of the collateral. You had asked a question, who pays the revenue requirement if the incremental costs that are secured are less than the revenue requirement. We got off of that topic once we realized it was dealing with the TSA, and that's a federal jurisdictional question, but the answer to that question specifically is, that NRG's proposal is not to secure the incremental costs. It's the incremental revenue requirement. So we don't have that gap underneath the NRG proposal.

As you know, going back to whether or not this actually accomplishes the goals of protecting customers, revenue-based securities don't protect customers. There are specific projects that will be under securitized. Revenue-based security also doesn't attract generally the large load customers

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because it -- it over securitizes for some types of customers, and the types of customers that it over securitizes for are the ones you want to be locating here. It's the ones that are efficiently using the system. If you're inefficient in this revenue based approach, the formulaic approach, that's great for them. You give them -- they're going to be under securitized, which again, feeds back to the question of protecting the customer. You're attracting the types of -- of data -- of large loads that are -- are going to be inefficient in using the system with a revenue-based approach. And that's exactly what you don't want to do. You should be aligning the responsibility with the actual costs that those customers are imposing on the system and trying to attract the customers that are going to use the system efficiently.

CHAIRMAN SCOTT: Thanks, Mr. Townsend. Anybody? Nope. You're good. Thank you.

CHRIS TOWNSEND: Thank you.

CHAIRMAN SCOTT: Mr. Skey.

CHRIS SKEY: Thank you, commissioners. Three quick points. First Manteno is not a co-located project. I just want to be very clear. Collocation avoids many of the thorny questions that have been

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raised today about that project, so I would ask you to keep that in mind.

Secondly, there's a -- there's a suggestion for an annual report process. We agree that there should be robust oversight from the Commission. I don't think annually is sufficient. To the extent there is a implication that sort of things are rolling along just fine, I respectfully disagree. There are a lot of disagreements among the stakeholders here about process, transparency, information provision, changes in policy, unilaterally, et cetera. I think a quarterly large load working group would be a very good step toward trying to iron out some of those issues.

Finally, the FERC order is not stayed. The FERC order is in place. Any implication, otherwise, is incorrect. To the extent that there is a ComEd concession that the general terms and conditions allow the TSA to update the credit and collateral requirements when and if a customer takes advantage of one of the new categories FERC has established, then I think we're actually in agreement, and I think it should be included in the tariff. If we're not in agreement -- if ComEd is not agreeing to that, then ComEd is -- is admitting that it's foreseeing a

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process that depends on -- that makes that calculation based on gross load, but the construct that the FERC order now sets forth moves away from making that calculation based on gross load. It makes the calculation based on how much you're actually leaning on the transmission system. So I think it's appropriate for their terms and conditions to at least acknowledge that that could be something that a customer chooses, and therefore, their credit and -- excuse me, credit requirements should be modified accordingly. Thank you very much.

CHAIRMAN SCOTT: Thanks, Mr. Skey. Questions?

CHRIS SKEY: Yes, sir.

CHAIRMAN SCOTT: Commissioner Reddick.

COMMISSIONER REDDICK: I think I asked a version of this earlier of someone else. If you've got a customer who has had his TSA modified to reflect what he says he's going to be doing, not using a hundred percent capacity, I'm going to be around 60 because I've got this other thing going on over here, and all of a sudden he goes to 75, what do you do then?

CHRIS SKEY: Well, I -- I guess, it depends. I think that what we're advocating is that

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if there's a change in the -- the -- a customer opts for one of the options that's not a hundred percent NITS, so something less than that, so the cost will be less. If the usage changes under one of those categories, that's what we're advocating for. We're advocating for accurate cost allocation. So as a starting point, it shouldn't be 100 percent gross load if that's not what's being serviced by the transmission system.

COMMISSIONER REDDICK: How is a change made to reflect your change in operations?

CHRIS SKEY: I think that's a fair question, but it's to be seen. That's -- that's not determined yet.

CHAIRMAN SCOTT: Okay.

CHRIS SKEY: Thank you.

CHAIRMAN SCOTT: Thank you. Ms. Morley, Mr. Ray, Ms. Bukowski. You have 3 minutes left.

MEAGAN MORLEY: Thank you, chairman and commissioners. We do not have any remarks on rebuttal, but we are available for additional questions.

CHAIRMAN SCOTT: Anyone? I don't think anybody has any, so. You're good. Thank you. Went all the way up there for nothing, Kolton, so.

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KOLTON RAY: (Inaudible).

CHAIRMAN SCOTT: Mr. Rippie, Ms. Conger, you have 2 minutes. All right.

GLENN RIPPIE: (Inaudible) so I want to address briefly a couple areas of what I think are confusion, and then wind this up. I want to be clear in the difference between interconnection facilities or local facilities or the incremental facilities and transmission facilities. If there's a debate about what a given facility is, we can have that fight in any number of cases, but I don't think that actually happens. As for what is an interconnection facility, if it actually is the thing that hooks up the load to the transmission system, it's going to be D. And it's going to be governed by your rate design. But if it is, in fact, network, if it has through flow, serves other customers, et cetera, it is T, and under FERC's rate design, it is socialized.

Now, if that's correct, the seven-factor test does not govern cost recovery, but it does govern which pot that goes into whether it is, in fact, an interconnection facility that is D that is under ZSS and directly assigned or if it was 138 through the 138 or whether it is in T. If it's in T, we need to address it, and that's why the TSA proposal is here.

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We're actually not fighting about Manteno. It was built because the but for cause was the customer's load. But that doesn't change the fact that it became networked.

Now, criticizing revenue protection is make no mistake attacking the rate design. It's saying that the rates that customers are charged don't recover all the costs, all of them, marginal and embedded. That's what a good rate design is supposed to do, and that's why we hooked into revenue protection, and empirically, when you apply it to cluster one, that gives customers $2 billion of protection for far less than a billion dollars of investment. We've agreed to the annual report. We've agreed that the language of the tariff should refer to the whole tariff, not that there should be endless floating adjustments of collateral, and the testimony makes that clear. We've made a case that all of these proposed tariff amendments are needed urgently because of vast amounts of large load. We think the record and the presentations here support adoptions -- adoption of the tariff with the two specific modifications that ComEd has already accepted. Thank you.

CHAIRMAN SCOTT: Thanks, Mr. Rippie.

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Questions, Commissioner McCabe, before you go?

GLENN RIPPIE: Sorry.

COMMISSIONER MCCABE: How do you feel about quarterly reports? And I recall there was something in the record about monthly reports.

GLENN RIPPIE: Yeah. I think that there is a point which reporting becomes a distraction and a time sync, and an opportunity for a churning rather than an actual opportunity for supervision and monitoring. Given the number of customers we've got here, we've got six in this cluster, and 11 in the next cluster, annual reporting coupled with the fact that anyone can go to you or staff can ask for data requests at any time is the sweet spot on that balance.

CHAIRMAN SCOTT: All right. Thank you very much.

GLENN RIPPIE: Thank you so very, very much.

CHAIRMAN SCOTT: So at the risk of people breaking out in applause, this will conclude our oral argument. I want to thank everybody for their time and their patience and -- and the presentations and also to answer all of our questions.

And so with that and without objection,

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this meeting stands adjourned. Thank you, everyone.

(Audio ended.)

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