The big boys who really run Springfield are at it again. Back in August, Exelon Chairperson John Rowe delivered a very frank speech to his shareholders. Exelon is the parent company of Chicago-based Commonwealth Edison, and Rowe explained how he planned to increase his company’s profitability.

Rowe said he couldn’t tell his shareholders specifically how the company planned to increase Exelon’s bottom line because doing so would make it a political dead duck.

“If I were to tell you that we have a detailed plan for solving [the dilemma the company faces when ComEd’s rates could drop significantly at the end of 2006], that plan would instantly become unachievable,” Rowe said, adding, “and that is why we have some of this air of mystery about it that we do.”

As you probably know, Exelon has announced that it wants to purchase Decatur-based Illinois Power. Exelon unveiled legislation recently that it said would help it buy the financially troubled company, and conveniently, also allowed it to lock in a rate increase for itself years in advance. But that part was dropped when the public roared its disapproval. Then Exelon tried to get sneaky by doing the same thing with different language, but that was also quickly abandoned.

Now if you think Exelon has given up, you need to move out of Illinois. That ain’t the way things are done here. Big-time lobbying pushes such as these always have their starting point, their immediate fallback position, and their true endgame, which is usually shrouded until the last moment in an “air of mystery,” as Rowe put it.

Let’s go back to the August shareholder meeting. Rowe said a lot of interesting things.

“What we’re really after here – just keep your eye on this constantly – is not what maximizes ComEd’s income, but what maximizes Exelon’s income,” Rowe confided.

So how do you maximize Exelon’s income without necessarily maximizing its subsidiary’s income? One very easy way is to charge ComEd a higher price for the electricity that another Exelon subsidiary, Genco, produces. The higher wholesale price is then simply passed along to the consumers. ComEd only delivers electricity to homes and businesses. Exelon, through its subsidiary Genco, generates the actual juice.

As Rowe explained during the shareholders meeting, if Exelon "can move the parts so that Genco revenue and income picks up more than ComEd revenue goes down, that will be really nifty."

Right now, ComEd can't do that under state law. ComEd's current retail price has to be based on Genco's current wholesale price.

But what if ComEd was allowed to sign a long-term contract with sister company Genco? And what if ComEd did so by constantly keeping its eye on maximizing its parent company's income, to paraphrase Rowe?

Let's say ComEd signs an agreement in 2007 with Exelon/Genco to purchase power at a set rate for nine years. But what if market rates decline? With the ongoing construction of natural gas "peaker plants," the national trend toward increased competition in the supply side, and the dramatic progress Genco has made in making its nuclear plants much more cost-efficient, it's more than possible this could happen.

Under Exelon's latest proposal, however, the Illinois Commerce Comission could only look at whether the agreement was "prudent and reasonable" in 2007, not five years down the road when market rates could be much lower.

But what if market rates go up? What if some company like Enron games the system again and prices skyrocket? Isn't Exelon then screwed and the consumers happy campers? Good point. In fact, it's the major arguing point that ComEd is basing its case on these days.

Not surprisingly, Chairperson Rowe supplied the answer to that question himself during the August meeting: "We're trying to set up a circumstance where Exelon can be, at attractive prices, the all-requirements supplier for ComEd."

In other words, even if the market price for electricity spikes elsewhere, if Exelon is supplying all, or almost all, of ComEd's power at a pre-set and "attractive" rate designed with a constant eye on Exelon's earnings, it will still make a very tidy profit.

The bottom line is that ComEd is continuing to use the Illinois Power purchase to deflect attention from a major legislative change in the way it is regulated.

What we have here is a very subtle, but highly significant, re-write of the state's utility laws without the usual months-long negotiating process that always accompanies such things. Instead, as I write this, the company hopes to ram its new bill through both the House and Senate in three days this week.

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