DIRECT TESTIMONY

OF

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Policy Program

Policy Division

Illinois Commerce Commission

Petition for the Establishment of Performance Metrics under Section 16-108.18(e) of the Public Utilities Act.

Commonwealth Edison Company

Docket No. 25-0514

July 28, 2025

Witness Qualifications

Q. Please state your name and business address.

A. My name is David Brightwell. My business address is 527 East Capitol Avenue, Springfield, Illinois 62701.

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

A. I am employed by the Illinois Commerce Commission ("Commission" or "ICC") as an Economic Analyst in the Policy Program of the Policy Division.

Q. Please describe your educational background.

A. I received a Ph.D. in economics from Texas A&M University in 2008. My major fields of study were industrial organization and labor economics, and my minor field was econometrics. I received a bachelor's degree in political science in 1992 and a master's degree in applied economics in 2002, both from Illinois State University. In 2016, I completed a graduate certificate in Data Mining from the University of California at San Diego's extension school.

Q. Please describe your work background.

A. I have been employed as an Economic Analyst with the Commission since June 2008. I have focused on energy efficiency, smart grid, and demand response related issues at the Commission. I have also testified on several occasions about Volume Balancing Adjustment ("VBA") Riders. From 2002-2008, I attended Texas A&M University, where I served as a teaching assistant or an instructor for various courses.

From 2000-2002, I served as a graduate assistant for David Loomis at Illinois State University. Twice since 2014, I have taught graduate level economics classes at Illinois State University. Those classes related to electricity and natural gas regulation. I also taught an undergraduate-level energy economics and policy course at Illinois State University.

Q. Are you offering any legal opinions in your testimony?

A. No, I am not. While I may offer my understanding of certain provisions of the Illinois Public Utilities Act ("Act"), I am not an attorney, and none of my testimony offers any legal opinion.

Q. Have you previously testified before the Commission?

A. Yes, I have testified before the Commission on many occasions.

Purpose of Testimony

Q. What is the purpose of your testimony in this proceeding?

A. I present my analysis and recommendations regarding Commonwealth Edison Company's ("ComEd's" or the "Company's") proposal related to Performance Metric 3 ("PM 3"), which concerns Peak Load Reduction ("PLR").

Analysis and Recommendations

Q. Are there terms you use in your testimony that may need definition?

A. Yes. This metric provides penalties or incentives for peak load reductions. I refer to reducing the amount of load used during the peak as a "load reduction." A load reduction is technically a negative number. That is, for example, if the peak would have been 20,000 MWs and the Company's programs cause the peak load to be 19,800 MWs instead, the load reduction is 200 MWs, i.e., the Company decreased load by 200 MWs. I also refer to "increased load reductions" or "load reduction improvements" when comparing performance from one year to another. When I use these terms, I mean that the Company reduced its load by more MWs in absolute value terms. Using the last example above, if the Company's program resulted in 200 MWs of load reductions in one year and the Company's efforts reduce load by 300 MWs the next year, the Company improved or increased its load reductions by 100 MWs. The Company is subtracting more from its peak than it was the year before.

I also refer to "decreased load reductions," "decaying load reductions," or "degrading load reductions". I use these terms to mean that the amount of load being subtracted from the peak is smaller in absolute value terms. If the Company's load reductions decline from 200 MWs off the peak to 150 MWs off the peak, the Company's load reductions decreased/decayed/degraded in comparison to the previous year.

Q. Please summarize the Company's proposed PM 3, the PLR Metric.

A. The Company is proposing a two-tiered approach to reducing peak load. In the first tier, the load reductions come from programs that are bid into PJM auctions. In the second tier, the load reductions come from programs that are not compensated by PJM. The total combined load reduction of both tiers is what determines the amount

of load reductions the Company achieves. The Company proposes a +/- 6 basis point adjustment centered at 0 ranging from +/- 150 MW. That is, if the Company's load reduction degrades by 150 MW or more in comparison to the previous year, the Company would lose 6 basis points. The basis points reductions linearly phase to 0 for any decreases of load reduction between -150 MW and 0 MW. As load reductions improve from 0 MW to 150 MW, relative to the previous year, the incentive would linearly increase from 0 to 6 basis points. (ComEd Ex. 1.01 at 17; ComEd Ex. 3.0 at 7-10.) To illustrate, if the Company has load reductions of 200 MWs in Year 0, the Company would be penalized -6 basis points if its Year 1 load reductions are 50 MWs or less (200-150 = 50). If the Company has Year 1 load reductions of more than 50 MWs but less than the 200 MWs it started with, the Company would be penalized between -5.9 and -0.1 basis points depending on its actual Year 1 results. If the Company ends Year 1 with 200 MWs total (no new additions to its Year 0 value), the Company would receive 0 basis points. If the Company ends Year 1 with load reductions of more than 200 MWs but less than 350 MWs (somewhere between a 0.1 MW and 150 MW improvement in load reduction), the Company would receive between 0.1 and 5.9 basis points as an incentive. The exact value depends on the actual improvement but increases linearly as the improvement becomes larger. If the Company achieves 350 MWs or more of load reductions, it receives six basis points as its reward.

Q. Please summarize your recommendations

A. I recommend (1) the Commission maintain the 6 basis points incentive for the program, (2) the Commission allow ComEd to maintain the two components, or tiers, related to whether programs are bid into PJM, but (3) that the Commission should reject ComEd's proposed baseline and penalty/reward structure and instead, adjust the baseline used to determine penalties and rewards and (4).the Commission should explicitly state that incremental load reductions need to be attributable to ComEd's efforts to count toward achieving the PLR metric incentives.

Q. Why do you think 6 basis points is appropriate for the PLR metric?

A. I support 6 basis points using my proposed change to adjust the baseline and calculation of penalties and rewards. I believe the available capacity cost data supports the Company being capable of cost effectively achieving the level of MW reductions I propose when receiving six basis points. More detail about my adjustments and cost effectiveness is provided later in my testimony.

Q. Why do you think the Commission should allow ComEd to maintain the two tiers for the PLR Metric?

A. An alternative to having two tiers is to have two programs that have separate goals and separate penalties/rewards tied to those goals. In my opinion that alternative approach is likely to cause higher management cost and possibly leave some load reductions delayed or unimplemented.

The higher management cost is because the Company must not only determine the total reductions it achieves but also focus on each program to reduce the program risk of penalty.

Likewise, it may be easy to achieve load reductions in one program but more difficult to achieve load reductions in the other program. With two separate rewards/penalties, the Company may be incented to reach the level of load reductions that maximize rewards in the easy program and then stop trying to achieve more reductions until a later date; instead focusing its efforts to bring the more difficult program to reduction level that avoids penalties. The result is likely lower total reductions with higher administrative costs necessary to achieve the load reductions. By having one program with two tiers, if one tier is more difficult and costly to achieve, the Company can focus more effort on the easier area. This two-tiered approach has the potential to increase the overall MWs achieved in a given year and improve the cost effectiveness of the program relative to having two separate programs.

Q. Why do you recommend rejecting ComEd's proposed baseline and penalty and reward structure?

A. In my opinion, ComEd's proposal has a penalty and reward structure that is symmetric on paper but not symmetric in practice and, depending on the outcomes for 2025 – 2027, it may not even be symmetric on paper. Finally, I do not believe it will be challenging for ComEd to receive an incentive under its proposal.

Q. Why might the penalty/reward structure possibly not be symmetric on paper?

A. In the Company's pending Annual Adjustment proceeding, Docket No. 25-0383, the Company's independent evaluator estimated that ComEd achieved 63.4 MWs of total load reductions in 2024. (Guidehouse ComEd Performance Metric Evaluation

and Verification Report, Docket No. 25-0383, 56, Table 37 (May 1, 2025) ("Guidehouse Evaluation Report").) This is an improvement of 3.1 MWs of load reductions compared to what the Company had in place in 2023 (Guidehouse Evaluation Report, 56, Table 37.) In order for ComEd's proposal to be symmetric with a 150 MW range around the baseline, the Company needs at least 150 MWs of load reductions to exist at the start of 2028. It currently has 63.4 MWs in place. Therefore, it needs to improve its total load reductions over the 2025 – 2027 period by about 2.4 times its current level to have 150 MWs as a starting baseline in 2028. If ComEd starts 2028 with a baseline of 150 MWs, it is possible to achieve 150 MWs over that and achieve the full 6 basis point award. However, if ComEd fails to achieve 150 MWs of load reduction before 2028, the Company's 2028 baseline will be something less than 150 MWs. Since it is impossible for the Company to lose more than 150 MWs it would be mathematically impossible for the Company to be penalized the full 6 basis points. Similarly, in a scenario where ComEd starts 2028 with a 200 MW baseline but loses 51 MWs in load reductions in 2028, it finishes the year with only 149 MWs as the 2029 baseline. In 2029, the Company could not be assessed the full 6 basis point penalty because the Company's baseline is less than the 150 MWs it would need to lose before a six basis point penalty goes into effect but the Company could again achieve load reductions that result in the full 6 basis points award.

Q. Why is ComEd's proposal not symmetric in practice even if it is symmetric on paper?

A. Assuming the Company achieves more than 150 MWs of load reductions before the 2028-2031 PM Plan 2 begins, there is no foreseeable scenario where the Company could lose 150 MWs in load reduction in a year or even over the four-year PM Plan 2. The Company projects achieving 211 MWs total load reductions over the 2024-2027 PM Plan 1 (ComEd Response to EDF 1.03 Attachment 1 tab: Program Projections). That 211 MWs assumes a 2% annual decline in its long-established programs that provided 60.3 MWs of load reductions in 2023 and about 153 MWs from new programs the Company implements in the 2025, 2026, and 2027 program years. Id. In this analysis, there is no degradation in its new programs. In the Company's PM Plan 1 docket, the Company testified that its existing programs lost about 2% to 5% of their load reductions annually. (ComEd Ex. 20.0, Docket No. 22-0067, 18 (June 13, 2022).) If the Company begins with 211 MWs as its 2028 baseline, a loss of 150 MWs amounts to losing 71% of the 211 MWs of load reductions the Company projects to have in place in 2028. Given that the Company's own modeling assumptions assume 2% losses from long-established programs and no annual losses from yet-to-be implemented programs, it is not realistic to assume a situation where the Company can lose 50 MWs over a four-year plan let alone 150 MWs in a single year.

Q. What kind of baseline and penalty/reward structure do you recommend?

A. I recommend the Commission establish the baseline in 2028 as 98% of the total load reduction the Company's programs achieve in 2027. The baseline for 2029 should be 98% of the sum of the 2028 baseline plus any incremental load reductions the Company's efforts cause in 2028. The baseline in 2030 should be 98% of the sum

of the 2029 baseline plus any incremental load reductions the Company's efforts cause in 2029. The baseline in 2031 should be 98% of the sum of the 2030 baseline plus any incremental load reductions the Company's efforts cause in 2030.

I further recommend that the Commission reward or penalize ComEd for load reduction achievements relative to the baseline I propose. Penalties should be applied if the Company achieves load reductions above a baseline of 45 MWs or less. These penalties should be applied linearly with -6 basis points for no reductions above the baseline and 0 basis points for 45 MWs above the baseline. Rewards should be applied if the Company improves load reductions by more than 45 MWs with the total incentive reaching 6 basis points for 90 MWs or more of improvement.

Q. Please explain your recommendation for basing incentives off of 98% of the previous year's reduction.

A. My recommendation differs from the Company's proposal because it uses 98% of the previous year's total load reductions as the baseline and penalizes the Company if it does not improve its load reductions by at least 45 MWs. Under my proposal the Company only receives a financial reward if it improves the load reduction by more than 45 MWs beyond 98% of what it achieved in the previous year.

Q. Why do you recommend altering the proposed range to45 MWs above the baseline for no penalty and 90 MWs of reductions for a full reward?

A. The economics have changed since the Company's last PM Plan docket. In Docket No. 22-0067, I estimated that the Company needed to achieve 150 to 210 MWs of

load reductions for ratepayers to breakeven if 6 basis points were awarded for the PLR PM metric (Staff Ex. 12.0, Docket No. 22-0067, 8-10, (June 3, 2022).) Since incentives funded by ratepayers should be awarded only if the Company does better than breakeven, I recommended penalties for less than 120 MWs of incremental reductions, a deadband where there was no penalty or reward to the Company from 120 to 195 MWs of incremental reduction, and rewards to the Company if it achieved more than 195 MWs of incremental reductions. The full 6 basis points would be rewarded if the Company achieved 315 or more MWs above baseline.

In its surrebuttal testimony in the PM Plan 1 Docket, ComEd pointed out that my analysis assumed that the benefits of a load reduction lasted only one year when the load reductions could be sustained for several years. (ComEd Ex. 20.0, Docket No. 22-0067, 11, (June 13, 2022).)

Based on ComEd's arguments, Staff proposed to use 15 MWs per basis point as a breakeven value so that 90 MWs of reductions was assumed to be needed for ratepayers to breakeven with six basis points. For ratepayers to benefit from load reduction improvements, more than 15 MWs per basis point would need to be assigned. Staff's proposal was for penalties for 0 to 50 MWs of incremental achievement, neither rewards nor penalties for 50.1 to 100 MWs of incremental reductions, and rewards for 100.1 to 150 MWs (Staff Initial Brief, Docket 22-0067, (July 8, 2022)). The Commission ultimately decided to penalize the Company if it achieved 0 to 49.9 MWs above baseline, impose no penalty or reward for 50 to 59.9 MWs of load reductions, and rewarded the Company for 60 to 150 MWs of load reductions (Amendatory Order, Docket No. 22-0067, (May 18, 2023).)

Based on the current economics, I think the breakeven point for ratepayers is about 7.5 basis points per MW.

Q, How did you estimate 7.5 MWs as a breakeven value?

A. I started by assuming PJM's current capacity price of 270 per MW-day as the starting point for ratepayer benefits[1]. Under that assumption, each MW of peak load avoided provides $98,550 of annual benefits through avoided capacity payments ($270 per MW-day X 365 days in a year = $98,550). There are likely other ratepayer benefits as well. To approximate these benefits, I added an additional 25% to avoided capacity costs which results in an annual total ratepayer benefit of $123,188 per MW of achieved incremental load reductions. The Company will need to pay incentives to achieve these MW reductions and will have administrative costs associated with managing the programs. I assumed these costs to be about 70% of the benefits of an avoided MW or about $86,232 per MW. Under these assumptions, the net benefits per MW are about equal to $36, 956.

Staff witness McNally is estimating that each basis point is worth about $1.1 million based on projections of the Company's 2027 rate base. (Staff Ex. 2.0 at 2.) Using the $1.1 million estimate as the cost of a basis point to ratepayers and the $36,956 as the net annual benefit to ratepayers, a ratepayer needs 29.77 basis points if the program lasts for one year for the program to be cost beneficial (1.1 million divided by $36, 956 = 29.77). If the load reduction lasts more than one year, the 29.77 figure needs to be divided by the duration of the reduced MW. I believe it is likely that a

[1] See slide 5 https://www.pjm.com/-/media/DotCom/committees-groups/committees/mrc/2024/20240821/20240821-item-08---2025-2026-base-residual-auction---presentation.ashx

MW of load reduction can persist for at least four years and probably more. My assumption is consistent with the Company's projections of a 2% loss from existing programs. Therefore, about 7.5 MWs per basis point is an approximate breakeven point for ratepayers. If a longer duration is assumed for how long a MW of load reduction lasts, a value less than 7.5 MWs per basis point can be used to determine what a ratepayer needs to breakeven. If six basis points are assigned to the PLR PM metric, ratepayers need at least 45 MWs of peak load reductions for the program to be cost beneficial. That is, under these modeling assumptions, the ratepayers need 45 MWs of load reductions that persist for four years for the ratepayers' benefits from those 45 MWs of load reductions to equal ComEd's basis point incentive and ComEd's annual administrative and incentive costs related to the program. Ratepayers would need more than 45 MWs to have positive net benefits. I chose 45 MWs as the threshold to switch from ComEd going from a penalty to reward and 90 for ComEd to receive its maximum reward because it is likely to provide rewards for ratepayers if capacity prices decline and it aligns with the structure of the incentives the Commission approved in Docket No. 22-0067.

Q. How confident are you in your analysis?

A. The formula is very fundamental. The benefits need to be greater than or equal to the costs of the incentive to ComEd and the costs of all the administrative and incentive costs related to the program. The values of the benefits are unknown as are the values of the required incentives and the necessary incentive costs. The time

that a MW lasts (a component of the benefits) is also unknown. My analysis did not attempt to discount future benefits and costs.

Had I applied a discount rate, the value of that discount rate could also be disputed because no one knows the appropriate value. Had a discount rate been used, the breakeven value would probably be around 9 to 12 MWs per basis point if all the other assumptions remain the same. With a breakeven value of 9 to 12 MWs, the Company and ratepayers both benefit if the Company achieves a full incentive under my proposal.

The biggest factor that will determine if ratepayers benefit is the capacity price. If capacity prices increase above $270 per MW-day, ratepayers' total net benefits will be greater and fewer MWs per basis point will be needed to breakeven.

If capacity prices drop below $270, then more MWs of load reductions per basis point are needed for ratepayers to breakeven. There is some capacity price where the program cannot be cost-effective and it would be appropriate to assign the smallest number of basis points allowable by statute.

The conundrum is that more MWs are needed for a ratepayer to breakeven when capacity prices are lower but capacity prices being lower means there is less value to reducing peak load. Likewise, when capacity prices are higher, ratepayers need fewer MWs of load reductions to benefit but load reductions are more valuable and ratepayers benefit more as load reductions increase.

I think my analysis supports 45 MWs of load reductions for ComEd to achieve 0 basis points and 90 MWs of load reductions to achieve 6 basis points of rewards. However,

I also recognize that my analysis is based on the most recent PJM capacity price and that these capacity prices fluctuate yearly.

Q. How could a change in capacity prices impact your analysis?

Capacity prices can vary significantly from year to year. In my 2022 analysis, I used $68.96 as the capacity price. That $68.96 value was the result of the most recent PJM capacity auction at the time. The 2025 capacity price of $269.92 is nearly four times larger. However, the capacity prices for PJM's 2023 and 2024 auctions were $34.13 and $28.93 respectively[2]. The capacity prices in these years were much lower than the 2022 capacity price.

The average of the 2022 through 2025 capacity prices is approximately equal to $100.50 per MW. If I use $100.5 as the assumed capacity price of my analysis rather $270, the breakeven value is about 20 MWs per basis point. Under the $100.50 per MW assumption the ratepayer would need 120 MWs of load reduction to be no worse off if ComEd achieves a six-basis point incentive and more than 120 MWs to be better off if ComEd achieves its full six-basis point incentive.

If the Commission believes the price is more likely to be around $100 per MW-day in the 2028-2031 PM period it should either 1) assign fewer basis points to this metric, or 2) assign more than 45 MWs or load reduction for ComEd's threshold to avoid a penalty and more than 90 MWs of load reduction as ComEd's threshold to receive a

[2] For 2025 price see footnote 1, For 2023 and 2024 price see page 6 https://www.pjm.com/-/media/DotCom/markets-ops/rpm/rpm-auction-info/2024-2025/2024-2025-base-residual-auction-report.ashx, for 2022 price see page 1 https://www.pjm.com/-/media/DotCom/markets-ops/rpm/rpm-auction-info/2022-2023/2022-2023-base-residual-auction-report.ashx

full six basis point incentive, or 3) it should combine options one and two to raise the thresholds and lower the basis points.

If the Commission believes the evidence supports a capacity price around $270 or more I believe that my recommendation to assign six basis points and provide penalties for less than 45 MWs of increased load reductions and rewards for more than 45 MWs of increased load reductions above baseline is reasonable.

Q. Is there anything else that makes your recommendation reasonable?

A. Yes. The incentive structure put in place in Docket No. 22-0067 penalizes ComEd if it does not achieve 50 MWs of load reductions in a year and does not reward ComEd unless the Company achieves at least 60 MWs of load reductions in a year. Based on that incentive structure, ComEd is projecting to reach exactly 50 MWs of incremental load reductions in 2025, 2026, and 2027 (ComEd response to EDF 1.03_Attachment1tab projections**.**

This suggests that faced with the incentives currently in place ComEd believes its best strategy is to achieve the minimum level necessary to avoid a penalty. Some reasons for this strategy may be that achieving 50 MWs of incremental load reductions a year is nearly impossible for the Company but it will work to avoid the penalty, or that achieving 50 MWs of load reductions per year is possible but there is too much risk of penalties in later years for the potential rewards for achieving more than 60 MWs in a year.

That is, under the 2024-2027 PM Plan PLR incentive structure if ComEd were to achieve 61 MWs of load reductions in 2024, it would receive a small incentive

associated with being 1 MW into the reward zone. That 61 MWs barely provides a reward but it is 11 MWs above the 50 MWs needed to avoid a penalty in 2025. If ComEd delays the procurement of that 11 MWs until 2025, it potentially avoids the penalty of an 11 MW shortfall in 2025. The penalty for being 11 MWs below 50 MWs in 2025 is much greater than the reward for being 11 MWs above 50 MWs in 2024. Given what I am observing in ComEd's behavior when faced with the incentives currently in place and my cost-effectiveness analysis, I think it is reasonable to lower the threshold from 50 MWs to 45 MWs as the threshold for 0 basis points in load reductions. The lower threshold is most likely cost effective and provides more incentive to pursue MWs beyond the minimum level required to avoid a penalty. The incentive to go beyond the minimum level is strengthened both by lowering the incremental load reductions per year and removing the deadband[3].

Q. Why do you recommend that the Commission make it clear that PLR metric achievement is based on ComEd's efforts?

A. In my opinion, the purpose of the performance incentives is to reward ComEd for bringing about load reductions that would not happen except for ComEd altering its business-as-usual approach and causing these load reductions to occur. If emerging technologies are incorporated into the Company's load reduction programs, some of the participants in ComEd's incentive programs are likely to have purchased these technologies and incorporated the use of these technologies into their energy

[3] The 50 MW to 59.9 MW range where the incentive is zero basis points is known as a deadband. Removing this deadband and rewarding incentives for anything above the lower bound of the deadband is what gives an incentive to pursue more than the minimum threshold.

consumption without ComEd's program existing. Any load reductions that stem from these customers would occur regardless of ComEd's program so I do not believe that ComEd should be credited for these reductions. Crediting the Company for naturally occurring load reductions either lessens the penalty or increases the Company's reward without providing any benefits to ratepayers.

Q. Is there any other reason to evaluate programs to determine if load reductions are attributable to ComEd?

A. Yes. My analysis of how many MWs per basis point are necessary for ratepayers to breakeven assumes that MWs included in the analysis provide an incremental benefit to the ratepayer. If these benefits occur even without ComEd's efforts, there is no incremental benefits to the ratepayer. My analysis would need an increased MWs per basis point to account for the MWs not attributable to ComEd's efforts if those MWs are credited to the Company for determining its penalty or reward.

That is, if a new technology is likely to bring 10 MWs of load reductions by people who are early adopters and the Company were credited for the reductions achieved by early adopters, the load reductions to avoid a penalty would need to be adjusted to about 55 MWs above baseline and the rewards would need to increase to about 110 MWs for a full reward[4].

Making reasonable predictions now for the amount of naturally occurring technology adoption that will take place in 2028 is impractical. It becomes more impractical for

[4] The 55 MW value is 45 MWs above the 10 MWs that comes from early adopters. My understanding is that the rewards and penalties are to be symmetric so 110 MWs would be needed to be symmetric on paper. If penalties are assessed on achievements between 0 and 55 MWs, it is impossible for the Company to be assessed a full penalty because 10 MWs are going to occur regardless of what the Company does.

longer time horizons such as 2031. Requiring evaluators to determine attribution to ComEd's efforts after the fact is more practical than forecasting technology adoption years in advance and adjusting the goals based on those forecasts.

Q. Do any PLR programs currently require attribution to Company efforts?

A. No existing programs explicitly require attribution. However, there is a provision that if a solar or energy efficiency ("EE") program is offered, then an evaluation is required to determine attribution. Any other new programs would require appropriate measurement methodologies. (Commonwealth Edison Co., Corrected Multi-Year Performance and Tracking Method Plan, Docket No. 22-0067, 12 (Feb. 11, 2025).) The other existing programs are well established and had somewhat stagnant participation levels at the time the PLR metric went into effect. Any increases in peak load reductions from those programs are almost certainly the result of Company's efforts to increase participation. Additionally, attribution is consistent with Commission policy for other programs. For example, the Company's energy efficiency programs offered under 5/8-108B of the PUA are evaluated based on net savings. Net savings is the portion of total savings that is attributable to the Company's efforts. Similarly, Beneficial Electrification programs are also based on attribution. Commonwealth Edison Co., ICC Final Order, Docket Nos. 22-0432/22-0442 (Cons.), 198 (March 23, 2023).

Q. Does this conclude your direct testimony?

A. Yes.

PM 3: PEAK LOAD REDUCTION

Peak Load Reduction

Description

ComEd's proposed Peak Load Reduction ("PLR") performance metric consists of two components that measure the impact of demand response programs within its Demand Side Management ("DSM") portfolio for each calendar year.

The first component (3A) measures the cleared megawatts ("MW") procured by ComEd for applicable programs as part of the DSM portfolio in the PJM Load Management Capacity market (or equivalent Resource Adequacy market) contingent on winter resource matching for each delivery year. This component supports peak load reductions attributable to demand response programs because these resources participate in the supply side of the PJM capacity market as demand response resources, contributing to the region's reliability and capacity requirements and can be dispatched to reduce load.

The second component (3B) measures the total MWs of capacity obligation reduced by ComEd's applicable programs in the DSM portfolio that are not bid into the PJM Load Management Capacity market (or equivalent Resource Adequacy market). This component is intended to measure the reduction in the actual peak load reductions attributable to demand response programs that are not bid into the PJM capacity market.

1. Calculation Method

The annual performance for the PLR performance metric will be the sum of component 3A and 3B.

Component 3A will be measured each calendar year with the cleared MWs of ComEd's DSM portfolio in the PJM Load Management Capacity market's applicable start of the delivery year (or equivalent Resource Adequacy market) that are incremental and attributable to ComEd's efforts. For example, in 2028, component 3A will be based on the PJM 2028/2029 delivery year.

For Component 3B, the reduction of capacity obligation will be measured each calendar year by comparing the customer's incremental capacity obligations attributable to ComEd's effort enrolled in the applicable programs in ComEd's DSM portfolio compared to a counter-factual (baseline estimation absent the action of reducing load). The difference in total MWs of the customer's capacity obligation compared to the counter-factual baseline will be the annual performance for component 3B.

Data Sources and Collection Method

ComEd will use PJM tools, such as DR Hub tool and the PJM Capacity Exchange Market tool, to determine the amount of cleared MWs enrolled in the PJM Load Management Capacity market for Component 3A. Component 3B will be determined through customer interval data to measure the actual load reduction/capacity obligation reduction. This would include interval data to develop a counter-factual (baseline estimation absent the action of reducing load) as applicable.

An independent evaluator will be given data from nonparticipating customers as needed to assess the incremental load reductions attributable to ComEd's programs.

Annual Performance Targets

The proposed PLR performance metric baseline for calendar year 2028 will be 98% of the sum of Components 3A and 3B for the calendar year 2027. For example, if ComEd achieved 200 MW in 2027, the baseline/deadband for 2028 would be ~~200~~196 MW. If ComEd then achieves 250 MW in 2028, the baseline/deadband in 2029 would be ~~250~~245 MW.

~~Table 1 - PLR Annual Performance Targets~~

	~~Penalties~~		**~~Deadband~~**	**~~Incentives~~**	
~~Metric range~~	~~-150 MW~~	~~-0.1 MW~~	~~0 MW~~	~~0.1 MW~~	~~+150 MW~~
~~Basis points~~	~~-6 bps~~	~~-0.01 bps~~	~~0 bps~~	~~+0.01 bps~~	~~+6 bps~~

Incentives and Penalties

A symmetrical incentive or penalty of up to 6 bps annually will be applied if ComEd meets (or fails to meet) its incremental annual target. Basis points for penalties and incentives will be calculated using a "linear approach," rounded to the nearest hundredth point. Under the linear approach, the amount of incentive/penalty earned for the PLR Performance Metric will be determined by multiplying (i) the percentage of the maximum target achieved by (ii) the maximum incentive/penalty amount. In other words, there will be straight-line interpolation from deadband performance (resulting in neither an incentive nor a penalty) to the maximum incentive/penalty amount.