

ComEd cross 3

ICC Case No: 13-0495
Respondent: Geoffrey Crandall
Requestor: ComEd
Question No: ComEd→All 2.01
Page: 1 of 1
Date: November 14, 2013

Question:

ComEd→ELPC 2.01: With regard to the recommendation in Mr. Crandall's Direct Testimony ("Crandall Dir.") that "the modified goal be set at no less than two-thirds of the statutory goal" (Crandall Dir., page 6, line 19):

- (a) Please explain how the budgets within the ComEd's proposed portfolio would be reallocated to achieve this increased goal.
- (b) Please provide the modification to each budget line item and state the associated increase or decrease in associated kWh savings for each item.

Answer:

I have not made any recommendations that ComEd's budgets should be reallocated at this time, and therefore I cannot provide a recommended change to each budget line item. My recommendation is that ComEd could achieve the modified goals of no less than two-thirds of the statutory requirement by implementing a variety of strategies outlined in my testimony that, to the best of my knowledge, ComEd has either not developed or not considered. I recommend requiring that ComEd and the SAG consider these strategies and develop plans and budgets to implement them. The only specific budget reallocation that I have put forward, as a last resort if my other recommendations fail to meet my proposed goals, would be that ComEd work with Staff and the SAG on how to reallocate budgets among customer classes to rely more heavily on lower first-year cost per kWh saved in the industrial/commercial sector. (See Crandall Dir., pages 30-32).

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I.C.C. DOCKET NO. 13-0495
ComEd Cross Exhibit No. 3

Witness _____
Date 12-4-13 Reporter CMS

ICC Case No: 13-0495
Respondent: Geoffrey Crandall
Requestor: ComEd
Question No: ComEd→All 2.02
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Date: November 14, 2013

Question:

ComEd→ELPC 2.02: Mr. Crandall makes the following assertions in his direct testimony: (1) “I recommend that the modified goal be set at no less than two-thirds of the statutory goal” (Crandall Dir., page 6, lines 18-19), and (2) “I am not recommending a budget reallocation at this time” (*Id.*, page 31, line 11). Please reconcile these statements and explain in detail how increased modified goals can be achieved without any budget reallocations.

Answer:

As described in response to ELPC 2.01, I believe that a number of alternatives ComEd had not considered could contribute to achieving the recommended modified goal of no less than two-thirds of the statutory goal. Some of these may require a reallocation of the budgets after consideration by SAG and ComEd. Some of them extend the budget by amortizing the costs, rolling funds back into the energy efficiency budgets, or leasing equipment. Others augment the budget by leveraging third party resources. Others enhance incentives without adding to the budget by implementing tariffs. Thus, there is a wide array of alternatives to increase energy efficiency savings without exceeding the budget cap.

In my statement, “I am not recommending a budget reallocation at this time” on page 31, line 11 of my direct testimony I refer to an alternative that ComEd did consider, namely rebalancing ComEd’s portfolio to rely more heavily on program elements that achieved greater savings per dollar invested. Rebalancing the portfolio of existing energy efficiency programs would require reallocating the budget among its existing programs/customer classes. I further stated, “The reason I am not proposing significant budget reallocations now is that I am also proposing a number of other solutions or partial solutions (identified above) that may obviate the need to significantly reallocate program budgets. Until those options are reviewed and analyzed in the coming months prior to the filing of the revised plan or plan supplement, it is premature to recommend the significant reallocation of program budgets in accordance with a different definition of optimal energy savings.” (Crandall Dir., page 32, lines 1-6)

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Question No: ComEd→All 2.04
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Date: November 14, 2013

Question:

ComEd→ELPC 2.04: With respect to Mr. Crandall's proposal regarding amortizing/capitalizing energy efficiency and demand response resources (Crandall Dir., page 18, line 19 through page 20, line 2):

- (a) Please provide all studies, analysis and data concerning the concept of amortizing/capitalizing energy efficiency and demand response resources.
- (b) Please describe in detail how this concept could be incorporated into ComEd's 2014-2016 Energy Efficiency and Demand Response Plan, including the cost to include such a concept and a quantification of any savings that would be achieved as a result.

Answer:

- (a) Amortization and capitalization is a commonly accepted regulatory treatment for generation, transmission, distribution energy efficiency resources, demand management resources. The capitalization of resource acquisition is a traditional and accepted accounting method that recognizes the longevity and the productivity value of resources lasting beyond the current year. The Michigan Public Service Commission allowed the deferred accounting treatment and the amortization of program developmental costs to be recovered over a five-year period because the program and the attributes were expected to continue beyond the first year of the program. This was included in the Michigan Public Service Commission Order U-6700 and then implemented in each utility docket that initiated energy efficiency programs pursuant to the U-6700 Order, which set forward a residential energy efficiency program. In addition, ComEd has capitalized certain demand response program costs in conjunction with its air conditioning cycling program since 1996.

Both the Michigan Public Service Commission and ComEd have found that the public interest is served by allowing the amortization of energy efficiency programs and demand response measure costs. Therefore, it is appropriate for ComEd, in conjunction with the Staff and the SAG, to investigate this potential funding methodology for Plan 3 programs. This methodology has the potential to make additional funds available for rebates and customer incentives that would assist ComEd to better meet the legislatively imposed energy efficiency targets.

- (b) My recommendation is that the Commission require ComEd to coordinate with the Staff (in conducting a workshop) and the SAG to review the amortization of energy efficiency

and demand response technologies in conjunction with Section 8-103 related measures and programs. Because this could be implemented in variety of different ways, I have not developed a specific approach to the amortization of energy efficiency and demand response resources. The workshops, SAG discussions, and working papers would provide an in-depth review and a quantification of various approaches. After consideration by ComEd, Staff and SAG as I recommend, some changes to the budgets and funding could be recommended and may be found to be appropriate by the Commission.

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Question No: ComEd→All 2.05
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Question:

ComEd→ELPC 2.05: With respect to Mr. Crandall's proposal regarding the use of third party performance contracts (Crandall Dir., page 20, line 20 through page 21, line 12):

- (a) Please provide all studies, analysis and data concerning the concept of using third party performance contracts.
- (b) Please describe in detail how this concept could be incorporated into ComEd's 2014-2016 Energy Efficiency and Demand Response Plan, including the cost to include such a concept and a quantification of any savings that would be achieved as a result.

Answer:

- (a) I relied on on the following resources, which provide considerable detail on the merits positive attributes of performance contracting:
 - US Department of Energy Building Technologies Department "A Guide to Performance Contracting with ESCOs"
(http://www.pnnl.gov/main/publications/external/technical_reports/PNNL-20939.pdf)
 - JP Morgan "Energy Performance Contract Financing as a Strategy: Transforming Healthcare Facilities Maintenance"
(<https://www.jpmorgan.com/cm/BlobServer/JPM-Healthcare-EnergyPerformanceContracting.pdf?blobkey=id&blobwhere=1320603368719&blobheader=application/pdf&blobheadername1=Cache-Control&blobheadervalue1=private&blobcol=urldata&blobtable=MungoBlobs>)

Based on the JPMorgan report, the largest problem customers have in getting energy efficiency improvement projects accomplished is access to capital. This is the void that Energy Service Companies are trying to address. Increasing ComEd customers' access to more private capital for energy efficiency projects would likely assist ComEd in obtaining more of its legislatively mandated savings targets without exceeding the budget cap.

- (b) In my testimony I recommend that Staff conduct a workshop and that ComEd and the SAG (along with Staff input) review and prepare recommendations to the Commission regarding the use of alternative financing options. Until those options are reviewed and

analyzed, it is premature to recommend a specific approach to third party performance contracting by ComEd. (Crandall Dir., page 23, lines 1-3)

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Requestor: ComEd
Question No: ComEd→All 2.06
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Question:

ComEd→ELPC 2.06: With respect to Mr. Crandall's proposal regarding the concept of energy efficiency or demand response measure leasing (Crandall Dir., page 21, lines 14-21):

- (a) Please provide all studies, analysis and data concerning the concept of energy efficiency or demand response measure leasing.
- (b) Please describe in detail how this concept could be incorporated into ComEd's 2014-2016 Energy Efficiency and Demand Response Plan, including the cost to include such a concept and a quantification of any savings that would be achieved as a result.

Answer:

- (a) See the following information on leasing lighting equipment and services provided by Duke Energy. Duke serves North Carolina, South Carolina and Ohio (and perhaps other areas as well). There is also information regarding leasing water heating systems by a cooperative utility company.

<https://www.progress-energy.com/carolinas/business/products-services/outdoor-lighting/index.page>

<https://www.progress-energy.com/assets/www/docs/home/pricingncalsstandard.pdf>

<http://www.woodruffelectric.com/content.cfm?id=2045>

- (b) In my testimony I recommend Staff to conduct a workshop and ComEd and the SAG (along with Staff input) review and prepare recommendations to the Commission regarding the use of alternative financing options. Until those options are reviewed and analyzed, it is premature to recommend a specific approach to leasing energy efficiency and demand response technologies by ComEd. (Crandall Dir., page 23, lines 1-3)

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Requestor: ComEd
Question No: ComEd→All 2.07
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Question:

ComEd→ELPC 2.07: With respect to Mr. Crandall's proposal concerning the "Tariffed Installation Program approach" (Crandall Dir., page 22, lines 1-12):

- (a) Please provide all studies, analysis and data concerning the "Tariffed Installation Program approach."
- (b) Please describe in detail how this approach could be incorporated into ComEd's 2014-2016 Energy Efficiency and Demand Response Plan, including the cost to include such approach and a quantification of any savings that would be achieved as a result.

Answer:

- (a) See the following information on Tariff Installation Program that is operated in Kansas by Midwest Energy.

<http://www.mwenergy.com/howsmart.aspx>

Also, see the attachment regarding the Midwest Energy program.

- (b) In my testimony I recommend Staff to conduct a workshop and ComEd and the SAG (along with Staff input) review and prepare recommendations to the Commission regarding the use of alternative financing options. Until those options are reviewed and analyzed, it is premature to recommend a specific approach to a tariff supported energy efficiency and demand response technologies effort by ComEd. (Crandall Dir., page 23, lines 1-3)

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Status Report for programs based on the Pay As You Save[®] (PAYS[®]) system

February 24, 2013

New Hampshire: The New Hampshire Public Service Commission (NHPUC) in its November 29, 2001 Order No. 23,851 approved the first PAYS[®] pilots at Public Service of New Hampshire (PSNH) and New Hampshire Electric Co-op (NHEC). PSNH offers the tariff to municipal customers seeking to implement energy efficiency projects. NHEC offered the tariff to all its customers, but appears to have suspended the program. Since inception, these two utilities have used PAYS[®] to implement energy efficiency projects costing more than \$6.4 million with less than \$100 in bad debt resulting from measure failure or missed payments (less than two thousandths of one percent).

In its December 30, 2004 Order No. 24,417, the NHPUC ended the pilot phase and ordered both utilities to continue offering the PAYS[®] tariff to their customers as they had been with minor changes to their programs (e.g., allowing a greater portion of estimated savings to cover project costs). Although this order was effective through 2007, PSNH continues to offer a PAYS[®] tariff to their customers in a program called SmartStart and advertise its availability. NHEC staff have indicated that the coop is no longer operating a SmartStart program even though the program is still advertised on the coop's website: (<http://www.psnh.com/Business/Efficiency/Paysave.asp>; http://www.nhec.com/business_energysolutions_smartstart.php).

After 8 years, demand has remained high. PSNH's June 30th 2010 second quarter report stated the entire budget for 2010 had already been committed. However, in 2010, in response to a significant reduction of overall efficiency program funding, the NHPUC authorized PSNH to take its entire SmartStart revolving fund allocation to use for its rebate programs. PSNH continues to operate SmartStart using repayments from previous year's projects to fund new projects.

In the last fully funded year of operation, 2009, PSNH completed 59 municipal energy efficiency projects with contractor costs averaging \$15,032 (for a total of \$866,879). PSNH received \$37,451 as a shareholder incentive and \$15,757 to cover their administrative and implementation costs. These costs to ratepayers (from PSNH's 2009 efficiency budget) were offset by program fee charges of \$31,208 (to cover bad debt that since the program's inception has been zero). According to PSNH estimates, lifetime kWh savings for 2009 projects will be 20,268,741 kWh. Lifetime bill savings from these projects are estimated to be \$3,254,339. In 2009, PSNH ratepayers paid \$22,010 to get 59 municipalities to invest \$866,879 and save more than \$3.2 million – a ratepayer cost of just over a tenth of a cent per kWh saved (\$0.00109).

Measures installed in the PSNH program include street lighting; lighting upgrades; and heating, ventilating, and air conditioning (HVAC) improvements. Up-front costs are paid with system benefit funds through a revolving loan fund. Participants are allowed access to the same rebates offered to customers who are not allowed access to the PAYS[®] tariff. Although PSNH envisioned its account executives contacting customers to let them know about the PAYS[®] tariff, by 2004, half of the participants were notified of PAYS[®] through contractors seeking to increase sales of their services.

NHEC's program demonstrated that customers preferred to buy compact fluorescent light bulbs (CFLs) using the PAYS® tariff and pay the full cost over time rather than buy highly subsidized CFLs in point-of-sale programs. PAYS® was also used to facilitate the weatherization of gas-heated homes at NHEC and to improve lighting and HVAC in commercial buildings.

NHEC funded the upfront cost for measures by borrowing from its primary lender or from operations and using a small portion of its system benefit funding as a guarantee fund. However, NHEC forced customers to choose between available rebates of 50% - 80% of measure costs or paying the full cost of measures through PAYS®. This program design flaw limited customer interest in PAYS®.

Kansas: The Kansas Corporations Commission (KCC) in its December 20, 2007 Order in Docket No. 07-MDWG-784-TAR approved the application of Midwest Energy, a natural gas and electric cooperative utility, to use a tariff with almost all of the essential PAYS® elements to promote the installation of resource efficiency measures, primarily in residential housing (How\$mart® program). Because the program required owners of rental housing to assume the risk of measure failure while all savings benefits accrued to tenants (i.e., landlords might pay and save nothing) Midwest Energy is not licensed to use the trademark "PAYS®."

Through 2012, there has been continued strong demand for Midwest Energy's How\$mart® program. (<http://www.mwenergy.com/howsmart.html>). In fact, on September 5, 2008, in its order in Docket No. 08-MD-1128-TAR, the KCC approved Midwest Energy's request to make How\$mart® a permanent program available to all customers.

As of December 31, 2012, How\$mart® projects have been completed at 858 locations. Midwest Energy has invested almost \$5.0 million in efficiency improvements (including program fees of almost \$207,000). These funds will be repaid by participating customers through the How\$mart® tariff. The projects at 858 locations were implemented by 716 homeowners, 114 residential rental properties, and 28 commercial businesses. In order to qualify installation of additional measures that would not qualify for the tariff, customers paid an additional \$1.4 million, making participants' average project size \$7,489. Homeowners completed 17 How\$mart® geothermal loop projects. Although Midwest offers no rebates or other incentives besides the tariff, to date, fewer than 45% of customers making decisions on projects, declined to implement retrofits. Midwest is awaiting customer decisions or contractor bids on an additional 200 projects. Measures include new heating systems, geothermal loop projects, air sealing and insulation. In addition, a version of How\$mart® for commercial and industrial lighting applications has resulted in 9 lighting retrofits. Portable measures (e.g., refrigerators and CFLs) are not included in How\$mart®. Midwest Energy utilizes its own capital for investment in How\$mart® projects. However, as opportunities to access low-cost capital avail, Midwest utilizes the low-cost funding and passes the lower debt costs through to customers. Midwest has utilized low cost funding from the Kansas Housing Resources Corporation, stimulus funds through the Efficiency Kansas program, and most recently a Rural Economic Development Loan (REDL) from the U.S. Department of Agriculture to lower embedded debt costs associated with How\$mart® projects.

In 2009, the KCC purchased the rights to use all of the forms and contracts developed by EEI with the intention of making them available at no cost to Kansas utilities interested in operating

programs based on the PAYS® system.

Hawaii: Implementing PAYS® legislation signed by the governor the previous year, the Hawaii Public Utilities Commission (HPUC) in its June 29, 2007 Order No. 23531 approved three PAYS® pilots proposed by the Hawaiian Electric Company, Hawaiian Electric Light Company, and Maui Electric Company for the installation of solar hot water heating systems. These utilities decided to offer tariffs that included all key PAYS® elements while the HPUC did not require them to do so.

None of the utilities advertised this pilot on their websites. However, during the Program Year 1 of their pilots (2007-2008), according to independent evaluation by the Johnson Consulting Group, the utilities' SolarSaver Programs received a total of 203 applications (the pilot's target was 200). A total of 185 applications were approved with the remainder having been either declined or canceled by the customer after the initial screening was complete (more than a 90% offer acceptance rate). Two of the utilities (Hawaiian Electric Company and Hawaii Electric Light Company) exceeded their target for approved installations; the other (Maui Electric Company) had staffing issues and was able to approve only 16 of the 50 targeted solar installations.

Forty-three of the 203 applications for the SolarSaver program (21%) were by customers who had previously refused installations, suggesting that PAYS® is transforming the market.

In Program Year 2 (2008-2009), as contractors learned how customers who rejected other offers would accept PAYS® offers, demand for the SolarSaver program surged. The number of customers who participated in the SolarSaver program who had previously refused a non-PAYS® offer increased to 74% of those participating in Program Year Two. Despite no marketing of the SolarSaver Programs, a total of 328 applications were approved and 299 were processed after 29 were cancelled (still more than a 90% offer acceptance rate). To meet the increased demand, HECO and HELCO applied for and received HPUC permission to tap into Program Year 3 funding. This accelerated the spending of Program year 3 funds and the program exhausted these two utilities' three-year budgets for the installation of SolarSaver SWH systems by August 2009.

On February 1, 2013, Hawaii's Public Utilities Commission in Order No. 30974 closing Docket 2011-0186 made Hawaii the first state in the nation to authorize a state-wide tariffed on-bill financing program. The order reads: "The commission concludes that any on-bill financing program should be structured as a service and tariff-based 2011-0186 30 program, rather than a loan-based program (pp. 30 – 31).

Kentucky: How\$martKY™ is a pilot program based on the How\$mart® program at Midwest Energy (KS). Kentucky's Public Service Commission in Case. No. 2010-00089 approved the pilot in December 2010 to run for two years providing assistance to 200 to 300 utility customers starting in Spring 2011.

Four rural utility cooperatives in Eastern Kentucky (Big Sandy RECC, Fleming-Mason RECC, Grayson RECC, and Jackson Energy) are implementing the pilot to be managed by the Mountain Association for Community Economic Development (MACED) to provide energy retrofits

(insulation, duct sealing, air sealing, and heat pump upgrades) as part of utility service under the KY Energy Retrofit Rider.

After completing a free energy assessment of the property and estimating the potential savings, a program Energy Specialist oversees the contractor installation of the energy efficiency upgrades and provides assurance that the improvements have been correctly installed.

As of December 2012, 166 assessments had been done and 90 customers had implemented retrofits totaling \$687,517 (\$484,011 was financed through the HowSmartKY™ tariff). Almost 30% (\$203,506) of the total invested in retrofits was paid upfront with rebates or by participants in order to qualify for the tariff. Fifty-nine participants who had assessments done did not proceed with the program (there is currently no way to determine if these potential participants refused to participate or were in fact not eligible because of structural problems with their homes, bad billing history, or not enough energy usage to enable energy saving measures to “pencil out”), creating an offer acceptance rate of 64%. Three of the four utilities implementing the pilot have decided to move forward with a permanent tariff program.

California: The Sonoma Regional Climate Protection Authority (RCPA) is working with a Sonoma County municipality, the Town of Windsor, to design and implement a tariffed on-water bill pilot program based on the PAYS® system. The design of this pilot is being funded with federal funds, however, private capital will fund operations and all installation costs. This pilot will be the first demonstration using the PAYS® system at a municipal water utility. It targets both energy- and water-saving measures. The first-year goal of the pilot is for 2,000 residential customers (approximately 25% of this utilities’ residential customers), both homeowners and renters, to purchase an array of resource efficiency measures that meet customers’ end use needs (e.g., showering, clothes washing, refrigeration, lighting, attractive landscaping) while using less water and/or energy. In one year, the goal for this pilot is to serve approximately 4 times the number of customers that the town’s programs have reached during the past 5 years.

Reaching this percentage of a utility’s customers in one year with a program that charges participants for resource-saving measures would be unprecedented in California. The pilot began implementation in October of 2012. It appears likely that the pilot will exceed its goal of having 10% of the 2,000 homes be multi-family units within the first six months of operation. The pilot also uses a unique self-funding mechanism that eliminates the water utility’s revenue erosion. However, implementation delays and decisions made by the Lead Contractor required adding a second Lead Contractor in January 2013 in order to meet the pilot program’s ambitious goals. The annual Windsor budgeting and revenue process may require the pilot to cease operations after only 9 months of operation. Evaluation by California’s Better Buildings Program is currently underway.

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Respondent: Geoffrey Crandall
Requestor: ComEd
Question No: ComEd→All 2.08
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Date: November 14, 2013

Question:

ComEd→ELPC 2.08: With regard to the “light bulb turn-in” program that Mr. Crandall recommends (Crandall Dir., page 29, lines 7-23), please provide all studies, analyses or data relating to this program and identify any other utilities that have implemented such a program.

Answer:

As I indicated in my testimony, I recommend that ComEd use a marketing strategy that includes light bulb turn-in. This marketing strategy would synchronize with key program messaging (i.e., don't wait until an old bulb burns out before installing a high efficiency bulb). I suggested that four functional and operational 100 watt bulbs could be redeemed for either Compact Fluorescent bulbs or a single LED bulb. I did not perform an analysis on this concept because it was offered as a marketing strategy as opposed to a program, however, from a customer's perspective, if one assumes a 100 watt bulb costs \$1 and lasts for 1,000 hours and that an LED equivalent costs \$10 and lasts 25,000 hours, a customer would save in the range of \$147 per LED bulb used or \$588 if the customer installs four LED bulbs to replace incandescent bulbs.

ComEd currently offers an appliance recycling program that takes older, less efficient appliances out of service, just as this approach would take older, inefficient incandescent lighting out of service. ComEd has a disposal component to its residential lighting program, so a mechanism exists now that might be amenable to an incandescent turn-in marketing program. The Lansing Board of Water and Light at one time had a light bulb turn in and exchange program. I do not know if that program is still in existence.

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Respondent: Geoffrey Crandall
Requestor: ComEd
Question No: ComEd→All 2.09
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Question:

ComEd→ELPC 2.09: With regard to the “light bulb turn-in” program that Mr. Crandall recommends (Crandall Dir., page 29, lines 7-23), please provide three year budget estimates of the costs required to implement this program. Also, please identify which budget lines of ComEd’s 2014-2016 Energy Efficiency and Demand Response Plan would need to be reduced and by how much to fund this program.

Answer:

In my testimony, I recommend that ComEd integrate this concept into its marketing strategy along with its traditional marketing and promotional efforts. I did not specifically quantify the cost of this marketing strategy. I recommend it as a new concept that could be piloted or used on a limited basis to test its effectiveness.

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ICC Case No: 13-0495
Respondent: Curt Volkmann
Requestor: ComEd
Question No: ComEd→ELPC 2.12
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Date: November 14, 2013

Question:

ComEd→ELPC 2.12: With regard to Mr. Volkmann's recommendation that "the Commission order ComEd to use the results of the VO feasibility/potential study to reprioritize the programs under Plan 3 and submit the revised plan to the Commission by June 1, 2014" (Volkmann Dir., page 33, line 22 through page 34, line 1):

- (a) Please explain what the priorities of the programs will be on June 1, 2014 given that the revised plan will not have been approved by the Commission.
- (b) Please clarify what plan ComEd would be operating under, if any, and what programs it would be implementing, until a revised plan is approved.

Answer:

- (a) My understanding is that ComEd's Plan 2 ends on May 31, 2014. My recommendation is that ComEd continue its programs under Plan 2 until the Commission approves its revised Plan 3.
- (b) If the Commission issues a new order requiring modifications to the proposed Plan 3, ComEd would operate under that order. Alternatively, ComEd could continue to operate under Plan 2 while the Commission reviews the revised Plan 3 on an expedited basis.

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