AG Cross Exhibit 2

Natural Resources Defense Counsel's
Response to Commonwealth Edison Company Data Requests
Docket No. 13-0495
Data Request Response Date: 11/14/2013

Com Ed 2.01

If Com Ed were to clarify that the projected kWh savings for the Large C&I Pilot program were already included in the projected kWh savings for the C&I Incentives program (in the same way that "the Total Budget for C&I Incentives includes the costs associated with the Large C&I Pilot" (see Com Ed Ex. 1.0 at 68, fn. 26)), would that alter Mr. Neme's recommendation that Com Ed's kWh savings goals should be increased based on the Large C&I pilot? If Mr. Neme were to withdraw his proposal regarding the Large C&I Pilot Program, please describe how such change would impact his recommendation that Com Ed's proposed savings goals be increased by approximately 90,000 MWh per year.

NRDC Response

The question (and Com Ed's response to NRDC Data Request 5.05) suggests that the savings from the Large C&I pilot program are included in the C&I incentives program savings estimate. Com Ed notes that the footnote on p. 68 of Com Ed's PY7 through PY9 plan filing makes clear that the total budget for the C&I Incentives program shown on that page includes the budget for the Large C&I Pilot (though there is no comparable footnote on the previous page to suggest that the savings shown for the C&I incentives program include savings from the C&I pilot). However, it is it is difficult to understand how that was done given the Company's response to NRDC data request 2.07 in which it said because the program is a pilot that is still in development, "no forecast of kWh savings has been determined at this time." Moreover, in one of the workpapers that the Company provided as part of Attachment 10 in response to Staff data request JLH 1.02 ("DSMore 2013 Batch Tool – Custom PY7-PY9.xlxs"), none of the savings from the custom component of the Incentives program – and the description of the Large C&I pilot suggests it would generate custom, rather than prescriptive rebate savings – appear to be from heavy industry.

That said, if the savings for the Large C&I Pilot program savings were included in the Company's estimates of the savings for the C&I Incentives program, I would then have great concern about whether the savings from the Incentives program were significantly understated (relative to the budget). Com Ed is forecasting that it will spend a total of $117.8 million on both programs, combined, over the PY7-PY9 period. It is forecasting that it will acquire 505,850 MWh from the Incentives program. That translates to an average cost of $233 per MWh saved. That is 62% more than the $143 per MWh (from Com Ed response to NRDC 4.04, Attachment 1) that it incurred in PY5!

In response to NRDC data request 5.05, Com Ed has suggested that it "will need to increase marketing, outreach and bonus offerings to meet the C&I Incentives program energy savings goals" and that this "will translate to a higher cost per kWh overall". The stated need to increase costs is based on the following concerns:

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- Some standard measures, such as efficient lamps, have been moved out of the Incentives program and into the Business Instant Lighting Discounts, or BILD (what I assume is the Midstream Incentives Program in its filed plan), since the launch of that program in PY4;
- Multi-family savings have moved from the Incentive program to the Multi-Family Comprehensive Energy Efficiency Program;
- Expansion of the Small Business Energy Savings program is expected to reduce participation in the Incentives program; and
- The TRM will preclude its ability to count T12 replacement/retrofit savings beginning in January of 2016.

However, according to Com Ed's response to NRDC 1.02, Attachment 1, the Company is actually forecasting lower spending on marketing for the program in PY7 through PY9 ($0.9 million per year on average) than it actually spent in PY5 ($1.7 million). Moreover, it is hard to see how the four reasons the Company offers for needing to spend more per MWh on marketing, outreach and bonus offerings could collectively support a 62% increase in the cost per MWh saved.

To begin with, Com Ed's is forecasting that its Midstream Products program will acquire its savings in PY7 through PY9 from CFLs, LEDs, reduced wattage linear fluorescents, and reduced wattage metal halides (see workpaper "DSMore 2013 Batch Tool – BILD PY7_PY9.xlsx" provided as part of Attachment 04 – Mid-Stream in response to Staff data request JLH 1.02). All of those products were already in the Midstream Products program (or BILD) in PY5. Thus, it is hard to see how the shift that the Company references has happening beginning in PY4 affects a comparison of costs per MWh between 3rd Plan years and PY5.

Second, the cost per MWh of savings that Com Ed is forecasting for its PY7-PY9 multi-family program (an average of $462/MWh) are more than three times the cost of the savings it acquired from its C&I Incentives program in PY5. Moreover, the multi-family program is projected to provide only about 9000 MWh a year of incremental annual savings – only about 5% of the savings forecast for the C&I Incentives program in PY7-9 and even less savings than Com Ed acquired from its PY5 Multi-Family program. Thus, it is hard to see the shift in savings from the C&I Incentives program to the Multi-Family program would have had a substantial impact on the cost per unit of savings in the Incentives program.

I do not have any information about how much of the savings the Company has historically acquired from small business customers. However, the Company has provided no information to support a conclusion that the shift in savings to the Small Business Energy Savings program is substantial enough to dramatically impact the cost of acquiring savings from its C&I Incentives program. It is worth noting that the expanded Small Business Energy Savings program is projected to provide services to only 16,000 customers per year. While that is a non-trivial number, it still represents less than 10% of the

Company's business customers (per Com Ed Ex 1.0, Appendix F). Thus, Com Ed can still acquire savings from the vast majority of its small business customers through the Incentives program.

Finally, with respect to the inability to claim savings from T12 retrofits beginning in January 2016, I could see how that would have some effect on the cost per unit of savings in PY9 and even in PY8 (though for less than half the year), but it should not have any impact in PY7. Nevertheless, even in PY7 – i.e. before the constraint on acquiring savings from T12 retrofits would go into effect – Com Ed's forecast of the cost of acquiring savings in the C&I Incentives program is 54% more expensive than in PY5.

In summary, if anything, I believe the additional savings that I suggested should be added for the Large C&I pilot program would be a conservative addition to Com Ed's goals when one considers the combined C&I Incentives/Large C&I Pilot budget and savings the Company is now suggesting it is forecasting for PY7-PY9.

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Com Ed 2.02

Mr. Neme proposes that Com Ed's proposed general education budget, its proposed R&D budget and its proposed portfolio-wide labor costs be reduced by $1.5 million, $2.2 million, and $0.5 million, respectively. He then generally proposes that these additional funds be used to generate savings through other programs, but does not identify which programs should be targeted. See Neme Dir, pages 14-17, lines 230-89. Please identify, by program and by year, which programs should receive these additional funds, how participation levels in these programs would be affected, and provide any analysis showing how each individual program can support additional participation.

NRDC Response

My estimates of the additional savings that could be achieved by re-directing a portion of Com Ed's proposed general education, R&D and portfolio-wide labor costs was based on the average cost per MWh – across all programs over the three year plan period – that Com Ed had estimated for its proposed program portfolio. I did not estimate how much of those additional savings would come from expansions of specific individual programs.

That said, there is no reason to believe that the modest additional savings I project from the redirection of those portfolio-wide costs – on the order of 25,000 MWh per year, or less than a 5% increase in the savings Com Ed has itself forecast for its entire portfolio of programs – could not be acquired from some mix of individual program expansions. Consider, for example, the largest (in terms of forecast savings) business and residential efficiency programs.

On the residential side, the Company's own efficiency potential study (Ex. 1.0, Appendix D) estimates that the amount of incremental annual lighting savings that Com Ed could achieve under a scenario in which total efficiency spending is constrained to 2% of revenue (spread across multiple residential and business programs) is a little more than 200,000 MWh per program year. Under a maximum cost-effective achievable scenario the estimated average annual savings potential is between 250,000 and 300,000 MWh per year. In contrast, the Company is forecasting that it will achieve an annual average savings of only about 110,000 MWh per year from its residential lighting program – or roughly half of the budget constrained achievable potential. It is also worth noting if the Company rebates just 23% more lighting products than it is forecasting for PY7 through PY9 it would produce enough additional savings to cover my estimate of additional savings from shifting general education, R&D and portfolio-wide labor costs to programs. In contrast, from PY4 through PY5 Com Ed rebated roughly 50% more residential light bulbs and fixtures each year than it is forecasting to rebate each year from PY7 through PY9 (Com Ed response to NRDC 1.02, Attachment 1).

On the business side, the Company is forecasting that its C&I Incentives program will average 2575 business projects per year from PY7 through PY9. In contrast, from PY4 through PY5 the Company

averaged 3540 projects per year – 37% more than it is currently forecasting for the Plan 3 years (see Com Ed response to NRDC 1.02, Attachment 1). If Com Ed increased participation in this program by just 15% above its current forecast for PY7 through PY9 – i.e. to levels still substantially below the PY4 through PY5 average – it would produce enough additional savings to cover my estimate of addition savings from shifting general education, R&D and portfolio-wide labor costs to programs.

Again, in providing these two examples I am not suggesting that all of the additional savings would have to come just from one program or even just these programs. I am simply making the point that there appears to be substantial "head room" in Com Ed's portfolio for additional participation and savings.