

ICC Docket No. 14-0312**Commonwealth Edison Company's Response to
The People of the State of Illinois ("AG") Data Requests****AG 7.01 – 7.09****Date Received: June 25, 2014****Date Served: July 14, 2014****REQUEST NO. AG 7.01:**

Ref: ComEd Response to RWB 7.01, Attachment 1 (Annual Incentive Plan). Attachment 1 at page 3 states, "Payment levels for Operating Company and Business Unit KPIs are contingent on EPS performance." Please respond to the following:

- a. State the specific Exelon Earnings per Share value that was employed in the Shareholder Protection Feature that reduced the total 2013 ComEd AIP payout from 140.4% of target to 124.4% of target.
- b. Provide calculations, using the "Threshold, Target and Distinguished" table at page 3 of Attachment 1 and the Earnings Per Share value from your response to part (a) to show precisely how the 124.4% limitation was calculated in 2013.
- c. Page 6 of Attachment 1 indicates that the Shareholder Protection Feature "limits payout for Operating Company and Business Unit KPIs based on EPS performance. Please confirm that Exelon Earnings per Share below a threshold level would completely eliminate AIP payments to ComEd and BSC employees, as suggested by the "Payout Percentage" table on page 6, or explain any inability to provide such confirmation.
- d. What is the Exelon EPS value in 2013 that would result in a zero percent payout after the Shareholder Protection Feature is applied?
- e. What is the purpose of the Shareholder Protection Feature within Exelon's AIP?

RESPONSE:

As a preliminary matter and by way of clarification, p. 3 of the attachment to ComEd's Response to Staff Data Request RWB 7.01 labeled as RWB 7.01_Attach 1 contains a note that states: "NOTE: Employees participating in the ComEd or BGE KPIs do not have Exelon EPS as a performance measure, but are subject to the EPS shareholder protection feature"

- a. The Exelon EPS value that was employed in limiting the 2013 ComEd AIP payout from 140.4% of target solely based on operational KPIs to 124.4% of target was \$2.50.
- b. See the attachment labeled as AG 7.01_Attach 1, which reflects "precisely how the 124.4% limitation was calculated in 2013".

- c. The Shareholder Protection Feature serves as a limiter to ComEd's AIP payout as discussed above. Exelon earnings per share below a threshold level will reduce the AIP award to zero. The Shareholder Protection Feature is a limiter, not a performance measure, and thus can only reduce the amount of AIP awarded to employees and never result in a payout above the performance resulting from ComEd's operational metrics. The Shareholder Protection Feature works similarly for the BSC AIP plan.
- d. An Exelon EPS value below \$2.22 would have reduced ComEd's 2013 AIP payout to 0%.
- e. The purpose of the Shareholder Protection Feature as noted on p. 6 of the attachment to ComEd's Response to Staff Data Request RWB 7.01 labeled as RWB 7.01_Attach 1 is to provide scalable limits on the payout for ComEd's AIP. As explained in ComEd testimony and several data request responses, the Operating Company and Business Unit KPIs are based on operational metrics as shown in ComEd Ex. 2.01, Page 3, which provide direct benefits to customers. After the AIP award is determined pursuant to those KPIs, the Exelon Shareholder Protection Feature can only reduce or limit ComEd's plan-based awards.

2013 Award Calculation

Determine the Total ComEd Funding KPI Performance Percentage

Calculate the performance of ComEd KPIs

ComEd O&M Expense KPI

ComEd Capital Spend KPI

ComEd Operational KPIs

ComEd KPIs	Goal Weight	x	KPI Performance / Payout %	=	Preliminary Weighted Payout % (Goal Weight x Payout %)
ComEd O&M Expense	25%		119.03%		29.8%
ComEd Capital Expenditures	25%		77.86%		19.5%
ComEd Operational KPIs					
ComEd OSHA Recordable Rate	10%		200.00%		20.0%
ComEd SAIFI (outages per customer)	10%		200.00%		20.0%
ComEd CAIDI (minutes)	10%		200.00%		20.0%
Customer Operations Index (COI)	10%		136.67%		13.7%
EIMA Reliability Metrics Index	5%		150.00%		7.5%
Customer Satisfaction Index (CSI)	5%		200.00%		10.0%
Total ComEd KPI Performance	100%				140.39%

Determine the shareholder protection feature

Calculate the EPS percentage using actual results

	Target	Actual	EPS Percentage
Earnings Per Share	\$2.49	\$2.50	104.35%

Calculate the SPF limit. Add 20 percentage points because payout can not exceed EPS performance by more than 20 percentage points.

SPF Limit	104.35%	+	20.00%	=	124.35%
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Apply the shareholder protection feature to the ComEd Funding KPI Performance Percentage

Apply Shareholder Protection Feature (SPF) to the Total ComEd Funding KPI Performance %. Payout can not exceed the SPF Limit.

Apply SPF Limit

SPF Limit	<	ComEd KPI Payout % Before SPF Limit	→	ComEd KPI Payout % After Application of SPF
124.35%		140.39%		124.35%