

ICC Docket No. 14-0312**Commonwealth Edison Company's Response to
The People of the State of Illinois ("AG") Data Requests****AG 9.01 – 9.16****Date Received: July 28, 2014****Date Served: August 4, 2014****REQUEST NO. AG 9.07:**

Ref: ComEd Ex. 18.0, line 160 (Annual Incentive Plan). At page 8, Mr. Prescott states, "ComEd employees earn AIP awards solely by meeting operational metrics. These are also referred to as funding Key Performance Indicators ("KPIs") or business unit goals. After those awards are earned, the payout can only be reduced by the limiter." Please respond to the following:

- a. Please confirm whether the amount of the AIP awards actually paid to ComEd employees is determined in part by Exelon's EPS pursuant to the Shareholder Protection Feature, along with the extent to which the KPIs are met.
- b. Would the amount of AIP compensation that ComEd employees could earn be more strongly correlated with the achievement of "operational metrics" if the Shareholder Protection Feature linked to Exelon's EPS were not part of the AIP?
- c. If the Shareholder Protection Feature linked to Exelon's EPS were not part of the ComEd AIP, is it likely that ComEd would implement the same KPI targets and the same associated incentive bonuses as currently exist in the ComEd AIP?
- d. Please identify and explain each reason why a Shareholder Protection Feature is included within the AIP.
- e. Please describe each reason why the SPF is believed to be beneficial to ComEd's ratepayers.

RESPONSE:

- a. Because the Shareholder Protection Feature reduced the ComEd total AIP payout in 2013, one may argue that the payout was "determined in part" by the Shareholder Protection Feature.
- b. No.

- c. ComEd objects to this request as this question calls for speculation and is not proper discovery. Subject to this objection and ComEd's General Objections, ComEd responds as follows: ComEd believes that the operational KPIs that it has in place and which closely track EIMA properly incent employees to perform at a high level and with customer interests in mind. ComEd would likely have those KPIs in place regardless of the Shareholder Protection Feature, but ComEd has not specifically evaluated its KPIs with the assumption that the Shareholder Protection Feature is eliminated.
- d. See subpart (e) of ComEd's Data Request Response to AG 7.01. In addition, the "Shareholder Protection Feature" of the AIP is a standard feature of a good incentive plan. This feature reflects an Exelon "best practices" policy, and is intended to provide an indicator to the Exelon family of companies as to whether funds are available for incentive compensation pay in a given year. The feature is included in ComEd's plan because ComEd is part of the Exelon family of companies and Exelon plans are administered consistently to the extent possible.
- e. As discussed in Brinkman Reb., ComEd Ex. 12.0, 6:117-118, the Shareholder Protection Feature is believed to be beneficial to ComEd's customers because it "had the effect of reducing the [2013 ComEd AIP] payout by approximately \$8.5 million (non-jurisdictional)."

As discussed in Brinkman Reb., ComEd Ex. 12.0, 7:134-139, the Shareholder Protection Feature could result in significant benefits for customers because:

"ComEd's incentive compensation plan is based on its employees meeting or exceeding the eight operational metrics described below. Theoretically, ComEd employees could exceed target performance on all of those metrics, such that customers would get the benefit of that performance, yet not receive any AIP because Exelon failed to meet a certain level of earnings."

As discussed in Prescott Reb., ComEd Ex. 18.0 11:221:224, ComEd customers have tangibly benefited from the limiter since it has been in place: "Since 2012, ComEd's customers would have paid approximately \$25.5 million more in incentive compensation without the limiter."

ICC Docket No. 14-0312

**Commonwealth Edison Company's Response to
The People of the State of Illinois ("AG") Data Requests**

AG 9.01 – 9.16

Date Received: July 28, 2014

Date Served: August 4, 2014

REQUEST NO. AG 9.08:

Ref: ComEd Ex. 18.0, line 172 (AIP Shareholder Protection Feature). At page 9, Mr. Prescott states, "In short, because of the limiter, ComEd's customers are often able to enjoy a higher level of performance for less money. In this respect, the limiter really functions as a customer protection feature." Please respond to the following:

- a. Does Mr. Prescott believe that ComEd employees are unaware of financial forecasts and press reports regarding Exelon Corporation?
- b. Does Mr. Prescott or ComEd believe that ComEd employees generally do not understand the Shareholder Protection Feature and are willing to strive for strong performance with respect to the operational metrics each year, without being surprised or disappointed when actual AIP payouts are limited by the SPF?
- c. Is the limitation of AIP payouts, through the Shareholder Protection Feature, an indication that ComEd employees do not need the full AIP payouts that would exist without the SPF in order to continue to provide the "higher level of performance for less money" that Mr. Prescott references?
- d. If the SPF "limiter" is a "customer protection feature" as stated by Mr. Prescott, why is it tied to Exelon's EPS?

RESPONSE:

- a. No.
- b. ComEd objects to the multiple compound form of this subpart. Subject to the foregoing objection and ComEd's General Objections, ComEd responds as follows:

No.
- c. ComEd objects to this request as vague and ambiguous in its use of the term "need." Subject to the foregoing objection and ComEd's General Objections, ComEd responds as follows:

No.
- d. See ComEd's Data Request Response to AG 9.07.

ICC Docket No. 14-0312

**Commonwealth Edison Company's Response to
The People of the State of Illinois ("AG") Data Requests**

AG 9.01 – 9.16

Date Received: July 28, 2014

Date Served: August 4, 2014

REQUEST NO. AG 9.09:

Ref: ComEd Ex. 18.0, lines 180 and 208 (AIP Affiliate's EPS). At page 9, Mr. Prescott states that the AIP is not awarded based on an affiliate's EPS, but instead, "ComEd's current AIP is based solely on achievement of operational metrics and not on an affiliate's EPS." Please respond to the following:

- a. Does Mr. Prescott or ComEd contend that Exelon Corporation is not an "affiliate" of ComEd?
- b. Please state and explain the basis of any affirmative response to part (a), with citation to applicable laws or regulations that are relied upon for your response.
- c. Does Mr. Prescott or ComEd contend that the amounts paid to ComEd employees under the AIP are not influenced by Exelon Corporation's EPS?
- d. If your response to part (c) is affirmative, please explain the function of the SPF "limiter" that is described in Mr. Prescott's testimony.
- e. At line 208, Mr. Prescott states, "Exelon BSC's AIP is clearly based in part on an affiliate's EPS." Please confirm that the "affiliate" being referenced is Exelon Corporation and explain whether the shareholder protection feature applies to Exelon BSC's AIP, in addition to the 75% KPI weighting that is directly afforded Exelon EPS.

RESPONSE:

- a. No.
- b. N/A
- c. Yes.
- d. See subpart (e) of ComEd's Data Request Response to AG 7.01.
- e. Yes, the "affiliate" being referenced is Exelon Corporation. The Shareholder Protection Feature applies to Exelon BSC's AIP Total Cost KPI which is weighted at 25%. The Shareholder Protection Feature does not apply to Exelon BSC's EPS KPI weighted at 75%. Amounts allocated to ComEd related to Exelon BSC's EPS KPI are excluded from ComEd's revenue requirement as those amounts are based on EPS.

ICC Docket No. 14-0312

**Commonwealth Edison Company's Response to
The People of the State of Illinois ("AG") Data Requests**

AG 9.01 – 9.16

Date Received: July 28, 2014

Date Served: August 4, 2014

REQUEST NO. AG 9.10:

Ref: ComEd Ex. 18.0, line 223 (AIP Shareholder Protection Feature Limiter). At page 1, Mr. Prescott states that ComEd's customers tangibly benefited from the limiter since it has been in place and, "[s]ince 2012, ComEd's customers would have paid approximately \$25.5 million more in incentive compensation without the limiter." Please respond to the following:

- a. Does Mr. Prescott or ComEd believe that the \$25.5 million in reduced incentive compensation payouts due to the "limiter" since 2012 resulted in any change in the operational performance of the Company and its employees?
- b. Does Mr. Prescott or ComEd believe that the payouts under the AIP would have been excessive by \$25.2 million, relative to the actual operational performance achieved by ComEd's employees, if the referenced "limiter" had not been in place?
- c. If, as a hypothetical assumption, the SPF limiter in 2012 and 2013 had reduced AIP payouts to zero for ComEd employees, would ComEd's customers have "tangibly benefited" even more from such limitation? Why or why not?

RESPONSE:

- a. No.
- b. No.
- c. ComEd objects to this request as vague and ambiguous in that it is an incomplete hypothetical that cannot reasonably be answered. Subject to the foregoing objection and ComEd's General Objections, ComEd responds as follows:

As discussed in ComEd Ex. 12.0, 7:135-139, the Shareholder Protection Feature could result in significant benefits for customers because:

ComEd's incentive compensation plan is based on its employees meeting or exceeding the eight operational metrics described below. Theoretically, ComEd employees could exceed target performance on all of those metrics, such that customers would get the benefit of that performance, yet not receive any AIP because Exelon failed to meet a certain level of earnings.