

Plan 2 – Setting the kWh Goal

Stakeholder Advisory Group
Tuesday, July 13th, 2010

kWh Target vs. Spending Screen Dilemma

- As presented previously, the kWh Target and Spending Screen will no longer be in alignment by PY5

	Cycle 1			Cycle 2		
	PY1	PY2	PY3	PY4	PY5	PY6
EE Goal - % of Energy Delivered	0.2%	0.4%	0.6%	0.8%	1.0%	1.4%
Statutory EE Goal (MWh)	188,729	393,691	584,077	730,000	910,000	1,277,500
Spending Screen - Max. Increase	0.5%	1.0%	1.5%	2.0%	2.015%	2.015%
Spending Screen (\$M)	\$ 39.4	\$ 79.6	\$ 120.7	\$ 160.0	\$ 161.0	\$ 162.0

Achieve kWh target With Spending Screen

Cost to Achieve (Cost per kWh)*	\$ 0.21	\$ 0.20	\$ 0.21	\$ 0.22	\$ 0.18	\$ 0.13
Pct. Decrease in Spending Screen				0%	19%	42%

Achieve kWh target Without Spending Screen

Cost to Achieve (Cost per kWh)*	\$ 0.21	\$ 0.20	\$ 0.21	\$ 0.22	\$ 0.22	\$ 0.22
Required Spending Screen				\$ 160.0	\$ 199.5	\$ 280.0
Pct. Spending Screen Required					2.5%	3.5%

* - First year cost per kWh

- The result is that the kWh Target is not realistic or achievable under the current Spending Screen

ComEd's Portfolio Options

- **ComEd believes there are two basic portfolio considerations if the statutory goal is not achievable –**
 - Maximize kWh (*Lighting*)
 - Deliver a Robust Portfolio (*diversification*)
- **Maximize kWh**
 - Produce the maximum number of kWh saved under the spending screen
 - Eliminate non-kWh producing activities (*e.g., education/outreach, market transformation, demand response*)
 - Maximize programs based on cents per kWh (*e.g., CFLs*)
- **Deliver a Robust Portfolio**
 - Produce a balanced portfolio of programs and activities that promote energy efficiency across all customer sectors with multiple diverse technologies being offered
- **Both scenarios have been previously presented to ICC Staff and the SAG; Both groups had same opinion – Robust Portfolio is preferred**

ComEd Position – ComEd's 2nd Plan will be designed to produce a Robust Portfolio of programs and activities which will adhere to required cost-effectiveness tests, but will likely miss the statutory kWh targets due to budget constraints

Plan 1 vs. Plan 2

- **Several factors will come in to play in Plan 2, which did not exist in Plan 1; key factors include the following -**
 - **Change in Lighting standards** – phase out of current incandescent bulbs over the next several years, which will result in a new baseline (i.e., the CFL or more efficient incandescent bulb) – the role of the CFL (“the magic bullet”) in our portfolio will be dramatically reduced over the next several years
 - **“Low Hanging Fruit”** – Plan 1 had the benefit of the pent-up demand in the market place as the key C&I program (“prescriptive”) closed early in both PY1 and PY2; minimal marketing and the associated costs were required in either year; this is not expected going forward
 - **Higher kWh Target** – the PY4 target is essentially double the PY2 target; the increasingly aggressive goals which need to be achieved across all 3 years will require more aggressive marketing, likely higher incentives and different (more costly) delivery mechanisms
 - **Budget Freeze** – essentially budgets are frozen after PY4, but goals continue to increase significantly
- **Conclusion – the “cents per kWh” achieved in the first several years of the portfolio is not sustainable going forward – program costs will increase**

kWh Target Calculation

• PY4

- ComEd projects to achieve the statutory goal within the spending screen (~\$0.22 per kWh)

• PY5 / PY6

- In delivering a robust balanced portfolio, ComEd will not achieve the statutory kWh target
- ComEd proposes to set annual kWh targets based on the spending screen limit and an increasing cents per kWh
- The magnitude of the increase needs further analysis, but, for illustrative purposes, it has been modeled at both a 1 cent and 2 cent annual increase

Cycle 2			
	PY4	PY5	PY6
Spending Screen (\$M)	\$ 160.0	\$ 161.0	\$ 162.0
Scenario 1 - 1 cent annual increase			
Cost to Achieve (Cost per kWh)	\$ 0.22	\$ 0.23	\$ 0.24
Proposed MWh Target	730,000	700,000	680,000
Statutory MWh Target	730,000	910,000	1,277,500
Difference	-	210,000	597,500
Pct. of Statutory Goal Achieved	100%	77%	53%
Scenario 2 - 2 cent annual increase			
Cost to Achieve (Cost per kWh)	\$ 0.22	\$ 0.24	\$ 0.26
Proposed MWh Target	730,000	670,000	620,000
Statutory MWh Target	730,000	910,000	1,277,500
Difference	-	240,000	657,500
Pct. of Statutory Goal Achieved	100%	74%	49%

Summary

SUMMARY POINTS

- **Flat Spending Screen makes statutory goals unachievable in PY5 and PY6**
- **Robust Portfolio Approach is preferred by key stakeholders**
- **Program costs are expected to increase over time**
- **PY5 and PY6 kWh targets will be based on a combination of the spending screen and a projected cents per kWh**

Comparison of Other Portfolio Costs

- The table below shows the cents/kwh from other established portfolios around the country
- The table shows comparable sized portfolios cost more than ComEd – a good indicator of the cost-effectiveness of ComEd's portfolio
- Conclusion – ComEd's costs are in the appropriate range