

PEPCO'S MULTI-YEAR PLAN

TRANSPARENCY AND ACCOUNTABILITY



An Exelon Company

Pepco's multi-year plan will power a cleaner and brighter future for our customers and communities by modernizing and investing in the electric grid to make it smarter, stronger, and cleaner.

WHAT IS PERFORMANCE BASED REGULATION?

Performance Based Regulation (PBR) is a broad term for different policies and structures that regulators can implement to ensure energy companies like Pepco provide safe, reliable, affordable, and sustainable energy to customers. PBR promotes a shift from "cost of service" to "value of service" and provides a way for utilities, customers, and policymakers to meet their respective goals. As described by experts from across the industry in *America's Power Plan*, a key aspect of PBR is that it is forward looking: the emphasis is on "how to pay for what society wants over a sufficiently long time horizon, rather than focusing on whether society paid the correct amount for what it got in the past." A multi-year plan is one form of PBR.

Source: <https://americaspowerplan.com/>

- ✓ Results Focused
- ✓ Infrastructure Modernization
- ✓ Rate Stability
- ✓ Future Oriented

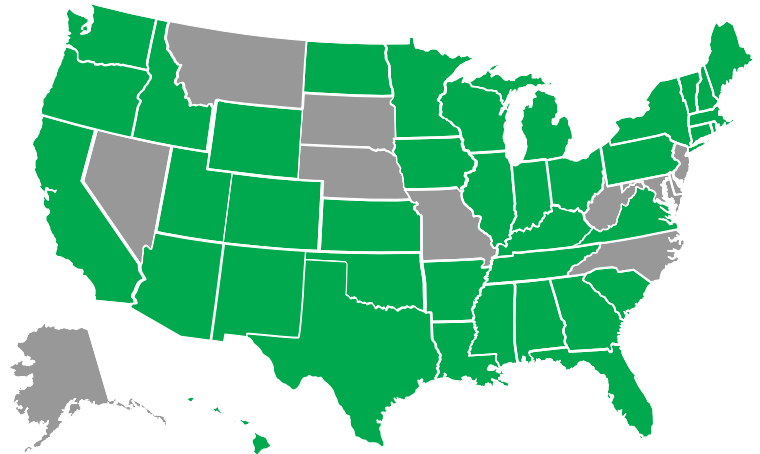
PERFORMANCE BASED REGULATION IN THE DISTRICT OF COLUMBIA

As part of a previous Pepco rate review order, the PSC recognized the importance of exploring some form of alternative ratemaking and allowed the company to file a multi-year plan alongside a traditional rate plan. Over the past year, the company held multiple workshops to explore and secure stakeholder input to identify the best ways to deliver transparency for customers and regulators, and accountability for Pepco. The company incorporated these learnings into the filing.

What is a multi-year plan? According to the Grid Modernization Laboratory Consortium, multi-year plans are a comprehensive approach to PBR designed to strengthen general incentives for good utility performance. Multi-year plans give customers and regulators the opportunity to provide input on utility investment plans before they are implemented – better aligning strategic priorities among customers and regulators – and hold the utility accountable for meeting budgetary and performance goals over multiple years.

Source: U.S. Department of Energy, July 2017

REFORM IS HAPPENING: Customers in 39 states already benefit from some form of Performance Based Regulation



Source: Edison Electric Institute Testimony before the Maryland Public Service Commission, PC51, April 2019

A MODERN ELECTRIC GRID

Energy grids across the country are facing new challenges and new opportunities. For example, climate change is already impacting energy systems and customers are plugging in more devices and new technologies every day. Multi-year planning will provide a mechanism to prioritize investments in resilient infrastructure, customer-centric services and new technologies, enabling Pepco to meet the climate challenge and our customers' needs equitably, inclusively, and affordably.



SMARTER



STRONGER



CLEANER



















PEPCO'S MULTI-YEAR PLAN: BUILDING A SMARTER, STRONGER, CLEANER GRID

Pepco is proposing a multi-year plan to help the District achieve its leading and critical clean energy and climate change goals, and support the District's growing economy.

Transparency and accountability are the core of this proposal: under the plan, Pepco will be measured by Performance Incentive Mechanisms (PIMs) – performance targets set by the PSC for reliability, customer service, and interconnection of distributed energy resources like rooftop solar.

HOW DOES PEPCO'S MULTI-YEAR PLAN COMPARE TO TRADITIONAL RATEMAKING?

Pepco's proposed multi-year plan will preserve PSC authority and customer protections, while increasing accountability for Pepco.

	TRADITIONAL RATEMAKING	PEPCO'S MULTI-YEAR PLAN
PSC determines whether a rate is just and reasonable and can reject any rate or component of a rate it does not find just and reasonable.		
Maintains the PSC's ultimate authority to set rates.		
Includes annual reconciliation mechanism		
Establishes Performance Incentive Mechanisms for Pepco to meet or be subject to financial penalties		
Provides funding certainty over a period-of-time to strengthen Pepco's ability to modernize and secure the grid		
Results in predictable rates for multiple years		
Limits what Pepco can spend for a multi-year period and holds Pepco accountable for specified results		
Reduces frequency of regulatory rate filings		

Pepco's multi-year plan aligns strategic priorities from customers and regulators to develop a smarter, stronger, and cleaner energy future.

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