An Exelon Company

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August 7, 2020

Ms. Brinda Westbrook-Sedgwick
Commission Secretary
Public Service Commission
of the District of Columbia
1325 G Street, N.W., Suite 800
Washington DC, 20005

Re: Formal Case No. 1130

Dear Ms. Westbrook-Sedgwick:

In February 2020, Potomac Electric Power Company ("Pepco" or the "Company") filed its revised timeline for implementation of the distribution system planning and non-wires alternative process ("DSP/NWA Process"). As part of the revised timeline, Pepco committed to update the Public Service Commission of the District of Columbia ("Commission") on its progress implementing DSP/NWA Process milestones.

On June 1, 2020, Pepco held its second workshop regarding the DSP/NWA Process: Utility & Stakeholder Locational Constraints Report Preparation. The workshop was well attended, with approximately 12 organizations represented. After reiterating background on the load forecasting methodology and the importance of load impacting factors, Pepco discussed the Locational Constraints Report. The Locational Constraints Report reflects the capacity constraints that are the subject of the DSP/NWA Process for that year. Each of the constraints in the Locational Constraints Report will be the subject of an RFP in the current DSP/NWA Process cycle. The constraints may require either a single RFP in the current cycle or may be the subject of multiple RFPs over multiple DSP/NWA Process cycles. Further, on June 18, 2020, Pepco held a follow-up workshop with interested stakeholders to explain the content and format of the Locational Constraints Report. A draft of the Locational Constraints Report reflecting the comments received during the two workshops is attached as Attachment 1. On August 10, Pepco will issue the attached Locational Constraints Report and Request for Information ("RFI") for distributed energy developers and other stakeholders to propose solutions for Pepco's consideration for inclusion in the final RFP. Responses to the RFI are due by September 10, 2020.

The locational constraint identified in the report is a substation forecasted to exceed 5 percent of its existing transformers' firm capacity by 2026, a timeframe that allows enough time to conduct a robust RFP process. The traditional solution to address this constraint is to install the fifth transformer that was planned for the substation. During this pilot year of implementing the DSP/NWA Process, approximately ten constraints were identified by Pepco, validating the robustness of the locational constraint process and criteria. As expected with the initial implementation of the DSP/NWA process, most of the identified constraints were already being addressed by Pepco because they were near-term. These projects were deemed ineligible because either (1) the timing for the need was insufficient for consideration and construction had already begun, or (2) the integrated Capital Grid Project upgrades addressed the constraint. The Company will rely on the mid-term system review (conducted in May each year) and long-term system review (conducted in November each year) to align its load forecasting and project planning with the new process, and, therefore, Pepco expects to offer more opportunities in future iterations of the DSP/NWA Process. This approach is consistent with Pepco's responsibility to implement the DSP/NWA Process while maintaining system integrity, minimizing costs passed on to customers, and providing DER developers with opportunities to propose solutions to meet system needs.

On October 1, 2020, Pepco will hold its third workshop on the RFP response format, NWA contracting, and engagement between local and national respondents. In this workshop, Pepco will discuss the RFP, associated contracts, and the Benefit-Cost Analysis ("BCA") Handbook. When complete, the BCA Handbook and other documents associated with the RFP will be provided to stakeholders in September in advance of the October 1, 2020 workshop. Pepco will use input from the RFP workshop to inform the final RFP, which will be issued on November 1, 2020. NWA RFP respondents will submit their responses no later than February 1, 2021.

Pepco has been encouraged by the stakeholder engagement in workshops and in the Load Impacting Factors RFI. The Company looks forward to continued stakeholder engagement in the last workshop in October and, most importantly, in the RFP process. The Company believes that the RFP represents the culmination of the DSP/NWA Process, which is the result of the concerted efforts of Pepco, the Commission, and the District of Columbia stakeholders.

Continued Commission action will be needed to enable the innovative approaches to manage constraints included in the DSP/NWA Process, and the incentives embedded within the traditional regulatory approach for cost recovery will need to be aligned to enable novel approaches. In some cases, for example, a given solution could involve an independent operator of solar and storage assets contracting with Pepco for peak demand reduction services via a long-term agreement. In such cases, a cost recovery methodology could include both an incentive framework to align outcomes and address risk embedded in the adoption of novel solutions and rate base treatment for resulting contracts. In addition, as the BCA requires the comparison between a wires solution and any NWA solution, Pepco will be required to complete the design for the traditional wires solution. In order to be able to properly recover

for that design, Pepco will require Commission action specifically allowing for capital recovery of the design.

Pepco looks forward to continuing to work with the Commission and stakeholders to establish a robust DSP/NWA Process that builds upon the important lessons learned from this first cycle. Please contact me if you have any further questions.

Sincerely,

/s/ *Andrea H. Harper*

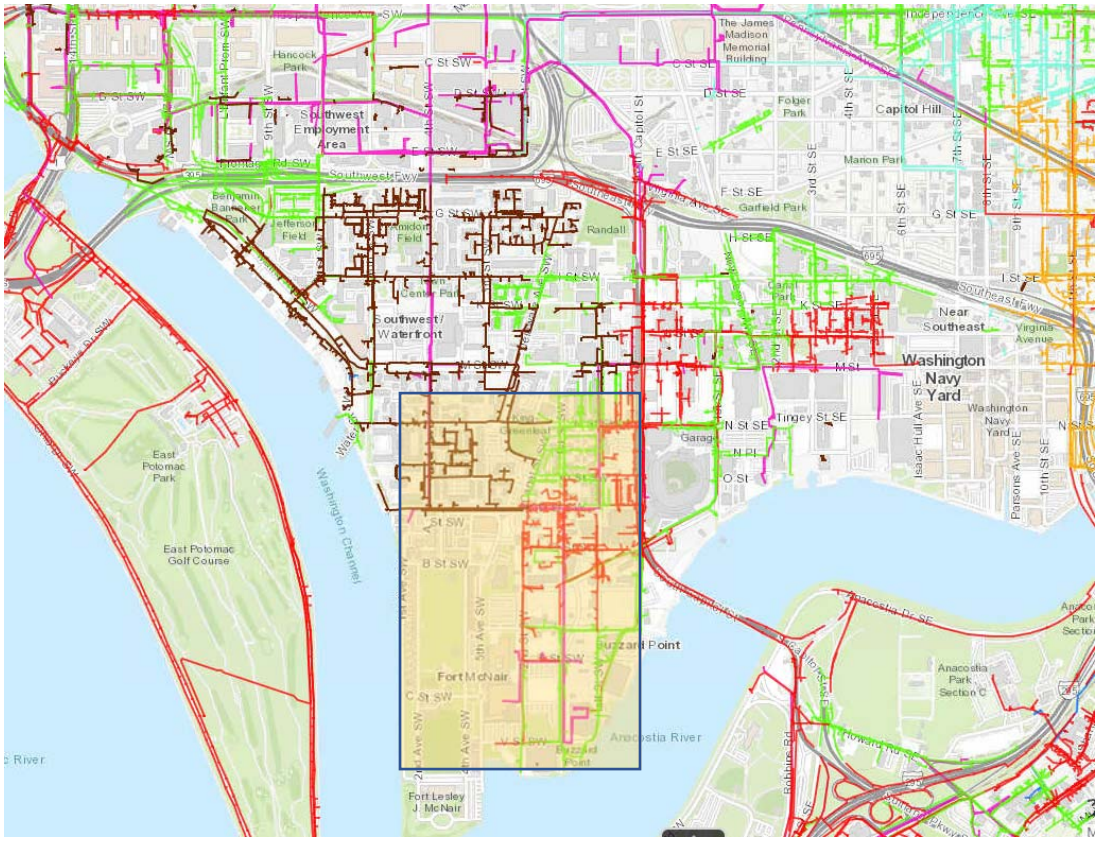
Andrea H. Harper

Enclosures

Locational Constraints Report (*Model*)

A. Location – *Description of general area of constraint such as Ward, neighborhoods affected, and boundaries with an accompanying map.*

Southwest and Southeast DC in Ward 6



B. Type of Constraint – *Description of system need being addressed, such as a new substation or feeder heavy-up.*

The total load on the substation firm capacity of the existing 4 transformers due to the significant load growth in the area and planned load transfers.

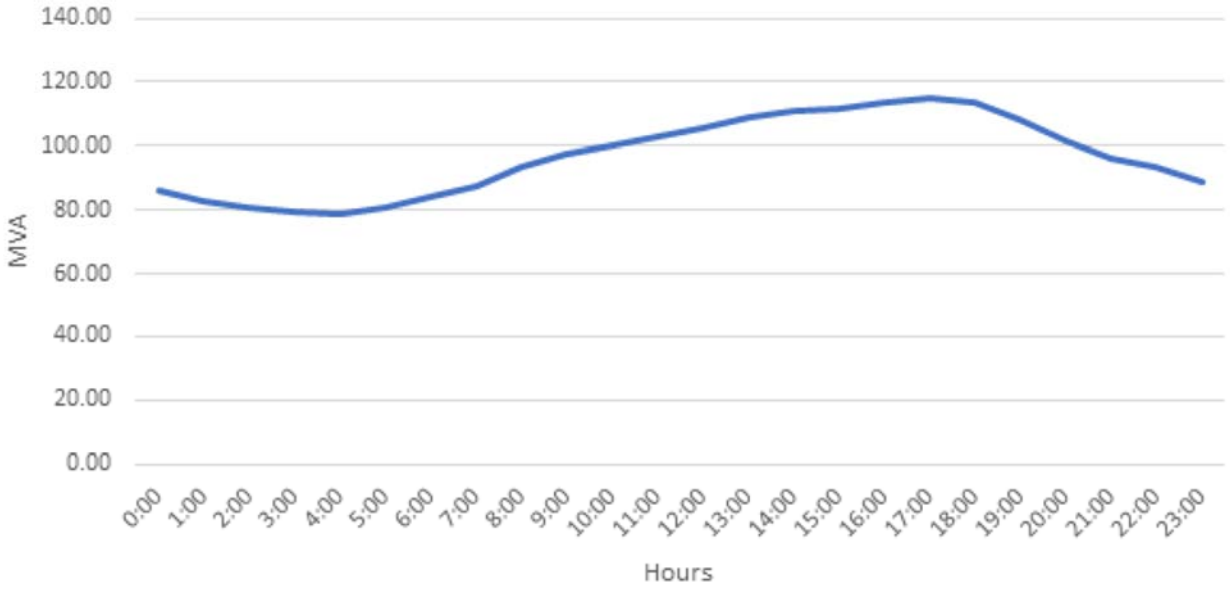
C. Total Size and % Summer Overload – *MW/MWH and % over capacity in summer of forecasted constraint.*

The substation will be 95% percent loaded, or within 5% of exceeding the substation firm capacity. The existing firm capacity is 216 MVA and the projected total load on Substation will be 206.2 MVA.

D. Year Forecasted – *Year violation to system planning criteria is expected to occur.*

2026

E. Representative load profile – *Sample day's load profile of the system equipment.*



F. Pepco voltage requirements – *Standard Pepco voltage requirements (full voltage information would be provided if applicable during the RFP phase).*

N/A

G. Weekend/Weekday/Number of Hours – *Likely timing of forecasted system need.*

N/A

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Request for Information Regarding Non-Wires Alternatives for Locational Constraints to be Solicited Through the Distribution System Planning Process

Date: August 10, 2020

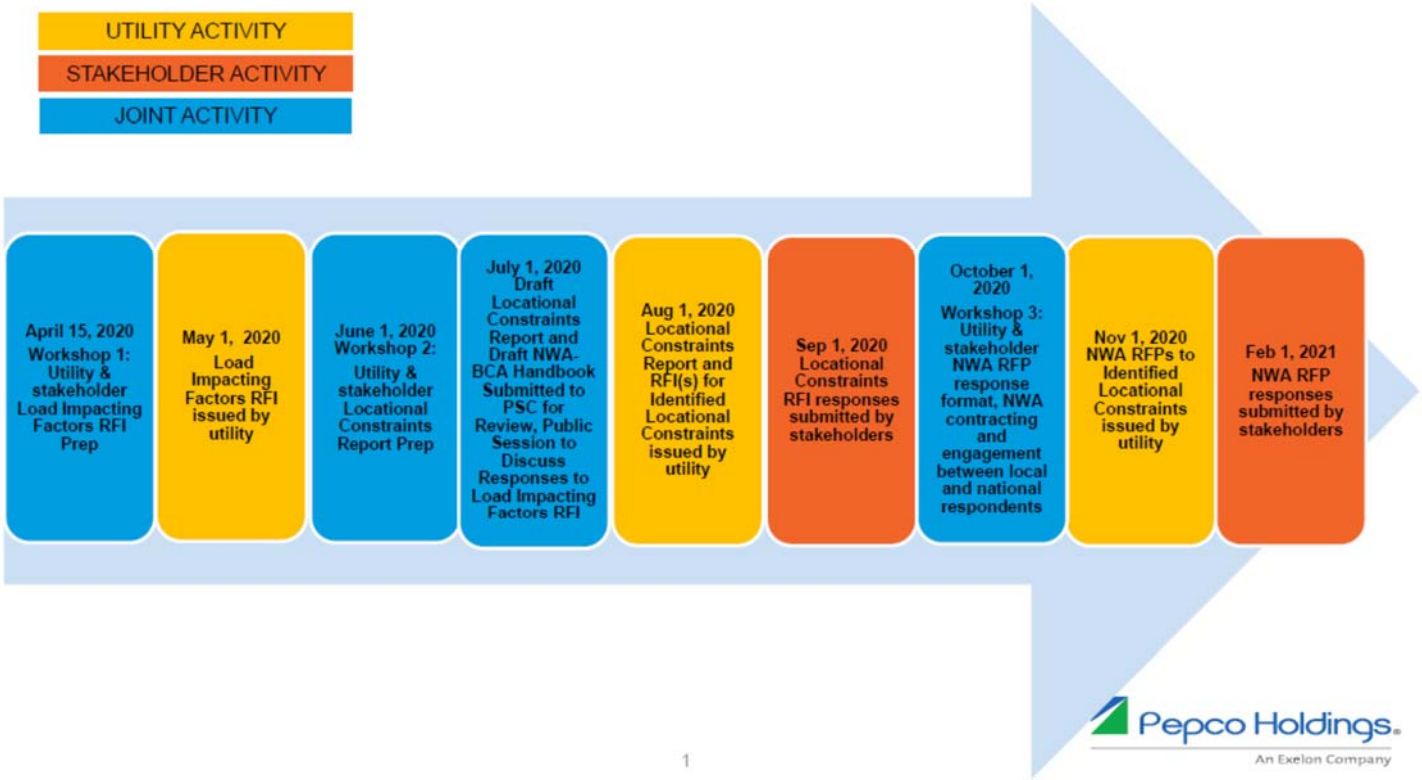
Subject: Request for Information (RFI)

Description

This RFI pertains the solicitation for Non-Wires Solutions to Locational Constraints identified in the attached Locational Constraint Report[ ] (LCR) that will be released formally through a Request for Proposals (RFP) through Pepco's District of Columbia Distribution System Planning for Non-Wires Alternatives Process (DSP/NWA) in November 2020.

Background

As a result of the District's Public Service Commission (PSC) PowerPath DC grid modernization proceeding, Non-Wires Alternatives working group meetings, the Distribution System Planning /Non-Wires Alternative process. The purpose of the process is to create a transparent and integrated effort around distribution system planning that is inclusive of distributed energy resources and incorporates stakeholder inputs at several milestones such as the LCR and this RFI. The full DSP/NWA Process is described in the following graphic:



During the PowerPath DC NWA working group District stakeholders and DER developers expressed interest in Pepco creating a transparent process for announcing upcoming system needs driven by growth in real estate and business development that would normally have been addressed through a traditional wires solution. Pepco has drafted the attached LCR to response to that request. The document describes [ ] upcoming constraints. Pepco held a webinar with interested stakeholders describing the LCR on June 1, 2020 and submitted a draft LCR to the Commission on July 1, 2020.

In order to give Pepco a broader view of potential solutions, District stakeholders also proposed that Pepco pair the LCR with an RFI soliciting NWA solutions to the constraints described. This RFI is the result of that proposal.

Purpose

The purpose of this RFI is to solicit potential NWAs to upcoming capacity constraints from parties eligible to develop the proposed solutions, including but limited to, commercial companies, District agencies, and other stakeholders. This RFI will provide valuable input to Pepco as it finalizes the RFP, scheduled for release in November 2020. Pepco looks forward to reviewing the solutions offered in response to this RFI as a critical point of collaboration in the DSP/NWA Process.

Deadline for Responses

September 10, 2020

Section 1: Technical Requirements and Questions

1. Provide your organization name and background and why your organization is qualified to address this project.
2. Please provide a summary of the proposed NWA solution.
3. Pepco is responsible for ensuring safe, reliable delivery of electricity to its customers at affordable rates. Any proposed solutions must meet the following criteria:
    a. The Proposed Solution must be at least as safe as the traditional wires alternative.
    b. The Proposed Solution must be at least as reliable as the traditional wires alternative.
    c. The Proposed Solution must be at least as affordable as the traditional wires alternative.

    Question: How does the Proposed Solution meet Pepco's requirements for safety, reliability, and affordability?

4. The Clean Energy DC climate and energy plan seeks to cut greenhouse gas emissions in the District by 50 percent by 2032.

    Question: How does the Proposed Solution support the District's greenhouse gas emission goals?

5. Pepco is responsible for protecting its customer's data and any proposed solution must preserve the customer's rights to their data.

    Question: Does the Proposed Solution require use of un-aggregated customer data? If so, how will customer permission to use their data be sought?

6. Pepco is responsible for maintaining the security of the District's electric grid.

    Question: How does the Proposed Solution preserve the integrity of the District's electric infrastructure?

Section 2: For the next set of questions. Please rate your responses as high, medium or low, and provide supporting commentary.

1. Execution Risk: Rate the expected ease and length of time for obtaining necessary permits, meeting project deadlines, and operating the proposed solution.

2. Availability Risk: Describe the dependability and availability of the proposed solution to meet locational constraints.

3. Timeliness Risk: Describe the length of time needed to complete the proposed solution and potential for delays of the proposed solution.

4. Cost Risk: Describe the magnitude of costs and potential for overruns of the proposed solution.

Section 3: Alignment with PowerPath DC Guiding Principles

In the DC Commission PowerPath DC proceeding stakeholders developed seven Guiding Principles that guide the DSP/NWA Process. Please describe how the preferred solution meets the following principles. Responses should be five sentences or less.

Question: Describe how the Proposed Solution must supports some or all of these principles:

1. Sustainable: A sustainable energy delivery system will meet the energy needs of the present without compromising the ability of future generations to meet their own energy needs by focusing on the triple bottom line: environmental protection, economic growth, and social equality.

2. Well-Planned: With no large-scale generation in the District, the Commission must ensure that the distribution and transmission systems are strong and robust enough to withstand low probability, high impact events like storms, floods, and physical and cyber threats. To meet these needs, the District's modem energy delivery system must be developed in a strategic manner that is data-driven, incorporates advanced technologies, and is collaborative and open - allowing for consumer and stakeholder input.

3. Safe & Reliable: The Commission will ensure that utilities meet and improve safety and reliability performance and that the increasing volume of DERs interconnecting to the District's grid does not negatively impact the safety or reliability of the energy delivery system.

4. Secure: The modern energy delivery system must be secure from both physical attacks to critical infrastructure components as well as from cybersecurity attacks that target energy information systems and private consumer information.

5. Affordable: The Commission has a duty to ensure that rates for distribution service are just and reasonable. The Commission balances the desire of customers to keep rates down with the need to ensure that utilities remain financially healthy, able to attract investors, and pay for needed infrastructure maintenance and development. Balancing these interests, in the context of system modernization, becomes especially challenging when considering costly upgrades to the distribution system as well as potential ratepayer subsidization of costly renewable and DER technologies.

6. Interactive: As an increasing number of smaller scale and more localized resources come online the relationship between the energy distribution company, the consumer, and service providers will become increasingly complex and dynamic. New services will become available, energy and data will increasingly flow in multiple directions, and different types and scales of resources will enter the distribution system. A modern energy delivery system must become more interactive and flexible to accommodate these types of resources while maintaining system reliability and security. This interactivity is critical both in terms of managing the distribution system and in

providing locational transparency and technical feasibility which will allow ratepayers, customers, generators, and DER providers to make informed energy choices.

7. Non-Discriminatory: Nondiscrimination in the operation of the District's energy infrastructure is integral to the Commission's mandate to supervise energy utilities in the District of Columbia. Furthermore, since the restructuring of the energy markets, the need for the Commission to ensure that energy utilities operate in a nondiscriminatory manner has proliferated. Nondiscrimination covers both the technical operation of and the rates and fees charged for utilizing and accessing the energy utility infrastructure.

Proprietary Information

Information received in response to this RFI may be used to structure future RFPs and/or otherwise be made available to the public, respondents are strongly advised to NOT include any information in their responses that might be considered business sensitive, proprietary, or otherwise confidential. If, however, a respondent chooses to submit business sensitive, proprietary, or otherwise confidential information, it must be clearly marked as such.

CERTIFICATE OF SERVICE

I hereby certify that a copy of Potomac Electric Power Company's Update on DSP NWA Process was served this August 7, 2020 on all parties in Formal Case No. 1130 by electronic mail.

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