

Peter E. Meier
Vice President, Legal Services

Office 202.872.2953
Fax 202.331.6767
pepco.com
peter.meier@pepcoholdings.com

EP9628
701 Ninth Street NW
Washington, DC 20068-0001

PUBLIC

June 8, 2017

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. 1086

Dear Ms. Westbrook:

I am writing you to provide the Commission with the results of the May 2017 PJM Base Residual Auction ("BRA") for capacity covering the PJM Delivery Year of 2020/2021 for Potomac Electric Power Company's ("Pepco") residential direct load control program (Energy Wise Rewards).

Beginning with PJM Delivery Year 2020/2021, all capacity products (including eligible demand response and energy efficiency derived demand reductions) must meet the year around availability requirements of Capacity Performance or be paired with another seasonal resource. As a result of this capacity market change, available demand reductions from Pepco's direct load control program must be matched with a winter seasonal capacity resource in PJM Delivery Year 2020/2021. The aggregation of seasonal capacity products permits summer demand-side resources to be paired with winter capacity market resources and participate in the May 2017 BRA as Capacity Performance.¹

During December 2016, several Exelon Utilities, including Pepco, jointly issued a winter capacity resource Request for Information to gauge the market interest in providing winter capacity resources to match with Exelon Utility summer demand side resources. A limited number of winter capacity resources responded and indicated an

¹ On March 21, 2017, the Federal Energy Regulatory Commission ("FERC") Office of Energy Market Regulation issued Order 158 FERC ¶ 62,220 in Docket Nos. ER17-367-000 and ER17-367-001 approving PJM's proposed capacity aggregation plan for the BRA for PJM Delivery Year 2020/2021. The Order noted that it may be altered in the future by the Commission and subject to refund for Aggregation participants.

Ms. Brinda Westbrook-Sedgwick

Page 2

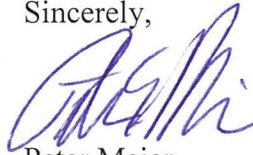
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interest in potentially participating as aggregated winter resources. On March 27, 2017 (as revised March 29, 2017), in response to the recent Federal Energy Regulatory Commission ("FERC") decision permitting the aggregation of capacity resources, the joint Exelon Utilities issued a Request for Proposals ("RFP") for winter capacity resources interested in aggregation,² but this process did not result in a bilateral contract. As a result, the Company has relied upon PJM's offer to match available winter capacity resources with available summer capacity resources to meet the PJM Capacity Performance year-around availability requirement.

The table contained in the Confidential Attachment provides the capacity market position that Pepco has established for its District of Columbia direct load control program for PJM Delivery Year 2020/2021 as a result of the May 2017 Base Residual Auction. Because the quantity of available winter resources was lower than the quantity of available summer resources, approximately 31 percent of Pepco's available summer resources cleared in the Auction. These results are marked confidential due to their market sensitivity. Pepco may participate in subsequent PJM incremental capacity auctions.

Pepco, together with its affiliated Exelon Utilities, remains committed to working within the PJM process to continue to develop and identify opportunities to maximize the value of demand side programs for District of Columbia customers in the PJM wholesale market. Please contact me if you have any questions regarding this matter.

Sincerely,



Peter Meier

Enclosure (Confidential)

cc: All Parties of Record

² See Pepco's letter dated April 5, 2017 in Formal Case No. 1086.

Confidential Attachment Removed

CERTIFICATE OF SERVICE

I hereby certify that Potomac Electric Power Company's results of the May 2017 PJM Base Residual Auction for capacity were served this June 8, 2017 on all parties in Formal Case No. 1086 by electronic mail.

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

Sandra Mattavous-Frye, Esq.
People's Counsel
Office of the People's Counsel
1133 15th Street, NW, Suite 500
Washington, DC 20005
smfrye@opc-dc.gov

Nina Dodge
DC Climate Action
6004 34th Place, NW
Washington, DC 20015
ndodge53@gmail.com

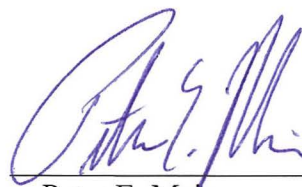
Christopher Lipscombe
General Counsel
Public Service Commission
of the District of Columbia
1325 G Street N.W. Suite 800
Washington, DC 20005
clipscombe@psc.dc.gov

Melanie Santiago-Mosier
Washington Gas Energy Services
13865 Sunrise Valley Dr. Suite 200
Herndon, Va 20171
mmosier@wges.com

Brian R. Greene, Esq.
GreeneHurlocker, PLC
1807 Libbie Avenue, Suite 102
Richmond, VA 23226
bgreene@greenehurlocker.com

Craig D. Goodman
National Energy Marketers Association
3333 K Street N.W., Suite 110
Washington, DC 20007
cgoodman@energymarketers.com

Larry Martin
Sierra Club, DC Chapter and Grid 2.0
4525 Blagden Ave N.W.
Washington, DC 20011
lmartindc@gmail.com



Peter E. Meier