

15. Demand Response Service

A. Program Availability and Operation

1. Air Conditioning Control

A Customer receiving service under Schedules R, RL-1 or RL-2 may contract with the Company to permit the installation, operation and maintenance, at the Company's expense, of a smart thermostat or a smart control switch on or near the Customer's electric central air conditioning unit(s) or heat pump(s). *(Customers selecting the smart thermostat option are responsible for battery replacement, when required.)*

The control device must give the Company complete control by direct means or by simulated remote control, of the supply of electricity to the central air conditioning unit(s) or heat pump(s).

Service hereunder to air conditioners or heat pumps is subject to interruption at any time, at the option of the Company. The Customer agrees to accept all responsibility for any loss, cost or damage resulting from any and all interruptions of service occasioned by taking service under this Rider. Customers participating in this program may override an interruption event up to, but no more than, twice during a calendar year, except no override will be permitted during a PJM Interconnection Emergency Event.

The effect of the Customer's interruptions hereunder shall be a net reduction of load on the Company's system. During periods of interruption, the work performed by the interrupted appliance shall not be transferred to any other electric service provided by the Company or to any other appliance.

Under this Rider, Customers may choose from three equipment cycling options: 50%, 75% or 100%. In exchange for control of the cooling equipment, the Company will provide a monthly credit on the Customer's June, July, August and September bills. The amount of the credit is determined based on the cycling option chosen. The monthly credit (plus the one-time Enrollment Incentive, where applicable) shall not exceed the current monthly bill otherwise applicable.

		Annual Customer Incentive per DRI Device		
		\$50 Bill Credit	\$75 Bill Credit	\$100 Bill Credit
Operating Condition	PJM-Declared Emergency Event	50% Cycling	75% Cycling	100% Cycling
	BGE Economic or Local Area Emergency Event	50% Cycling or Less	50% Cycling or Less	50% Cycling or Less
	One-Time Enrollment Incentive	\$50.00	\$75.00	\$100.00

Customers in Demand Response Service will remain subject to interruption unless they make a request with the Company to be removed from the program. Upon such request, BGE will no longer control the smart thermostat or the smart control switch. The Company will remove its equipment at no charge at the Customer's request. The Customer is responsible for providing a replacement thermostat once the smart thermostat has been removed at the Customer's request.

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Rider 15 – Demand Response Service –continued**2. Water Heater Control**

A Customer receiving service under Schedules R, RL-1 or RL-2 may contract with the Company to permit the installation, operation and maintenance, at the Company's expense, of a direct control switch on or near the Customer's qualifying electric water heater unit(s).

The control device must give the Company complete control by direct means or by simulated remote control, of the supply of electricity to the electric water heater.

Service hereunder to electric water heaters is subject to interruption at any time, at the option of the Company. The Customer agrees to accept all responsibility for any loss, cost or damage resulting from any and all interruptions of service occasioned by taking service under this Rider. Customers participating in this program may override an interruption event up to, but no more than, twice during the months of June through September and up to, but no more than, twice during the remaining months of the calendar year. No override will be permitted during a PJM Interconnection Emergency Event.

The effect of the Customer's interruptions hereunder shall be a net reduction of load on the Company's system. During periods of interruption, the work performed by the interrupted appliance shall not be transferred to any other electric service provided by the Company or to any other appliance.

In exchange for control of the water heating equipment, the Company will provide a monthly credit on the Customer's November, December, January and February bills.

Annual Customer Incentive per Controlled Electric Water Heating Unit: \$25

One-Time Enrollment Incentive: \$25

Customers in Demand Response Service will remain subject to interruption unless they make a request with the Company to be removed from the program. Upon such request, BGE will no longer control the direct control switch. The Company will remove its equipment at no charge at the Customer's request.

3. Access to Company's Equipment

Permission is given the Company to enter the Customer's premises at all reasonable times, for the purpose of installing, inspecting, modifying and keeping in repair or removing any or all apparatus used in connection with the demand response services referenced above, and for said purposes the Customer authorizes and requests their landlord, if any, to permit the Company to enter said premises. Failure to allow access can result in termination from the program.

BGE reserves the right to remove customers from the program if it is found that the equipment is missing, bypassed or removed.

B. Cost Recovery

Rates for service under the Company's residential rate schedules are subject to a Charge to recover eligible costs for the Demand Response Service program. The Charge is calculated for a 12-month period beginning January 1 of each year using the procedures described below.

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Calculation of Charge

The Charge for the 12-month period beginning January 1 of each year is determined for each rate schedule by dividing Eligible Costs (defined below) expected to be allocated to the schedule for the 12-month period by the kilowatt sales expected for that rate schedule over the 12-month period including a true-up (defined below). Subject to prior Commission approval, the Charge may be revised at any time to adjust for significant changes in Eligible Costs. Details concerning the calculation of the Charge are filed with and approved by the Commission prior to their use in billing. The Charge shall be included in the Delivery Service Distribution Charge.

The Charge effective January 1, 2010 through December 31, 2010 is as follows:

Rate Schedule	Rate (cents per kilowatt-hour)
Residential (Schedules R, RL-1, RL-2)	0.118

Eligible Costs

Total costs eligible for recovery in a 12-month Charge period are the costs approved by the Commission and incurred from the following cost categories:

Program Costs. Eligible Costs include all costs associated with administering the program. They include but are not limited to capital costs (procurement and installation of switches and thermostats and other capital expenditures such as hardware and software); and operating costs including labor, advertising, other operation and maintenance, contractor costs, monitoring and evaluation, customer incentives (enrollment incentives and bill credits), return and taxes.

- a. Capital costs are amortized on a straight line basis over ten years (thermostats) and fifteen years (switches).
- b. The regulatory asset is amortized over five years for the air conditioning switch and thermostat pilot costs and for certain operating costs (specifically, certain customer acquisition costs, one-time Enrollment Incentive costs and a portion of the customers' monthly credits as required).
- c. Earnings on the net investment in the Demand Response Service are determined by applying the Company's most recent authorized rate of return, adjusted for taxes, to the average investment balance net of deferred taxes. (Pending an order in an electric base rate proceeding subsequent to the effective date of this Rider, the Company will use the authorized rate of return from the last gas rate case approved on December 20, 2005 as a proxy for the electric rate of return.)
- d. The remaining operating costs (customer's monthly credit, ongoing operating costs, property taxes, etc.) will also be recovered.

Program Incentive. BGE's incentive will be determined monthly beginning in January 2008. It will be equal to a tiered percentage sharing basis between residential ratepayers and the Company of the benefit components of wholesale capacity revenue, wholesale energy revenue and wholesale capacity price mitigation:

MW Capacity	Company Incentive
0-199	0.00%
200-299	0.00%
300-399	5.00%
400-499	5.75%
500-599	6.50%
600 and above	7.75%

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The Company will not receive any program incentive until the Commission determines that Customers are receiving benefits sufficient to offset the cost recovery charge.

The wholesale capacity revenue will be the total amount of revenue that BGE receives from PJM by monetizing the peak load reduction capability of its Demand Response Service and residential legacy programs in the PJM RPM process and any other capacity revenue that may be derived from bilateral or other arrangements associated with these programs.

The wholesale energy revenue will be the amount of revenue that BGE receives from PJM from monetizing the load reduction capability of its Demand Response Service and residential legacy programs in the day-ahead or real-time energy markets and any other energy revenue that may be derived from bilateral or other arrangements associated with these programs.

The wholesale capacity price mitigation incentive amount will be based on the amount of cumulative growth in BGE's residential air conditioning load control capability that is cleared in the PJM Base Residual Auctions and the point at which the auctions clear on the Southwest MAAC Variable Resource Requirement (VRR) curve and is calculated as described herein below:

The wholesale capacity price mitigation incentive amount will be determined as the product of: (a) the amount of growth in BGE's residential air conditioning, premise-level load control capability that is cleared in Base Residual Auctions; (b) demand resource line loss factor; (c) PJM's Forecast Pool Requirement; (d) PJM's Demand Resource Factor; (e) the slope of the Southwest MAAC Variable Resource Requirement (VRR) curve between points "a" and "b" for all auctions that clear at reserve levels less than the reserve level represented by point "b", and the slope of the Southwest MAAC VRR curve between points "b" and "c" for all auctions that clear at reserve levels at or greater than the reserve level represented by point "b"; (f) capacity peak load contribution (PLC) of the residential class; (g) PJM's Forecast Pool Requirement; and (h) number of days in the incentive period.

Points "a", "b" and "c" on the VRR curve shall have the definitions ascribed to them by PJM as those definitions may change from time to time. As of December 2007, point "a" represents a reserve level equal to the Installed Reserve Margin (IRM) minus 3%; point "b" represents a reserve level equal to the IRM plus 1%; and point "c" represents a reserve level equal to the IRM plus 5%.

True-up

An annual true-up will be conducted by:

1. Calculating the difference between the actual revenue requirement for the program year based on actual information (includes nine months of actual and three months of estimated data) to the actual revenues recognized in the program year.
2. Interest is then computed on this difference using the Company's most recent authorized rate of return, adjusted for taxes.
3. This interest amount is then combined with the amount determined in 1.) above to derive the true-up. This amount is then used in the determination of the estimated revenue requirement for the upcoming program year.