

**PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA
1325 G STREET, N.W., 8th Floor
WASHINGTON, D.C. 20005**

BSA TECHNICAL CONFERENCE

**April 12, 2016, 11:00 a.m.
Commission's Hearing Room**

**PEPBSAR-2016-01. POTOMAC ELECTRIC POWER COMPANY MONTHLY BILL
STABILIZATION ADJUSTMENT RIDER,**

1. The Public Service Commission of the District of Columbia ("Commission") schedules a Technical Conference concerning the Potomac Electric Power Company's ("Pepco" or "Company") Bill Stabilization Adjustment ("BSA") to explain the effects of Pepco's new billing and customer management system "SolutionOne" on the customer counts used to calculate the BSA since its implementation (Order No. 18138). The technical conference is scheduled for **April 12, 2016, at 11:00 a.m. in the Commission's Hearing Room.**

2. By Order No. 15556, the Commission approved Pepco's revenue decoupling adjustment, the BSA, designed to decouple Pepco's revenues from the variation in kWh sales, allowing the Company to adjust its base (delivery) rates to reflect actual changes in the revenue it collects on a per customer basis from adjusted test-year levels approved in Pepco's most recent base rate proceeding. Decoupling is a regulatory tool designed to separate a utility's revenue from changes in energy sales. Under traditional regulation, a utility's profitability is dependent on its sales volume. Decoupling mechanisms have been offered as a solution to make a utility indifferent with respect to encouraging reduced energy consumption initiatives, Pepco's BSA was offered and approved by the Commission to further public policy goals of encouraging the development of energy efficiency. The BSA is intended to account for changes in usage due to variations in weather, customer response to generation price increases or energy-efficiency programs. Pepco's BSA adjustment is applied on a monthly basis (by the tenth day of each following month) to the distribution charge for all customer classes except street lighting and telecommunications network customers. For each rate class and for each billing month, the Commission-approved test year revenue per customer for each service classification is applied to the number of customers in each billing month to arrive at target monthly revenue for each service classification. The difference between the target revenue and the actual revenue collected forms the basis for the BSA for the following month. That is, the revenue that Pepco is allowed to collect in a given month is based on the revenue per customer, approved in the last rate case, times the current number of customers. This allowed revenue is then compared to revenue received.

3. The BSA is billed on a per kWh basis, calculated monthly for each service classification on a per customer basis, and applied with a 10% cap on any monthly adjustment. This cap produces a charge or credit that is carried over into a subsequent monthly adjustment and a "true-up" that will account for over-collections or under-collections in the BSA in prior months. The balance from any over-collection or under-collection would be added to the revenue differences to arrive at a final BSA revenue target for each rate class for the current month. This revenue target would be divided by the projected sales for the upcoming billing

period, and this rate will be compared to 10 percent of the rate class average test year monthly rate per kWh to determine the final BSA for the month. By Order No. 17377 the Commission re-directed Pepco to file its future monthly BSA adjustments in Docket PEPBSAR.

4. In January 2015, Pepco moved to a new customer billing and management system named "SolutionOne." In Pepco's February 23, 2015, BSA filing Pepco noted that the customer count was lower than average and attributed the difference to the implementation of SolutionOne. Since the implementation of SolutionOne, Pepco's customer counts have varied month to month in a very irregular manner. Given that the BSA calculation is based on authorized per customer revenue, the Commission ordered Pepco to attend a technical conference on April 12, 2016. The Technical Conference will allow Pepco to explain SolutionOne's impact on the customer counts and the BSA in order to increase transparency and make parties aware of the variances in the BSA customer count and the related financial impacts across customer classes. The April 12th Technical Conference will facilitate the Commission's examination and provide a public forum to receive feedback from all interested parties.

5. Pepco will prepare a table(s) that summarize results of BSA filings from February 2015 through January 2016 which represents the months in which the SolutionOne billing system has been in place comparing what customer counts and the BSA would look like Pre-SolutionOne v. Post-SolutionOne. The tables include: (1) a summary of monthly customer counts by class (including the number of MMA customers) from BSA filings Pre-SolutionOne; (2) a summary of monthly customer counts by class from BSA filing Post-SolutionOne; (3) a table summarizing the first two tables and the percentage change in customer counts by class between the Pre-SolutionOne period of February 2014 to January 2015 and the Post-SolutionOne period of February 2015 through January 2016. The tables have been filed with the Commission and are available to all interested parties through the Commission E-docket.