

**TESTIMONY OF  
BETTY ANN KANE, CHAIRMAN  
DISTRICT OF COLUMBIA PUBLIC SERVICE COMMISSION  
BEFORE THE  
COMMITTEE ON BUSINESS, CONSUMER AND REGULATORY AFFAIRS  
COUNCIL OF THE DISTRICT OF COLUMBIA  
FISCAL YEAR 2014 AND FISCAL YEAR 2015 TO DATE  
OVERSIGHT HEARING  
FEBRUARY 24, 2015**

Good afternoon, Chairman Orange and members of the Committee. I am Betty Ann Kane, Chairman of the Public Service Commission of the District of Columbia ("PSC" or "Commission"). With me today are Commissioner Joanne Doddy Fort and Commissioner Willie L. Phillips. Also in the audience are members of the Commission Staff.

At the outset, I would like to thank you and members of your staff for your interest in the mission of the Commission. That mission is to serve the public interest by ensuring that financially healthy electric, natural gas and telecommunications companies provide safe, reliable and quality services at just and reasonable rates to residential, business and government customers in the District of Columbia. In supervising and regulating the utilities and competitive suppliers, we consider the public safety, the economy of the District, the conservation of natural resources and the preservation of environmental quality. We welcome the opportunity to work with the Committee to accomplish our mission.

Fiscal Year ("FY") 2014 was a very busy year for the Commission. We issued 219 formal case orders and 408 total orders, opened 21 new formal cases, closed 9 formal cases, held 3 evidentiary hearings, held 2 informal legislative style hearings, held 11 community hearings, conducted 310 natural gas pipeline safety inspections, 1,053 One Call inspections and 181 payphone inspections. We certified 385 renewable energy standards generating facilities under the Renewable Portfolio Standards Program, responded to 1366 consumer complaints and inquiries, and managed the licensing and oversight of about 98 competitive suppliers of energy and telecommunications services.

I would like to highlight some of the Commission's major accomplishments in FY 2014 that we have reported to the Mayor in our Performance Accountability Report.

First, we completed an investigation into the activities of Starion Energy Inc. ("Starion"), a competitive retail electricity supplier. In 2013, we had begun noticing an increase in complaints about the business and marketing practices of Competitive Electricity Suppliers ("CES"). After receiving testimony from a number of District consumers about the practices of one company, Starion, we opened an investigation of that company and a general investigation into the competitive electric market and

consumer protections. In February 2014, we approved a Settlement Agreement between Starion, and the Office of the People's Counsel ("OPC"). That Settlement Agreement has resulted in refunds and credits of over \$85,000 to several hundred District of Columbia customers and a grant of \$100,000 to the Greater Washington Urban League for its energy assistance program. During the rest of FY 2014 and to date, we have continued to monitor the CES market for any signs of misleading advertising or fraudulent business practices. I am happy to report that in FY 2014 we received only 88 complaints directed against CES, while in FY 2013 we received 408. To be sure that our commitment to consumer welfare continues, we have issued two rulemakings: one that will strengthen the Consumer Bill of Rights and one that will codify rules for the licensing of competitive energy suppliers. We expect to adopt final rules in both of these matters in FY 2015. In December 2014, we closed the general investigation into competitive practices and consumer protection because the rulemakings had been issued.

Before turning to our second accomplishment, let me say that issuing these rulemakings and opening these investigations should not be seen as a lessening of the Commission's commitment to competition. Rather, our actions should be seen as confirmation of our commitment to *fair* competition. Indeed, the District market for competitive supply in electricity, natural gas and telecommunications is strong. There are 23 licensed electricity suppliers serving 14% of the residential market customers and 28 licensed electricity suppliers serving 34% of the non-residential market customers. In the natural gas area, there are 9 licensed retail commodity gas suppliers serving 11% of the residential market customers and 13 licensed suppliers serving 37% of the non-residential market customers. In telecommunications, 58 Competitive Local Exchange Carriers ("CLECs") and Verizon were providing services as of December 31, 2014. Seven CLECs were providing both residential and non-residential services, while the rest of the CLECs were providing non-residential (business) services only. The most recent available data shows that CLECs service 9.25% of residential customers and 25.95% of non-residential customers.

Our second major accomplishment reported in our Performance Accountability Report involved our decision in March 2014 to approve a portion of a distribution rate increase for the Potomac Electric Power Company ("Pepco"). Pepco had originally asked for a rate increase of about \$52 million, later reduced to \$44.8 million. The Commission granted just about half of the Pepco request, allowing a rate increase of \$23.4 million. The increase in distribution rates was intended primarily to compensate Pepco for its substantial investments in reliability improvement projects. We are happy to report that Pepco's reliability, as measured under our Electric Quality of Service Standards, improved in FY 2013 and FY 2014.

It is important to note that the rate increase that the Commission approved in that case is in the *distribution* rate, that is, the rate that is charged for the delivery of electricity to your home or office. Costs covered by the distribution rate include the poles, conduits, transformers, substations, meters and other infrastructure used to transport electricity to customers, as well as meter reading, billing, repair service,

administration and customer service, depreciation and a return on investment. The distribution portion represents only about 19% of the electricity bill. The other 81% of the average residential bill is made up of the cost for electricity itself, which is sold by licensed retailers whose rates are not regulated by the Commission or by Pepco in its role as the default provider of Standard Offer Service (“SOS”), transmission and generation costs which are set by the Federal Energy Regulatory Commission and various other fees and taxes.

As a reminder, SOS energy is procured through a competitive procurement that is conducted by Pepco as the SOS Administrator pursuant to rules issued by the Commission. The price of SOS energy procured in the annual auction decreased in FY 2014. Consequently, customers that obtained their electricity from Pepco in its role as the default provider of Standard Offer Service received a 16.3% reduction in their energy rates in June 2014 so that the combined impact of the rate changes for a residential customer with average energy use of 695 kW per month was a total bill decrease of about 10.9%.

Our third major accomplishment of FY 2014 was the adoption in August 2014 of a Washington Gas Light Company (“WGL”) plan to accelerate the replacement of leak-prone portions of its aging pipeline infrastructure, known as the Accelerated Pipeline Replacement Plan (“APRP”). Under the APRP as approved, WGL is authorized to spend up to \$110 million over the next five years to replace 20 miles of cast iron pipes, 18 miles of unprotected steel mains and approximately 8,000 services throughout the District. In August, the Commission also determined that an evidentiary hearing was necessary to consider WGL’s requested funding mechanism for the APRP. Prior to the evidentiary hearing, however, WGL, OPC and the Apartment and Office Building Association of Metropolitan Washington (“AOBA”) filed a Joint Motion for Approval of Unanimous Agreement of Stipulation and Full Settlement of the APRP funding mechanism issue.

I am happy to report that we approved the Settlement Agreement in January 2015, and the surcharge that it proposed, and have given final approval to the APRP. The District of Columbia, like many other cities, has an aging natural gas infrastructure. The public interest requires that we make every effort to protect the safety of our citizens. The Commission believes that the revised APRP is a reasonable and necessary step to begin the process of modernizing this infrastructure. The cost of the first five years of the program will be contained in an APRP surcharge that will amount to a charge of about 60¢ a month in the first year for an average residential customer using 775 therms per year.

In FY 2014, we began four additional cases, not part of our Performance Accountability Report, that nevertheless deserve highlighting. We held hearings and issued an Order in Formal Case No. 1090 that addressed complaints that had been raised by customers about Verizon’s servicing of their copper line telephone service. We ordered additional training for technicians and additional monitoring of the service being provided for copper line technology. We opened Formal Case Nos. 1116 and

1121 to consider the Triennial Power Line Undergrounding Plan (“Triennial Plan”) and the Financing Plan submitted by Pepco and the District Department of Transportation under the Council’s Electric Company Infrastructure Improvement Financing Act of 2013. Finally, we opened Formal Case No. 1119 to review the request by Exelon Corporation for approval to purchase Pepco.

So far in 2015, we have continued to focus on telecommunications issues by examining the technology transition from copper-based switched service to Internet Protocol (“IP”)-based service in Formal Case No. 1102, in which we recently held evidentiary hearings. Final Briefs will be filed in April 2015 and we expect to issue a decision within 90 days thereafter. In Formal Case No. 1119, the Pepco-Exelon transaction, we held four community hearings to take comments from the public. On February 9, 2015 we convened our evidentiary hearings in that case but rescheduled the remaining days of hearings beginning March 30, 2015 after some of the parties requested a delay to review additional testimony filed by Pepco and Exelon. We expect to issue a decision no later than August 2015. In November 2014, we approved both the initial Triennial Plan in Formal Case No. 1116 and the Financing Plan in Formal Case No. 1121. Last week we received Pepco’s and DDOT’s First Status Report providing information on proposed power line undergrounding construction. They reported that construction will start on the first feeder, Feeder No. 308 in Ward 3, on June 29 2015 - with an expected completion date of June 2, 2016. Construction on the second feeder to be moved underground, Feeder 14261 in Ward 7, will begin on October 8, 2015 - with an expected construction completion date of September 20, 2016.

Finally, I want to share some very good news related to our core mission of conserving natural resources and preserving the environment. As you know, the Commission administers the Renewable Energy Portfolio Standards Act of 2004. To meet the District’s Renewable Energy Portfolio Standard (“RPS”) each electricity supplier must obtain Renewable Energy Credits (“RECs”) or pay a compliance fee for any shortfall, commensurate with a percentage of kilowatt-hours of electricity sold by the supplier per year. District electricity suppliers can only use RECs obtained from renewable energy standards generating facilities that have been certified by the Commission. In August 2011, the Distributed Generation Emergency Amendment Act went into effect. This Act required all solar photovoltaic and solar thermal facilities certified by the Commission after January 31 2011 to be located in the District or in a location served by a distribution feeder serving the District. As a result, the Commission began to see a decrease in the number of applications for certification of solar facilities under the RPS program. In 2012, the number of applications dropped to 257, from a total of 1,846 in 2011.

The good news is that trend has reversed. In 2012, the Commission received only 257 solar facility RPS applications, but in 2013, applications increased to 391 and the 2014 number is even higher at 473. As of February 1, the solar energy facilities eligible for the District’s RPS program include 1,324 solar PV and 88 solar thermal systems in the District. In addition, 2,263 solar energy facilities outside of the District

are eligible—this includes out-of-District facilities that were “grandfathered” as a result of the Distributed Generation Emergency Amendment Act as well as the addition of facilities in Maryland that are at a location connected to a distribution feeder serving the District. The total reported capacity associated with all of these solar facilities as of February 1, 2015 is about 34.2 MW, of which roughly 14.1 MW is located within the District. This represents an increase of 3.8 MW in the District between February 1, 2014, when the District total was 10.3 MW, and February 1, 2015. Overall, there has been a 1 MW increase in solar capacity in the last month alone (33.2 MW as of January 1, 2015 and 34.2 MW as of February 1, 2015). The Commission maps the location of all certified solar systems city-wide and by ward. We are pleased to report that there are RPS-certified solar systems in every ward of the city.

We are also moving forward to implement the Community Renewable Energy Act (“CREA”), another one of the Council’s efforts to conserve natural resources and preserve the environment. We published proposed rules in September 2014 to implement the CREA’s authorization for the establishment of Community Renewable Energy Facilities (“CREFs”), to which District ratepayers who want to support financially the use of more solar energy can subscribe. As you know, the District’s CREF program is the first such program in the country under a restructured regulatory model such as ours, so it raises some novel issues. We received comments on our proposed rules from seven interested persons. We have recently addressed those comments in revised proposed rules and explanatory orders. I assure you that we are committed to moving those rulemakings along expeditiously.

This concludes my testimony. My colleagues and I are happy to answer any questions that you may have.