



Your Energy. Your Voice.

OPEN MEETING SUMMARY

Friday, June 4, 2021

The Public Service Commission of the District of Columbia approved two Formal Case action items at its June 4, 2021, Open Meeting:

FORMAL CASE ACTION

- 1. Formal Case No. 1142, In the Matter of the Merger of AltaGas Ltd. and WGL Holdings, Inc. and Formal Case No. 1167, In the Matter of the Implementation of Electric and Natural Gas Climate Change Proposals** – This Order, among other things, establishes the next steps in this proceeding and directs Pepco and Washington Gas to file a proposed timeline for filing proposals that seek to implement the Climate Change Commitment and the Climate Business Plan within 60 days of the date of this Order.
- 2. Formal Case No. 1156, In the Matter of the Application of Potomac Electric Power Company (“Pepco”) for Authority to Implement a Multiyear Rate Plan for Electric Distribution Service in the District of Columbia.**

The Decision:

As an initial matter, it is important that the Commission clarify that we only have authority over the rates for distribution service. Pepco is the sole distributor of electric power to homes and businesses in the District of Columbia. So, for an average residential consumer, with an approximate monthly bill of \$82.00, \$23.00 of the bill represents the distribution delivery charge; \$10.00 of the total bill represents taxes and surcharges set by the Council; so only \$23.00 of an \$82.00 bill is set by the Commission in the context of a rate case. Around \$49 on an average \$82.00 residential bill reflects the generation and transmission cost, or the cost of the purchase of electricity from Pepco or from other licensed suppliers, whose prices are set by market competition. Also, beyond the control of the Commission is the transmission cost regulated by the Federal Energy Regulatory Commission.

The Commission has carefully and thoroughly considered the record, including thousands of pages of filed testimony, the testimony from the two days of evidentiary hearings, the comments at the community hearing, numerous responses to data requests, and the briefs and reply briefs filed by the Parties. Based on this record,

the Commission now votes on a modified version of Pepco's Enhanced Multi-Year Rate Plan ("EMRP") which authorizes Pepco to increase its electric distribution rates for the remaining year and a half of the EMRP.

Pepco's EMRP requested a revenue increase of \$136 million. The authorized Revenue Requirement the Commission approves is \$108.6 million, with \$21.8 million authorized for the remainder of 2021; \$48.4 million authorized for 2022; and \$38.4 million for 2023. This equates to a monthly bill impact for the average residential customer of \$1.07, \$2.33, and \$1.85 in those three years, respectively, or a total of \$5.25. The approved rate increase represents a 33% reduction from the Company's initial request.

In structuring these net rate increases, the proposed Order has taken steps to partially offset any rate increase in 2021 and 2022 through various customer bill offsets/credits, which include the amortization of additional tax credits identified after mid-2018, a pause in the amortization of regulatory assets, as well as \$7.8 million of Pepco shareholder-funded for residential and streetlight bill offsets, and \$3.6 million in Customer Base Rate Credits for residential customers. Additionally, the Order has provided procedural mechanisms which will allow the Commission to monitor Pepco's financial performance and prevent Pepco from over-earning its authorized rate of return during the term of the Modified EMRP. The Order also includes a stay-out provision prohibiting Pepco from filing a new MRP application until at least January 2, 2023, with rates to be effective no earlier than January 1, 2024.

The proposed order includes four (4) CleanEnergy Act goal-driven PIMs and a fifth PIM focused on neighborhood reliability. These PIMs will help foster Pepco's future efforts in achieving the District's climate and clean energy goals as well as improving neighborhood reliability. These PIMs will be initially deployed as tracking PIMs and will ultimately evolve into a system of fully functional incentive and penalty PIMs as measurement systems and implementation procedures are further developed through a collaborative stakeholder process.

Other Findings and Directives:

The proposed Order & Opinion also includes, among other things, the following significant findings, and directives:

- Pepco's proposed test year of actual results for the twelve (12) months ending on June 30, 2019, is reasonable and is an appropriate starting point;
- The EMRP includes: (1) approval of credits applicable to each rate schedule; (2) approval of Residential Rate Assistance of roughly \$11.4 million from shareholder funding to offset distribution rate increases during 2021; (3) deferral of \$60 million capital spending to 2023 or later and includes further cap-ex reductions; (4) pausing the Regulatory Asset Amortization for two years—2021 and 2022 amounting to \$22.9 million; and (5) accelerating customer benefits related to the entire Maryland Subtraction Modification Tax Benefit in 2022 which amounts to \$27.6 million;
- Approval of a capital structure for Pepco that contains 50.68% common equity and 49.32% long-term debt;
- Approval of an authorized Return on Equity of 9.275%; a cost of debt of 5.01%; and an overall Rate of Return of 7.17%;

- The Bill Stabilization Adjustment (“BSA”) will continue under the EMRP; however, the Commission is directing that an audit of the BSA be conducted and technical conferences convened to determine whether any changes to the BSA are warranted;
- Pepco is also being directed to reconvene the Performance Incentives Mechanism (“PIMs”) Working Group to allow for the development of additional PIMs; and
- A reconciliation and prudence process that includes an annual information filing that compares revenue requirement line items based on updated 2021 projections and a final reconciliation and prudence review no later than 90 days after the end of the EMRP.

Concerning Pepco’s Revenue Allocation and Rate Design, we have determined:

- Consistent with our order in Pepco’s last rate case, that 20% of the overall revenue requirement will be allocated to the residential classes (Residential (“R”) and Master Metered Apartments (“MMA”);
- For the R class, there will be no increase in the current monthly \$15.09 customer charge for 2021 rates, and only a moderate \$1.00 increase in 2022; and
- To calculate the MMA class customer charge the MMA rate design is modified to accurately count the number of dwelling units instead of the number of accounts. in calculating.

Finally, none of the increases approved in this Order will affect low-income District customers who are enrolled in the Residential Aid Discount (“RAD”) program. Under this program, all RAD customers will continue to receive a credit equal to the full charge for distribution rates that are under the jurisdiction of the Commission. In other words, RAD customers will continue to receive distribution services for free. The cost of providing this free service to RAD customers is paid for by a surcharge imposed on all other customers. Customers are eligible for the RAD program with a single-person household income up to \$57,650, a two-person household up to \$65,850, a three-person household income of \$74,100, a four-person household income up to \$82,300, and higher limits for larger families. For a RAD customer whose electric usage average 692 kWh a month, the value of the credit is about \$26 a month.

Currently, 19,000 customer households are receiving free distribution services through the RAD program. By Order No. 20749 in Formal Case No. 1164, the Commission increased the income threshold from 75% of the state median income level to 80% area median income to increase the eligibility criteria for participation in the RAD program.

A copy of the Orders is available on the Commission’s [e-Docket website](#).

ANNOUNCEMENTS

An [audio recording](#) of this Open Meeting is available on the Commission’s website, www.dcpsc.org.

The Commission’s next scheduled Open Meeting will be held on June 16, 2021, at 2:00 p.m. via conference call. The proposed agenda for the next Commission Open Meeting will be posted on www.dcpsc.org at least 48 hours before the announced meeting.