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Press Release

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DC Utility Regulator Sets Framework for Alternative Ratemaking

(Washington, D.C.) The Public Service Commission of the District of Columbia (Commission) has approved a framework to review and consider utility requests for alternative forms of regulation (AFOR), [Formal Case No. 1156](#). Under the new framework, and consistent with authority granted by the Council of the District of Columbia, the Commission may adopt an AFOR if the Commission finds that it: (A) protects consumers; (B) ensures the quality, availability, and reliability of regulated utility services; and (C) is in the interest of the public, including shareholders of the utility.

Historically, the Commission has set rates through a traditional cost-of-service model based on a historical test year. With AFORs, there is a performance-based aspect to rate-setting where certain performance goals or increased efficiencies must be met. Pepco filed an Application, on May 30, 2019, seeking approval to increase rates for its electric distribution service in the District, under two different rate setting methodologies: 1) a Multiyear Rate Plan (MRP) proposal with Performance Incentive Mechanisms (PIMs); and 2) a traditional cost-of-service proposal. This new regulatory framework sets forth the guidelines for evaluating AFORs in the District, and the framework will assist the Commission in evaluating Pepco's MRP, in order to determine if the utility's financial incentives align with the District's policy goals.

"As the utility regulator, we embrace our important role in helping the District achieve a clean energy future, and we view alternative forms of regulation as a potential tool in assisting the District achieve its clean energy and environmental goals, and potentially avoid the millions of dollars in expenses to litigate a full rate case," stated Willie L. Phillips, Chairman of the Public Service Commission.

The Commission also directed Pepco, the District Government, and the Office of the People's Counsel and all parties, stakeholders, and the [PowerPath DC](#) participants to continue discussions on what are achievable Performance Incentive Mechanisms in this rate case proceeding. The three meetings must take place between January 15, 2020, and March 31, 2020.

The Public Service Commission of the District of Columbia is an independent agency established by Congress in 1913 to regulate electric, natural gas, and telecommunications companies in the District of Columbia.

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