PUBLIC SERVICE COMMISSION
District of Columbia

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Press Release

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DCPSC Approves Modified Multiyear Rate Plan for Pepco on Extended Pilot Basis

(WASHINGTON, D.C.) – By a vote of two to one, the Public Service Commission of the District of Columbia (Commission) approved a modified version of Pepco's 2nd Multiyear Rate Plan (MRP) on an extended pilot basis for Pepco's electric distribution service in the District of Columbia (Formal Case No. 1176). Commissioner Richard Beverly cast the dissenting vote. This decision establishes electric distribution rates for calendar years 2025 and 2026 while ensuring transparency, accountability, and consumer protection.

The approved plan allows Pepco to increase electric distribution rates by a total of $123.4 million over two years, significantly reducing the company's original request of $190.7 million by about 35%. The approved changes also include:

- **Increased Oversight:** Pepco must file quarterly Rate of Return earning reports, annual information, and reconciliation reports detailing expenditures.
- **Consumer Protection:** Rates for low-income residents in the Residential Aid Discount (RAD) program will remain unaffected, ensuring these customers continue to receive free electric distribution service.
- **Streamlined Credits:** An automatic credit adjustment at the conclusion of the MRP period to adjust for any potential over-earning.
- **Accountability Measures:** Pepco will undergo a two-phase independent management audit to validate the accuracy and completeness of the Company's MRP performance.

The Commission's approval of Pepco's MRP Extended Pilot for 2025 and 2026 includes measures to balance consumer protection with utility performance. The two-year plan establishes a return on equity (ROE) of 9.50% and overall rates of return (ROR) of 7.28% in 2025 and 7.29% in 2026. Also, the Commission has mandated a $211 million reduction in Pepco's recovery of requested capital expenditures, representing a 19% decrease for 2025 and a 40% decrease for 2026.

The Order also outlines adjustments to revenue allocation and rate design. Approximately 41% of Pepco's approved $123.4 million revenue increase will be allocated to Residential classes, with residential customer charges increasing by $1.00 monthly in 2025 and 2026. For the average residential customer, this means a monthly bill increase of $7.54 in 2025 and $3.80 in 2026.

It is important to note that low-income customers enrolled in the Residential Aid Discount (RAD) program will remain unaffected by the rate increases and will continue to receive free distribution services. The Commission also continues to maintain eligibility for RAD and Residential Essential Services (RES) programs, allowing more District residents to qualify. Currently, about 20,000 households benefit from free distribution services through the RAD program. The Commission is also convening the Utility Discount Program Education Working Group to develop recommendations to consider possible expansion of the RAD program.

To enhance consumer protection and ensure oversight, the Commission will enforce a $15.3 million penalty on Pepco for errors in demand billing determinants in Formal Case No. 1156, reducing the existing deferral balances for the GT-LV commercial class.

Commission Chairman Emile Thompson stated, "The Commission takes the increase of rates very seriously and did not come to this decision lightly. However, we felt it was necessary to allow Pepco to obtain recovery for valuable investments in the electric distribution system, as well as provide a pathway for future investments. We feel that this decision strikes the appropriate balance between ratepayers' needs and ratemaking principles. As part of this Order, the Commission will initiate a 'lessons learned' proceeding to ensure Pepco submits thorough assessments aimed at improving future regulatory practices. We are also enhancing the Bill Stabilization Adjustment tool to promote transparency, including implementing an annual reconciliation process, a dedicated line item on customer bills, and additional measures to better achieve the BSA's intended goals. Finally, we note that customers who have signed up through our Residential Aid Discount (RAD) program will not be subject to any of these increases. In fact, those who benefit from the RAD program do not pay any distribution service costs. If you need more information on eligibility and signing up for the RAD program, please contact the Commission."

For more information on Formal Case No. 1176, please visit
https://dcpsc.org/Newsroom/HotTopics/Rate-Case-Applications/FC1176.aspx.

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