

**PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA
1325 G STREET, N.W., SUITE 800
WASHINGTON, D.C. 20005**

PUBLIC NOTICE

May 21, 2018

**FORMAL CASE NO. 1149, IN THE MATTER OF THE INVESTIGATION INTO THE
STRUCTURE AND APPLICATION OF AN EXPERIMENTAL RATE CLASS FOR
BOTH SENIOR CITIZENS AND DISABLED RESIDENTS IN THE DISTRICT OF
COLUMBIA**

1. The Public Service Commission of the District of Columbia (“Commission”) hereby gives notice that, on April 9, 2018, Commission Staff filed the Final Technical Conference Report (“Final Report”),¹ presenting a proposal for an experimental rate class for both senior citizens and disabled residents in the District of Columbia as directed in Order No. 19146.²

2. The Final Report, attached to this Notice, contains a summary of *Formal Case No. 1149* and the Technical Conference process;³ Technical Conference participant presentations on a range of fixed monthly credits that could be applied to eligible senior and disabled residents who currently receive the Homestead deduction;⁴ and, recommendations for further actions to broaden the range of eligible participants from that originally proposed.⁵

3. All persons interested in commenting on the Final Report may submit written comments and reply comments no later than 30 and 45 days, respectively, after the issuance of this Notice. Comments are to be addressed to Brinda Westbrook-Sedgwick, Commission Secretary, Public Service Commission of the District of Columbia, 1325 G Street, N.W., Suite 800, Washington, D.C. 20005. Additional copies of the Final Report may be obtained by visiting the Commission’s website at www.dcpssc.org. Once at the website, open the “eDocket” tab, click on “Search database” and input “FC1149” as the case number and “23” as the item number. Copies may also be obtained by contacting the Commission Secretary at (202) 626-5150 or PSC-CommissionSecretary@dc.gov.

¹ *Formal Case No. 1149, In the Matter of the Investigation into the Structure and Application of an Experimental Rate Class for Both Senior Citizens and Disabled Residents in the District of Columbia* (“*Formal Case No. 1149*”), Technical Conference Final Report, filed April 9, 2018 (“Final Report”).

² *Formal Case No. 1149*, Order No. 19146, ¶ 6, rel. October 19, 2017.

³ *Formal Case No. 1149*, Final Report, ¶¶ 2-7.

⁴ *Formal Case No. 1149*, Final Report, ¶¶ 8-19.

⁵ *Formal Case No. 1149*, Final Report, ¶¶ 20-21.

**Formal Case No. 1149: Technical Conference
1325 G Street, N.W., Suite 800
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I. INTRODUCTION

1. Pursuant to Commission Order No. 18846,¹ Commission Staff (“Staff”), with the input of the Office of the People’s Counsel (“OPC”), AARP Legal Counsel for the Elderly (“LCE”), the Apartment and Office Building Association of Metropolitan Washington (“AOBA”), the District Government (Office of the Attorney General (“OAG”), the Department of Energy and the Environment (“DOEE”), State Office of Policy, Planning, and Innovation, Department on Disability Services (“DDS”), Office of the Chief Financial Officer (“OCFO”), Potomac Electric Power Company (“Pepco”), National Consumer Law Center (“NCLC”), and Washington Gas Light Company (“WGL”) (collectively “Participants”), presents this final report on the Technical Conference (“TC”) regarding the structure and application of an experimental electric rate class for both senior citizens and disabled residents in in the District of Columbia (“District”).

II. BACKGROUND

A. Commission Action

2. On July 25, 2017, the Commission issued its decision, Order No. 18846, in Pepco’s recent distribution base rate case and, among other things, announced its intention to “open a new proceeding to discuss the parameters around creating a new experimental rate class for both senior citizens and disabled residents within the District.”² The Commission scheduled the First Technical Conference concerning this matter for September 29, 2017. Due to the filing of several applications for reconsideration that impacted the experimental rate class for both senior citizens and disabled residents, the First Technical Conference scheduled for September 29, 2017 was canceled. The Commission issued its final order on the various Applications for Reconsideration

¹ Held pursuant to *Formal Case No. 1139, In the Matter of the Application of the Potomac Electric Power Company for Authority to Increase Existing Retail Rates and Charges for Electric Distribution Service* (“*Formal Case No. 1139*”), Order No. 18846, ¶ 463, rel. July 25, 2017 (“*Order No. 18846*”).

² *Formal Case No. 1139*, Order No. 18846, ¶ 463.

on October 6, 2017, affirming Order No. 18846, and subsequently rescheduled the First Technical Conference regarding the experimental rate class to December 19, 2017, to provide time to ensure appropriate participation.³

3. On October 19, 2017, the Commission issued Order No. 19146, opening *Formal Case No. 1149* to “investigate the structure and application of an experimental rate class for both senior citizens and disabled residents in the District of Columbia.”⁴ The Commission restated the three key questions to be addressed in the Technical Conference as: (1) the potential size of the new customer class; (2) exactly how the new customer class will be defined; and (3) what will be the cost of providing a discount on electricity distribution rates to the new customer class. In considering answers to these and other questions, the Commission stated that “[o]ne key to success, pointed out by community comments, is that eligibility should be as simple, trouble-free, and as automatic as possible.”⁵ Additionally, the Commission restated that “[t]he impact of belonging to this new customer class, in terms of the lower Pepco rate it affords, should be communicated in easy-to-understand terms and the dollar value of the discount should be shown as a separate line item on customers’ bills.”⁶

4. Further, the Commission affirmed that as part of establishing the Technical Conference, “[it] is committed to work with ‘the District Government and Pepco, as well as other parties, to make this new rate class for senior and disabled persons a practical reality.’”⁷ The Commission also outlined some possible answers to how the experimental rate class might work. Specifically, the Commission restated that:

Tentatively, we believe that the class of eligible seniors and disabled residents might have a zero (\$0) distribution charge that will be shown on a separate line item on customer bills. Eligibility might be tied to the D.C. Homestead Deduction and Senior Citizen/Disabled Property Tax Relief statute, which provides benefits to homeowner seniors over age 65 and homeowners who have been certified by the [Social Security Administration (“SSA”)] as permanently and totally disabled, or who receive District or

³ See *Formal Case No. 1139*, Order No. 19130, rel. October 6, 2017; and *Formal Case No. 1149, In the Matter of the Investigation into the Structure and Application of an Experimental Rate Class for Both Senior Citizens and Disabled Residents in the District of Columbia* (“*Formal Case No. 1149*”), Order No. 19146, ¶ 3, rel. October 19, 2017 (“Order No. 19146”).

⁴ *Formal Case No. 1149*, Order No. 19146, ¶ 7,8.

⁵ *Formal Case No. 1149*, Order No. 19146, ¶ 4, quoting *Formal Case No. 1139*, Order No. 18846, ¶ 463. (Citation omitted).

⁶ *Formal Case No. 1149*, Order No. 19146, ¶ 4, quoting *Formal Case No. 1139*, Order No. 18846, ¶ 463, citing *Formal Case No. 1120, In the Matter of the Investigation into the Structure and Application of Low Income Assistance for Electricity Customers in the District of Columbia* (“*Formal Case No. 1120*”), Order No. 18059, ¶ 25, rel. December 15, 2015.

⁷ *Formal Case No. 1149*, Order No. 19146, ¶ 5, quoting *Formal Case No. 1139*, Order No. 18846, ¶ 463, rel. July 25, 2017.

Federal disability benefits. The annual gross income cutoff for this property tax deduction is currently \$128,950. Alternatively, eligibility might be tied to the D.C. Homeowner and Rental Property Tax Credit, D.C. Code Section 47-1806.06, which provides benefits to both homeowners and renters, with particular emphasis on seniors over age 70 and the elderly (age 62 and over) who are blind or disabled. Other options also may exist, and the Commission will examine them in the new proceeding.⁸

Finally, the Commission stated that it has “ensured adequate funding for this rate class, on an interim basis, by setting aside ‘roughly \$6 to \$7 million of the CBRC, which will be retained for the future special customer class for seniors/disabled citizens.’”⁹

5. To ensure an appropriate record for consideration of this matter, the Commission directed Commission Staff to chair the Technical Conference(s) and schedule follow-up technical conferences as appropriate and to file individual Conference Reports within seven days of each meeting by Staff. Additionally, within six months Staff was directed to file a Final Technical Conference Report making recommendations to the Commission about how to proceed in this case.¹⁰

B. Outline of the Technical Conference Process

6. The Technical Conference process was chaired by Commission Staff and operated through the consensus of the Participants. Staff prepared the Post-Technical Conference Reports pursuant to Order No. 19146, which summarized the discussion and any agreements reached; Staff then circulated each Report to the parties for comment before filing it with the Commission. Due to the need to gather necessary information related to developing an experimental rate for a unique group of residential customers, the Technical Conference was extended over three meetings from December 19, 2017 to March 19, 2018.

7. A significant aspect of the Technical Conference’s activities centered on how to identify the target population of senior citizen and disabled residents with incomes above those of Residential Aid Discount (“RAD”) customers. Pepco, DOEE, OCFO, OPC and AOBA, among others, worked with Staff to identify the initial proposed population of senior citizen and disabled residents for participation in the experimental rate class. Parties discussed the potential means of identifying the target population, different discount methods and amounts, and future operational

⁸ *Formal Case No. 1149*, Order No. 19146, ¶ 5, quoting *Formal Case No. 1139*, Order No. 18846, ¶ 463, rel. July 25, 2017. (Citations omitted). (The Commission notes that according to “the D.C. Office of Tax and Revenue that in 2016 some 18,972 senior/disabled applicants benefitted from the property tax reduction allowed by the statute.” Also, note that the D.C. Homestead Deduction and Senior Citizen/Disabled Property Tax Relief form is FP-100, instead of FP-109 as indicated in Order No. 18846.)

⁹ *Formal Case No. 1149*, Order No. 19146, ¶ 5, quoting *Formal Case No. 1139*, Order No. 18846, ¶ 472, rel. July 25, 2017.

¹⁰ *Formal Case No. 1149*, Order No. 19146, ¶ 6.

issues ranging from re-certification to program expansion during the Technical Conference meetings, with the analysis and discussion incorporated into each Technical Conference Report.¹¹

III. EXPERIMENTAL RATE PROPOSALS

8. **The Target Population:** The main obstacle for the creation of a senior citizen and disabled experimental rate class is the identification of the target population. Based on 2016 Census Data, there are approximately 51,139 residential households in District headed by individuals at or over 65 years of age, which is the standard benchmark for senior citizens. This is a large population and providing any form of discount to this entire population would quickly become cost prohibitive.¹² According to U.S. Census data, 41,000 District residents between the ages of 20-64 (roughly 9.5 percent) are estimated to have a disability. Of those individuals, it is estimated that 32.3 percent are employed, compared with 79 percent of people without disabilities. However, only 19.9 percent of people with disabilities are employed on a full-time/full year basis, compared with 58.2 percent of people without disabilities. The poverty rate for working age people with disabilities is 38.7 percent, compared with a poverty rate of 13.6 percent for people without disabilities, both of which are the second highest rates in the nation.¹³

9. At this point, the TC participants searched for a means of identifying a subset of the population by linking participation to an existing government program. Staff reached out and sought the assistance of the OCFO, who helped identify the public database that lists residents who received the D.C. Homestead Deduction and Senior Citizen/Disabled Property Tax reduction, which was the same database identified by the Commission in Order No. 18846.

10. To qualify for the Homestead Deduction, a resident must own her home, be a senior citizen or disabled, and have a household income of less than \$128,950 in fiscal year 2017. The raw data on the Homestead Deduction, pulled in August 2017, identified 19,509 recipients but this included residents in master metered buildings and residents who were also enrolled in the RAD program. After scrubbing the data, Pepco, DOEE and Staff identified that 15,099 of Pepco's customers who received the Homestead Deduction qualify for this pilot program.

11. TC Participants recognize that the Homestead Deduction population has two main drawbacks. First, the population by its nature excludes renters who might otherwise qualify. Second, the population has a relatively high-income threshold of \$128,950 per household, irrespective of size, compared to a RAD income threshold of \$39,416 for a two-person household, with higher threshold income levels tied to the number of people in a household. To estimate the magnitude of the renters problem, TC Participants sought to identify publicly accessible data on

¹¹ *Formal Case No. 1149*, First Technical Conference Meeting Minutes, field December 27, 2017; *Formal Case No. 1149*, Second Technical Conference Meeting Minutes, field February 2, 2018; *Formal Case No. 1149*, Second Technical Conference Update, field March 9, 2018; and *Formal Case No. 1149*, Third Technical Conference Meeting Minutes, field March 27, 2018.

¹² Providing the full RAD-level discount to this population would cost \$15,696,093 per year after the expiration of the Customer Base Rate Credit, and even a \$5.00 would cost \$3,068,340 per year. For comparison, the RAD Program for the 12 months ending November 2017 served 16,721 customers and cost \$5,641,798.00.

¹³ U.S. Census Bureau, 2016 *American Community Survey (B23024, C18121)*, 5-Years estimate.

eligible renters but were unsuccessful. To expand the program to include renters would most likely require a new income certification system for renters. Regarding the high-income threshold issue, TC Participants recognized that absent an intrusive income certification system, like that required to receive LIHEAP benefits, the threshold used for the Homestead Deduction was the only readily available threshold above the RAD/LIHEAP level.

12. Despite these shortcomings, TC Participants propose that the experimental senior citizen and disabled rate class be initially restricted to those residents who received the Homestead Deduction, are Pepco customers, and are not RAD customers.

13. **Enrollment:** Staff and Pepco would match the Homestead Deduction database to Pepco’s customer list on an annual basis. Qualifying customers would be automatically enrolled in the experimental rate class and receive a credit on their Pepco bills.

14. **Discount Structure:** TC Participants support the use of customer bill credits, like the Commission directed for low-income customers. During the First Technical Conference, Pepco identified seven possible senior citizen discount programs. The identified programs utilized either a fixed credit or a variable reduction in residential distribution rates. Participants recommend that the Commission strongly consider a fixed credit because it will be easy for the target population to understand.

15. **Amount of the Discount:** TC Participants recognize that as part of the restructured low-income assistance programs, ratepayers receive a bill credit equal to a percentage of the distribution portion of their utility bills.¹⁴ Applying the full RAD discount, with accompanying surcharges, would cost \$4.634 million annually after the expiration of the Customer Base Rate Credit. Based on information from the OCFO, the median income of senior citizen homeowners in the District who make under \$120,000 is approximately \$50,000 per year.¹⁵ Whereas DOEE reported that that average income for RAD households was approximately \$12,000 per year. Given this disparity in resources, and thus ability to pay, TC Participants recommend the Commission approve a substantially lower annual experimental credit level than the approximate \$337 in annual credits received by RAD customers.

16. The consensus of TC Participants was that any credit determined as a percentage of the distribution portion of a customer’s bill would be difficult to explain or otherwise confusing at the low credit levels under consideration. As mentioned above, TC Participants favored a fixed monthly credit shown as a separate line item on the customer’s bill. Four options and their annual cost are shown below:

Fixed Monthly Credit Amount	\$10.00	\$8.00	\$7.50	\$5.00
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¹⁴ Residential Aid Discount (“RAD”) customers receive a credit equal to 100% of the distribution portion of their Pepco bill, while Residential Essential Service (“RES”) customer receive a credit equal to 50% of the distribution portion of their WGL bill.

¹⁵ TC Participants recognize that this estimate approximates but does not match the average income of those residents receiving the Homestead Deduction.

Annual Cost for Target Population	\$1,811,880	\$1,449,504	\$1,358,910	\$905,940
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17. TC Participants believe the Commission should also take into account how long the \$6 million in CBRC funding identified in Order No. 18846 would last at any specific credit level. This information is given below:

Fixed Monthly Credit Amount	\$10.00	\$8.00	\$7.50	\$5.00
Years to Exhaust \$6 Million in CBRC Funds	3.3	4.1	4.4	6.6

18. With the information above as a guide, TC Participants leave it to the Commission to select a particular credit amount.

19. **Implementation cost and timing:** Though the final cost to implement the program will depend upon the final structure of the program that the Commission chooses, Pepco initially estimates that the initial implementation of the senior citizen and disabled rate program will cost less than \$300,000. Pepco proposes, with the support of TC Participants, that it file a more detailed implementation cost estimate and implementation timetable, annual administrative cost estimate, and a proposed tariff rider, thirty days after the Commission approves a specific program. Participants recommend that these implementation costs be recovered from the CBRC funding that has been set aside to support this experimental rate. Additional implementation costs could include customer notices and education. Even under an “opt-out” approach, there would be expenses associated with letters to customers and customer education, such as community outreach, etc. TC Participants agree that customers should be notified if they are qualified to get the discount and that they will be placed in an experimental rate class and receive the discount in the near future. Under an opt-out approach, if customers do not want to receive the discount, they can notify Pepco on an individual basis.

20. **Future Program Development:** TC Participants remain concerned about the exclusion of renters from the experimental rate. TC Participants recommend that the Commission convene another Technical Conference within six months to focus specifically on options for expanding the population of eligible participants to renters, for year 2 of the experimental rate. Renters in the target population are likely to be those members most in need of assistance, with incomes below those of homeowners who receive the Homestead Deduction.

21. Additionally, TC Participants recognize that the CBRC funding set aside for this experimental rate is finite. TC Participants recommend that the Commission initiate a review of the program no sooner than 12 months after the rate begins. The review would assess if this experimental rate should be continued (before CBRC funding is exhausted) and, if so, how it should be funded following the exhaustion of CBRC funding.

IV. CONCLUSION

22. The Technical Conference Participants submit the Final Report to the Commission as a path forward to initiate an experimental rate rider to provide assistance to senior citizen and disabled residents in the District. Given that the Technical Conference Participants have expressed their views as part of the Final Report, Participants suggest interested parties be given thirty (30) days for comments and fifteen (15) days for reply comments before the Commission makes a determination. The Participants reserve their right to request a formal hearing based on the Commission's decision. We stand ready to answer any questions the Commission may have and await further direction from the Commission.