

## PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

## PUBLIC NOTICE

**FORMAL CASE NO. 1086, IN THE MATTER OF THE INVESTIGATION INTO THE POTOMAC ELECTRIC POWER COMPANY'S RESIDENTIAL AIR CONDITIONER DIRECT LOAD CONTROL PROGRAM;**

AND

**FORMAL CASE NO. 1109, IN THE MATTER OF THE INVESTIGATION INTO THE POTOMAC ELECTRIC POWER COMPANY'S DISTRICT OF COLUMBIA DYNAMIC PRICING PROGRAM PROPOSAL**

1. The Public Service Commission of the District of Columbia ("Commission") hereby gives notice of its intent to act upon the Potomac Electric Power Company ("Pepco" or "Company") Proposed Advanced Metering Infrastructure ("AMI") Enabled Dynamic Pricing Plan<sup>1</sup> in not less than thirty (30) days from the date of publication of this Public Notice in the *D.C. Register*.

2. On October 7, 2013, Pepco filed a proposed Advanced Metering Infrastructure ("AMI") enabled dynamic pricing plan for the District of Columbia in which it seeks to implement the dynamic pricing program beginning on June 1, 2014, if approval is received from the Commission by January 31, 2014. If approval is not received by January 31, 2014, Pepco proposes a June 1, 2015 implementation.<sup>2</sup> In its filing, Pepco requests that the Commission approve the following items: (1) Pepco's proposed residential dynamic pricing plan (called the "Peak Energy Savings Credit")<sup>3</sup> including associated tariff revisions, a true-up mechanism, and an education campaign; (2) tariff revisions that describe the manner that dynamic pricing and the Energy Wise Rewards Program™ ("EWR") billing credits will operate for those customers who participate in both; (3) a pilot program of residential In Home Displays ("IHDs") to convey detailed energy usage information and dynamic pricing signals, with the cost of the program to be recorded as a regulatory asset and recovered through a subsequent base distribution rate case;

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<sup>1</sup> Pepco's filing was initially docketed in *Formal Case No. 1083, In the Matter of the Investigation into the Policy Matters Pertaining to the Implementation of the Smart Grid* ("Formal Case No. 1083") and in *Formal Case No. 1086, In the Matter of the Investigation into the Potomac Electric Power Company's Residential Air Conditioner Direct Load Control Program* ("Formal Case No. 1086"), filed October 7, 2013. The filing was subsequently transferred from *Formal Case No. 1083* to *Formal Case No. 1109, In the Matter of the Investigation into the Potomac Electric Power Company's District of Columbia Dynamic Pricing Program Proposal* ("Formal Case No. 1109"), in this document, Pepco's filing will be referred to as "Pepco's Tariff Application." However, the filing will remain in *Formal Case No. 1086* since a part of the Company's proposal relates to its Direct Load Control ("DLC") Program.

<sup>2</sup> *Formal Case Nos. 1086 and 1109, Pepco's Tariff Application.*

<sup>3</sup> Under the Company's proposed plan, all residential distribution customers will be placed under a critical peak rebate form of dynamic pricing called (Critical Peak Rebate Program-CPR).

and (4) a pilot program to remotely reduce the load of window air conditioning units, with the cost of the program to being recorded as a regulatory asset and recovered through a subsequent rate case.<sup>4</sup>

3. Specifically, under the Company's proposed plan, "[a]ll District of Columbia residential distribution customers will be automatically enrolled in dynamic pricing regardless of whether they purchase their energy supply through Pepco's Standard Offer Service ("SOS") rate or through a competitive supplier."<sup>5</sup> However customers who participate in a supplier's or a curtailment service provider's demand response program that is bid into the PJM demand response market will not be able to participate in Pepco's CPR program to prevent duplicate bidding of the resource into the PJM market.<sup>6</sup> The Company indicates that the Peak Energy Savings Credit ("PESC") dynamic pricing rate "will be applied to the distribution portion of customer bills"<sup>7</sup> for customers who have AMI meters. Pepco states that "[c]ustomers who participate in a supplier's or a curtailment service provider's demand response program that is bid into the PJM demand response market will not be able to participate in Pepco's Critical Peak Rebate ("CPR") program to prevent duplicate bidding of the resource into the PJM Market."<sup>8</sup> Pepco proposes to establish an initial dynamic pricing credit of \$1.25 per kWh. Pepco states that under the PESC, "the distribution service portion of a customer's bill is modified by a credit calculated by applying the bill credit amount of \$1.25 per kWh to the difference between actual kWh consumption and a Customer Base Line ("CBL") level of consumption during the Peak Savings period designated by the Company."<sup>9</sup> Pepco indicates that under the proposed PESC rate, "customers will have the opportunity to earn bill credits for energy reductions that occur during designated periods, but they will not face higher electricity rates if they are unable to reduce their energy use."<sup>10</sup>

4. Pepco asserts that the "[d]ynamic pricing will apply year-round with an emphasis on summer activations (typically during the months of June through September)" and that "Typical Peak Savings events will occur during summer weekday afternoons due to the high electricity loads that result from the use of air conditioning [ ] to combat high temperature and humidity conditions."<sup>11</sup> Pepco states that it "will notify Customers of an anticipated Peak Saving event by 9 p.m. on the day prior to an event" and that it "anticipates that it will call a minimum

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<sup>4</sup> *Id.* at 1.

<sup>5</sup> *Id.* at 3.

<sup>6</sup> *Id.* at n3.

<sup>7</sup> *Id.* at 7.

<sup>8</sup> *Id.* at 3.

<sup>9</sup> *Id.* at 7.

<sup>10</sup> *Id.* at 3.

<sup>11</sup> *Id.* at 9.

of four and a maximum of 15 Peak Savings events per summer.”<sup>12</sup> Also, the Company proposes that for “PJM – declared emergencies, the duration of each Peak Savings event will match or exceed the length of the PJM emergency event”<sup>13</sup> because Pepco proposes to make the “duration of Critical Events be consistent with PJM market rules.”<sup>14</sup>

5. According to Pepco, the funding for the credit would be primarily “sourced from demand response market opportunities within the PJM capacity and energy markets.”<sup>15</sup> Pepco proposes to establish an “annual distribution rate true-up mechanism for the difference between PJM market revenues, PJM market transactional costs, customer credit payments, and ongoing program operational expenses.”<sup>16</sup> The Company states that the “true-up would be applied to residential distribution customer bills as an adjustment to the distribution price charged per kWh of consumption.”<sup>17</sup> According to the Company, “An annual true-up adjustment filing would be made during the month of November and an adjustment would be made effective as of the billing month of January for the prior years over or under collection due to changing kWh distribution sales.”<sup>18</sup>

6. Pepco states that its “existing EWR Program currently provides summer monthly billing credits to program participants in exchange for permitting the cycling of their central air conditioners/heat pumps in accordance with the terms of the program.”<sup>19</sup> The Company asserts that to “integrate dynamic pricing with these programs when the dynamic pricing rebate becomes effective, Pepco proposes to establish a monthly billing credit true-up for EWR customers.”<sup>20</sup> Pepco submits that “under the Company’s proposal, EWR Program participants would continue to earn their annual EWR credit and have the opportunity to earn additional credits by reducing energy use during PESC events.”<sup>21</sup> The Company asserts that this “proposal seeks to maximize 1) available EWR demand reductions; 2) customer program participation; and 3) participant satisfaction.”<sup>22</sup>

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<sup>12</sup> *Id.* at 10 and 11.

<sup>13</sup> *Id.* at 10.

<sup>14</sup> *Id.*

<sup>15</sup> *Id.* at 3-4.

<sup>16</sup> *Id.* at 13.

<sup>17</sup> *Id.*

<sup>18</sup> *Id.*

<sup>19</sup> *Id.* at 26.

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

<sup>22</sup> *Id.*

7. Pepco proposes to establish an IHD pilot for residential customers “to determine whether these devices assist customers in better managing their electricity use and responding to PESC events.”<sup>23</sup> The Company asserts that “one recent study has estimated that the use of IHDs could reduce residential customer energy use between 3 and 13%.”<sup>24</sup> According to the Company, “the IHD pilot will begin during Q1 2014 and continue throughout the year, assuming Commission approval of the pilot is received no later than January 31, 2014” and “a report summarizing the findings of the pilot will be prepared and available by the end of Q2 2015.”<sup>25</sup> Pepco asserts that the “results of the pilot will help to determine whether IHDs should be offered/incented by Pepco in the future.”<sup>26</sup> Pepco states that “IHD devices also provide customers with detailed energy use information directly from their installed AMI meters” and that “displayed data can include instantaneous electric energy use data, daily energy use, weekly energy use, and an estimate of associated electricity costs.”<sup>27</sup> Also, the Company submits that “alerts concerning PESC and EWR events can be provided directly to the IHD device to encourage customer energy reductions.”<sup>28</sup> Pepco “proposes to establish a regulatory asset to account for these costs” and “will seek recovery of the costs in a subsequent distribution rate case . . .”<sup>29</sup>

8. The Company states that it “currently offers smart thermostats or direct load equipment to residential customers through the existing EWR Program.”<sup>30</sup> Pepco asserts that the “EWR Program permits Pepco to reduce participant residential central air conditioning compressor load during high demand periods by sending a signal to the direct load control equipment to cycle compressors.”<sup>31</sup> According to the Company, “significant numbers of District of Columbia residential customers rely upon the use of window air conditioners for their cooling needs, and those units are not eligible for inclusion in the EWR program.”<sup>32</sup> Pepco states that “existing technology is available to remotely control window AC units.”<sup>33</sup> Pepco asserts that “at this time, the Company proposes to establish a residential window air conditioner pilot program

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<sup>23</sup> *Id.*

<sup>24</sup> *Id.*

<sup>25</sup> *Id.*

<sup>26</sup> *Id.*

<sup>27</sup> *Id.* at 28.

<sup>28</sup> *Id.*

<sup>29</sup> *Id.*

<sup>30</sup> *Id.* at 29.

<sup>31</sup> *Id.*

<sup>32</sup> *Id.*

<sup>33</sup> *Id.*

that would operate during the summer of 2014.”<sup>34</sup> The Company “proposes to establish a regulatory asset to account for these costs” and “will seek recovery of the costs in a subsequent distribution rate case . . .”<sup>35</sup>

9. Finally, Pepco states that it “has developed an education campaign for PESC in the District of Columbia.”<sup>36</sup> According to the Company, the key objectives of the PESC education campaign include the following:

(1) “to explain Pepco’s PESC program clearly and simply, so customers will participate by reducing energy use during the designated hours on Peak Savings Days; (2) to explain the difference between and benefits of the PESC and EWR programs. The EWR Program provides an enabling tool where by Pepco can automatically reduce a residential customer’s central air conditioner energy use and the PESC Program permits each residential customer to reduce their energy use directly through own actions; (3) encourage customers to enroll in My Account, Pepco’s online account management and energy analysis tool, and learn about the many tolls that are available to help customers reduce and manage their electricity consumption; and (4) help customers understand that reducing peak usage on the hottest days of summer will help to reduce energy prices and ultimately reduce electric costs for all customers.”<sup>37</sup>

10. Pepco asserts that there will be communications challenges for the campaign such as “addressing limited customer awareness concerning the PESC program, reaching Spanish speaking and other non-English speaking customers, reaching low income customers, communicating with elderly customers, customers with disabilities, and others who may need electricity during Peak Energy Days for medical or health reasons.”<sup>38</sup> Pepco indicates that to address these and other communication challenges it has “developed a plan for the campaign, based on proven tactics and lessons learned during the Maryland phase-in experience with PESC.”<sup>39</sup> Pepco states that “vulnerable customers and caretakers will receive targeted messaging both through written communications and community outreach.”<sup>40</sup>

11. If Pepco’s Application is approved as filed, Pepco represents that changes would need to be made to the following tariff pages:

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<sup>34</sup> *Id.* at 30.

<sup>35</sup> *Id.*

<sup>36</sup> *Id.* at 14.

<sup>37</sup> *Id.* at 14-15.

<sup>38</sup> *Id.* 15-16.

<sup>39</sup> *Id.* at 16. Pepco has been operating a similar program in Maryland since June 2012.

<sup>40</sup> *Id.* at 17.

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17<sup>th</sup> Revised Page No. R-1  
17<sup>th</sup> Revised Page No. R-2  
63<sup>rd</sup> Revised Page No. R-2.1  
39<sup>th</sup> Revised Page No. 2.2  
13<sup>th</sup> Revised Page No. R-3  
13<sup>th</sup> Revised Page No. R-3.1  
13<sup>th</sup> Revised Page No. R-4  
13<sup>th</sup> Revised Page No. R-4.1  
11<sup>th</sup> Revised Page No. R-5  
11<sup>th</sup> Revised Page No. R-5.1  
8<sup>th</sup> Revised Page No. R-29  
1<sup>st</sup> Revised Page No. R-50  
1<sup>st</sup> Revised Page No. R-50.1  
Original Page No. R-51  
Original Page No. R-51.1

12. Accordingly, Pepco seeks approval of its proposed residential dynamic pricing plan with the associated tariff revisions and approval of the pilot programs for the In Home Displays and the window air conditioning unit program. The Commission seeks comments on the design, details, appropriateness, cost, impact on competition, and other policy, financial and practical aspects of the four proposed programs.

13. Pepco's Application is on file with the Commission and may be reviewed at the Office of the Commission Secretary, 1333 H Street, N.W., Second Floor, West Tower, Washington, D.C. 20005, between the hours of 9:00 a.m. and 5:30 p.m., Monday through Friday or may be obtained by visiting the Commission's website at [www.dcpsec.org](http://www.dcpsec.org). The Application can be found in eDocket under Formal Case No. 1109. Copies of Pepco's Application are also available upon request, at a per-page reproduction cost by contacting the Commission Secretary at 202-626-5150 or [bwestbrook@psc.dc.gov](mailto:bwestbrook@psc.dc.gov).

14. All persons interested in commenting on Pepco's proposed dynamic pricing Application, CPR program, IHD program and window air conditioning unit pilot program may submit written comments and reply comments no later than thirty (30) and forty-five (45) days, respectively, after publication of this Public Notice in the *D.C. Register* with Brenda Westbrook-Sedgwick, Commission Secretary, at the above address. After the comment period has expired, the Commission will take final action on Pepco's Application.