PUBLIC SERVICE COMMISSION
District of Columbia

Your Energy. Your Voice.

Press Release

For Immediate Release: June 4, 2021
Contact: Kellie Didigu, kdidigu@psc.dc.gov, 202-626-5124

DCPSC approves Multiyear Rate Plan

(WASHINGTON, D.C.) –Today, the Public Service Commission of the District of Columbia (Commission) took the first step in adopting an alternative form of regulation (AFOR) for Pepco (Formal Case No. 1156). Beginning with Pepco's June 2016 rate application, the Commission expressed our intention to explore whether an alternative to the traditional cost of service ratemaking should be implemented in the District to encourage service improvements, management innovation, operational efficiencies, and less frequent rate increase requests. Given the expenses of traditional utility regulation, as well as the deployment of distributed energy resources (DERs) and grid modernization efforts in the District, the Commission indicated that it would allow Pepco to include in its next rate case a request for AFORs, including a multiyear rate (MRP) proposal emphasizing that our focus in considering any alternative mechanism will include a review of the benefits that accrue to customers as opposed to solely focusing on the utility.

As the utility regulator, we embrace our important role in helping the District achieve a clean energy future. We view alternative forms of regulation as a potential tool in assisting the District in achieving its clean energy and environmental goals to the benefit of District residents and ratepayers.

Today, we are adopting a modified version of Pepco's Enhanced MRP (Modified EMRP) on a pilot basis. The decision authorizes a gradual increase in electric bills spread over three years, wherein, the vast majority of Pepco's cumulative rate increase over the term of the Modified EMRP is driven by utility infrastructure investments recently made or ongoing to meet the Commission directed reliability improvements. District residential ratepayers have not seen a net distribution rate increase since 2014 but have benefitted from capital improvements to the distribution system that have improved the quality, availability, and reliability of electric service to consumers in the District. Moreover, the Modified EMRP has climate and energy goals tracking performance incentive mechanisms (PIMs) that will eventually become fully operational allowing Pepco to contribute to the District achieving its carbon neutrality goal by 2050, and renewable energy goal of 100% by 2032.

The Modified EMRP represents a 33% reduction from Pepco's initial request and: 1) authorizes a revenue requirement of $108.6 million over three years resulting in a monthly bill impact for the average residential customer (excluding customers in the electric Residential Aid Discount Program) of $1.07, $2.33, and $1.85 in those three years, respectively, or a total of $5.25; 2) a total package of $11.4 million of shareholder-funded customer benefits including $7.8 million for residential and streetlight bill offsets, and $3.6 million of Customer Base Rate Credits for residential customers; 3) initiation of a $5 million small commercial customer energy efficiency program, encompassing rebates and loans; 4) tracking PIMs focused on the District's climate and clean energy goals, and a reliability tracking PIM; and, 5) a stay-out provision which prohibits Pepco from filing a new MRP application until at least January 2, 2023, with rates to be effective no earlier than January 1, 2024.

This has been a two-year case and we've carefully considered all information in the record. We stated in our prior rate case order that we would consider an alternative form of regulation, as permitted under the statute, because, like many other state utility commissions, we're trying to reduce the costs of back-to-back rate cases while also ensuring available, quality and reliable electric services to District customers. In addition, we want investments made that will facilitate a modernized electric distribution grid that can accommodate new technologies, such as distributed energy resources and battery storage. Adoption of the Modified EMRP as a Pilot through the end of CY 2022 will allow this first MRP filing to serve as an opportunity to gather valuable lessons learned in assessing future MRP proposals, including the economic benefits to the District that foster continued grid modernization, grid reliability, grid resiliency, and energy infrastructure projects. Furthermore, with our approval of tracking PIMs, we are ensuring that our electric utility is making significant contributions to the District achieving its climate and energy goals.

"The Modified EMRP strikes the appropriate balance between Pepco and District ratepayers because the increase is spread over three years, there are various customer assistance programs to the tune of $11.4 million, a stay-out provision prohibiting Pepco to file another rate increase request until 2023, and customers will benefit from, among other things, continued top decile level of system reliability performance," stated Willie L. Phillips, Commission Chairman.

For more details about the Modified EMRP, visit the Commission's website.

###