Public Service Commission of the District of Columbia

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WASHINGTON, D.C. 20001
(202) 626-5100

file

IN REPLY REFER TO

June 11, 1993

Mr. Rudolph A. Pyatt, Jr.
Staff Writer
Washington Post
1150 15th Street, N.W.
Washington, D.C. 20071

Dear Mr. Pyatt:

Your article entitled, PEPCO's Requests for Rate Increases Cast Doubts on Its Conservation Effort, is an unfair and unjustified "low blow" attack on the utility regulatory process in the District of Columbia Moreover, you have completely mischaracterized the role of energy conservation both in PEPCO's current rate case filings in Maryland and D.C. and more importantly as a way to minimize future rate case filings. In so doing, we believe your article adversely impacts the public interest and sets back the widely recognized need to conserve so future electricity bills may be kept as low as possible. Further elaboration on these points can be found below.

Attack on the Regulatory Process

The first sentence of your article describes the regulatory process as "an arcane and archaic ritual" which usually winds up "adding to consumer's electric bills." In fact, public service commissions, by design in Maryland and Virginia and every other state in the union, are quasi-judicial bodies whose mission is to serve the public interest by ensuring safe and reliable service at the lowest possible cost through litigative and other non adversarial proceedings. Moreover, the D.C. regulatory process, unlike in many jurisdictions, does not stop there. The public interest is further served by numerous community hearings and meetings held throughout D.C. to obtain citizen input and by the support of an active and aggressive consumer advocate in the form of the Office of the People's Counsel (OPC). In recent years, several citizen groups have also intervened directly in the litigative process in addition to OPC to ensure their interests are protected.

Finally, this regulatory process has served the public well even in keeping rates low in the District of Columbia. For example, in 1992 the District of Columbia Public Service Commission reduced residential rates in F.C. No. 850, a C&P rate case. It also approved a $1.00 per month rate with unlimited calling in the metropolitan area for low income citizens. No other jurisdiction in the country has such a low telephone rate. In F.C. No. 814, a case involving changes to the way C&P is regulated, the Commission froze C&P's residential rates for three years. With respect to PEPCO, despite a $30 million rate increase approved in 1992, of which only 20% is borne by the residential class, PEPCO's residential rates remain lower than any other city on the East Coast, including each of our neighboring jurisdictions. Finally, Washington Gas' residential rates in D.C. are also generally below those in Maryland and Virginia.

Role of Energy Conservation

As we are sure you know, it is inappropriate for the District of Columbia Public Service Commission to comment on the merits or demerits of PEPCO's rate case filing as this time. We do want to stress that PEPCO's request will be scrutinized in a timely and efficient manner by numerous parties to the proceeding as well as the Commission itself before a final figure - whether positive or negative - is determined. However, it can be factually stated that the factors identified by PEPCO as contributing to the rate increase request in D.C. of $101.8 million are:

1. $39.5 million (38.8% of the total) for additions and replacements to existing plant and expenses incorporated in the test year

2. $25.9 million (25.4% of the total) for costs of constructing Station H 138 MW combustion turbine at PEPCO's Dickerson Maryland generation plant, additional capacity costs for PEPCO's Ohio Edison contract, and the completion of the final segment of a 500 KV transmission loop which encircles D.C.)

3. $17.3 million (17.0% of the total) for energy use management and energy conservation costs through 1993

4. $13.6 million (13.4% of the total) for taxes - increases in the corporate income tax, annualization of property taxes and President's proposed energy tax.

5. $5.5 million (5.4% of the total) for labor related costs - 1994 wage increases, employee post retirement benefits and employee health and welfare costs.

It should be obvious from the above that conservation expenditures are only one of several factors in this case and thus it is inappropriate to blame efforts to promote conservation as causing the proposed rate increase. Rather, this Commission, as well as many others throughout the country, consider energy conservation to be the best way to minimize future rate increases. For example, PEPCO's energy conservation plan eliminates the need for PEPCO to construct 4 power plants. This amounts to a $2 billion savings to all ratepayers in D.C. and Maryland. The need for PEPCO to add capacity over the last three years resulted from the fact that conservation efforts had not been undertaken a decade before **and** that no new plants had been put in service in nine years. Unfortunately, the savings are not instantaneous like turning on a light switch. Instead, it takes the re-education of all of us and a change in our often wasteful behavior. At least we have started the process. It is thus very prudent for this Commission to try to mitigate future construction and costs by educating consumers - businesses, government, and residential - on how to keep electric rates from increasing by implementing more conservation measures. All of our energy conservation programs are fully costed out, and we do not approve the programs unless their planned benefits exceed the costs, usually by wide margins.

It is vital that the media be fully and properly informed regarding the regulatory process and the role of energy conservation. We, thus, welcome an opportunity for you to attend one of our community meetings or hearings so you can be better informed regarding how the process works in this jurisdiction. Please contact Dr. Phylicia A. Fauntleroy, Executive Director, on (202) 626-9176 and she will make the appropriate arrangements.

Sincerely,

Jesse P. Clay, Jr.

Jesse P. Clay, Jr.
Commission Secretary