

## CONSUMER FACT SHEET

FAQ on the Joint Motion Seeking Withdrawal of Pepco's Rate Increase Request & Dismissal of Its Multiyear Rate Plan  
(Formal Case No. 1156)

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PSC Community Hearing on September 29

On August 11, 2020, OPC and all of the non-utility parties to the Pepco rate case proceeding (Formal Case No. 1156), filed a joint motion with the DC Public Service Commission (PSC) requesting that the PSC direct Pepco to withdraw its rate increase application, dismiss Pepco's Multiyear Rate Plan (MRP) Enhanced Proposal, and grant additional consumer relief. Below are answers to some frequently asked questions about the motion and the case.

### **FAQ #1: What is Pepco asking for in its rate increase application?**

- (1) ***Original MRP Proposal***—Filed on May 30, 2019, the original MRP asks the Commission to abandon its traditional ratemaking process, which requires Pepco to request rate increases on a case-by-case basis. Pepco proposes a three-year plan that would authorize Pepco to recover forecasted costs totaling **\$162 million** during 2020, 2021 and 2022 (subsequently revised to a **\$147.2 million rate increase**).
- (2) ***Pepco's MRP Enhanced Proposal***—Filed on June 1, 2020, the Company's MRP Enhanced Proposal modified the initial three-year rate plan in several significant ways, and recalculated its rate increase request to **\$135.9 million over the three-year period**. Pepco proposes to camouflage or offset the 2020 and 2021 rate hikes primarily using money it currently owes to customers or amounts that it plans to collect later.
- (3) ***Traditional Test Year Rate Increase***—As a prerequisite to filing a MRP, the PSC required Pepco to include traditional rate case information in its application. Under the traditional test year methodology, Pepco has requested a total rate increase of **\$76.68 million**. Any additional rate increase would require Commission approval. In recent filings, Pepco has taken the position that the traditional rate increase is not part of its "proposal."

**FAQ #2: Why did OPC and the other major parties file the joint motion to dismiss Pepco's MRP Enhanced Proposal?**

Pepco's Enhanced MRP filing includes none of the details that are required by DC law. To switch to a multiyear rate plan, Pepco must demonstrate that its proposed MRP: (A) protects consumers; (B) ensures the quality, availability, and reliability of electric services; and (C) is in the interest of the public. Pepco also is required to demonstrate that its proposed ratemaking mechanism meets the Commission's 10 criteria for alternative ratemaking mechanisms. Pepco's MRP Enhanced Proposal filed on June 1, 2020, omitted information on these criteria. Pepco's omission means the filing is deficient and does not meet the Commission's minimum requirements.

**FAQ #3: Pepco has said that the MRP Enhanced Proposal includes a "rate freeze" and customer relief programs, aren't these good for consumers?**

Pepco's MRP proposal falls far short of providing consumers with any tangible benefits and does not "freeze rates." The unprecedented COVID-19 global pandemic has resulted in lost lives, spiraling unemployment and chronic health issues for thousands of DC consumers with a disproportionate impact on low-income consumers, and consumer relief is sorely needed. But Pepco's proposal does not offer what the District needs; even worse, Pepco has misled consumers about its proposal.

Pepco claims it will, "Freeze DC Customer Energy Delivery Rates Until 2022." But, the Company is not planning to keep rates the same. The reality is that:

- The Company plans to increase rates by \$135.9 million between 2020 and the end of 2022;
- The proposal to extend the customer base rate credit is no gift; rather it is contingent on approval of the full \$135.9 million rate increase;
- The proposed offsets to the rate increase in 2020 and 2021 come from: (1) applying money the Company already owes to consumers, and (2) delaying charges consumers will still be required to pay in the future;
- Even with the offsets, some classes of ratepayers, especially commercial customers, may still see higher rates;
- In 2022, the offsets are largely gone, so all customers will feel the full effect of the rate increase;
- Pepco also plans to request a new rate increase to go into effect January 2023.

Pepco's proposal includes customer relief programs, but what the Company has failed to tell consumers is that:

- The programs are tied to approval of the full \$135.9 rate increase, which is excessive;
- Pepco will make money as a result of the relief;

- Many of these programs expire within a year;
- Notably, other utilities around the country are working with regulators and stakeholders to offer customer relief programs that are not tied to large rate increases.

OPC's believes customer relief programs should not be contingent on agreeing to an unnecessarily large rate increase, and the PSC should, instead, convene a COVID-19 Pandemic Task Force to develop programs that would focus on customer needs and interests and the utility's ability to provide just and reasonable service, balance these issues with utility interests, and not focus on Pepco profits.

**FAQ #4: Why did OPC request that the PSC direct Pepco to withdraw its entire rate case application?**

Pepco has a right to file for a rate increase when it feels that its rates no longer provide it with the ability to provide just and reasonable service and an opportunity to earn a reasonable return. The Company bears the burden of proving that its application is consistent with DC law and in the public interest. Rate cases are highly complex and technical and involve the review of numerous data that is supplied by the Company. As your utility lawyer, OPC reviews all the information and advocates exclusively on behalf of DC consumers.

Utilities must provide accurate, transparent and comprehensive data to justify their request to raise their rates. But on July 28, 2020, when proceedings were well underway, Pepco informed the Commission that it had used the wrong information to calculate charges for commercial customers. This is a major error that potentially could also harm residential customers. This is the latest in a series of Pepco errors hampering this case, and was the last straw for OPC and the other parties who have, collectively, spent millions of dollars analyzing and investigating Pepco's many proposals, uncovering issues that Pepco was not honest about, and addressing multiple changes to the numbers.

**The relief requested in the motion is supported by every non-utility party, excluding Pepco, in the case.** They include: OPC, the D.C. Government, the federal General Services Administration, the Apartment & Office Building Association of Metropolitan Washington, DC Water, Baltimore Washington Construction and Public Employees Laborers' District Council, International Brotherhood of Electrical Workers, Local Union 1900, the Maryland DC Virginia Solar Energy Industries Association, and the Small Business Utility Advocates. Pepco concedes it has been relying on inaccurate data to support its case. Additionally, all of the parties that filed testimony on Pepco's MRPs have recommended that the PSC reject both the original and enhanced proposals because they are not just and reasonable or in the public interest. Rather than continue to waste ratepayer money and time, the Commission should direct Pepco to withdraw this case and refile its application with reliable data. It's time for this case to end. If the Commission decides to go forward, the application should be denied based upon the record.

**FAQ #5: What is the current status of the motion?**

On August 21, the PSC issued an order putting the motion on hold and expressed concern about Pepco's latest errors. The Commission directed Pepco to hold a technical conference to discuss the errors and their impact on the case before September 15. The Commission will review the motion again after the technical conference.

**FAQ #6: How can you get involved?**

Consumers are encouraged to express your views to the Commission.

- You can file comments with the PSC via this link: [https://edocket.dcpsec.org/public/public\\_comments](https://edocket.dcpsec.org/public/public_comments) or send an email to [PSC-CommissionSecretary@dc.gov](mailto:PSC-CommissionSecretary@dc.gov). Please reference Formal Case No. 1156.
- You can speak at the virtual community hearing that the PSC will be holding on September 29. If you wish to testify, send an email to [PSC-CommissionSecretary@dc.gov](mailto:PSC-CommissionSecretary@dc.gov) by the close of business on **September 22**.

OPC will continue to keep consumers up-to-date throughout these proceedings and invites consumers to share their concerns with the Office at (202) 727-3071 or [info@opc-dc.gov](mailto:info@opc-dc.gov).