

**Before the Council of the District of Columbia
Committee on Business and Economic Development**

**Testimony of Sandra Mattavous-Frye,
People's Counsel for the District of Columbia**

On the

Office of the People's Counsel FY 2020 Budget Request

April 8, 2019

Good morning, Chairman McDuffie, members of the Council and members of the viewing public. For the record, I am Sandra Mattavous-Frye and I serve as the People's Counsel for District of Columbia utility ratepayers. I am accompanied by key members of my executive staff and Ms. Gurmeet Scoggins, our Agency Fiscal Officer. I appreciate the opportunity to come before you to present OPC's FY 2020 Budget Request.

The FY 2020 budget request of the Office of the People's Counsel is framed in direct correlation to the needs of the emerging District

population and the realities of providing an array of services to every consumer demographic.

The District's population is rapidly expanding, as about 10,000 new citizens are moving into the city each year. Similarly, employment forecasts are predicting jobs will continue to grow in the District at a rate of 7.6 percent through 2026. The common thread is that every new job, every new resident and every new business increase demand on all city services including utility services.

It is our collective responsibility as a city to ensure that Washington DC is performing at its best. Concomitant with achieving this citywide objective is the need to build safe, adequate and reliable utility infrastructure at rates that are just and reasonable for gas, electric, telecommunications *and* water service. As a steward of the public trust vested with a fiduciary obligation to my public clients, I must employ prudent and cost-effective mechanisms to achieve my statutory mandate at an affordable cost. OPC's FY 2020 Budget is designed to accomplish this goal.

The total FY 2020 budget request of the Office of the People's Counsel is \$10 M which represents an increase of \$258K or 2.7 percent over the FY 2019 budget of \$9.7 M.

Included in our \$10M request are \$689K in local funds that, pending final enactment of the DC Water Consumer Protection Amendment Act of 2018, will allow OPC to proceed with DC Water related advocacy and education activities. The projected date for Congressional approval is April 11, 2019. We have taken steps to ensure the agency can begin utilizing the funds on the effective date of the law, including reconfiguring office space, in-house training and identifying staff.

OPC's Special Purpose Funds:

As you know, OPC's budget is primarily funded by Special Purpose Funds (O type funds). These funds come from assessments on Pepco, Washington Gas, Verizon and authorized competitive providers and subsequently are recovered from DC ratepayers. They are revenue neutral to the District government's budget.

Personal Services

OPC's FY 2020 budget anticipates a total Personal Services budget of \$6.3 M for 45.4 FTE's. The budget includes \$5.3 M in staff salaries and \$945K in fringe benefits associated with the salaries.

Special Purpose Funds:

Non-Personal Services

OPC's Non-Personal Services budget request is \$3.1 M. This reflects total fixed costs of \$1.1 M, including costs such as rent, telecommunications, and utilities. The remaining \$1.9 M will fund office supplies, other services and charges, contractual services and professional services, and equipment.

Local Funds

The local fund budget for OPC is a total of \$689 K. This budget consists of \$520 K projected for salaries of 8 dedicated FTE's, \$92 K for

fringe benefits for those 8 FTE's, \$30 K for professional services and \$47 K for contractual services.

With the addition of these 8 FTE's, our office space is at full capacity.

We initiated discussions with the Department of General Services regarding the need to acquire new space to fully accommodate any additional staff or space we may require. According to DGS, we are required to have room in our budget to allow for entering into such an agreement.

I anticipate that toward the end of our fourth quarter FY 2019, I will have more definitive information on space acquisition needs and options to pursue in FY 2020.

Return on Investment

As I stated during our oversight hearing, OPC has consistently provided a positive return on investment and a measurable financial benefit to consumers from our work. For example, our work before the PSC, facilitates our ability to address various issues such as Formal Rate Cases, Power Outages and Gas Leaks; Energy Efficiency Initiatives,

Distributed Energy Resources and Solar Deployment; Infrastructure Improvements and Grid Modernization, such as, WGL's Project Pipes, and Pepco's DC Plug and Capital Grid Project. Our involvement at FERC and PJM allows us to have a presence and a voice as policies are formulated and to have meaningful input at the regional interstate level where decisions are being made that determine 70 percent of consumer's bills.

I presented detailed information about our case related activities at my February, Oversight Hearing, which I will not reiterate today. Rather, I will highlight our projected activities for the upcoming 2020 Fiscal Year budget.

Prospective Litigation activities

Pepco Rate Case and New Ratemaking Methodologies

Pepco has informed the PSC and my office that it will file a rate case along with a new ratemaking proposal in May of this year. Both the traditional rate case and Pepco's new proposal to amend the ratemaking process will require careful analysis and a thorough review. With respect

to the traditional rate case we will review “how and to what extent” the recent rate reduction approved in Formal Case No. 1153, netted against the balance remaining in the Customer Credit Account from the Exelon Merger will affect the new rates. Pepco’s new ratemaking proposal involves a change from the use of a historical test year to calculate rates to a process that will utilize a methodology based on forecasted rates. The two ratemaking approaches each have benefits and risks. I anticipate a complex proceeding that will likely require the Office to expend significant time and resources to ensure ratepayer interests are protected under all circumstances.

Similarly, WGL is expected to file a new rate case early in 2020 as the moratorium we achieved in Formal Case No. 1142 expires in January 2020. The timing of the two rate cases is likely to overlap and place additional demand on our Litigation Services Division and may impose another layer of financial pressure on OPC’s internal and operational resources.

MEDSIS

The Commission has established the MEDSIS proceeding to study advances in policy and technology to modernize the energy delivery system for sustainability and ultimately make the distribution system more reliable, efficient, cost effective and interactive. OPC is fully staffed and involved on all six MEDSIS working groups. OPC will continue to be involved as the case progresses. We will focus our efforts on ensuring that the modernized grid delivers benefits to all ratepayers, including low-income consumers.

Capital Grid Project

Another case impacting infrastructure development in the District is Pepco's "Capital Grid Project." The Capital Grid proceeding is a major construction proposal projected to last ten years and cost DC ratepayers approximately \$1 Billion. OPC's primary concern is to ensure that Pepco's plan fully supports the District's sustainability goals as set forth in the Clean Energy DC Omnibus Amendment Act of 2018.

DC Powerline Undergrounding

DC PLUG is a joint effort between Pepco, OPC, and the District of Columbia Department of Transportation to harden the city's electric infrastructure against severe weather events by placing portions of the network underground. After prolonged legal challenges, construction will begin this Spring in the American University Park and Friendship Heights communities.

Policy Beyond the District Line

At the national level, OPC is a stakeholder in a major debate impacting ratepayers that is likely to lead to extended, costly and contested litigation at the Federal Energy Regulatory Commission. For more than a year, PJM stakeholders have wrestled with an Energy Price Formation policy. PJM proposed a policy that could increase wholesale energy costs by 8-10%.

The "GreenHat" case which we discussed at the Oversight Hearing is still pending a FERC decision. Potentially, DC ratepayers may have to

pay a share of the projected losses. OPC is preparing to challenge any decision that negatively impacts ratepayers.

On the Horizon

DC Water Complaints

Our Consumer Services Division continues to receive complaints from DC water consumers which we currently pass on to DC Water for resolution. We anticipate an increase in the number of complaints when we receive final Congressional approval and the public is informed about our services. The legislation also requires us to prepare an audit of DC Water's operations.

Outreach and Education

OPC has robust and rigorous Community Outreach and Consumer Education programs. We reach out to and engage the diverse communities we serve: working consumers, low-income consumers, seniors, our youth, disabled, Non-English-speaking residents, and small businesses in all eight wards. The current evolution

of the utility industry and the new and novel issues that consumers are facing will require that we “double-down” on public education to ensure that all DC utility consumers, including DC Water consumers, are provided cogent and timely information that will facilitate their ability to make intelligent and informed decisions. We want them at the table, not on the table.

In Closing

To be sure, OPC has its work laid out as we strive to effectively meet challenges ahead. I assure you that I am planning and preparing for these challenges with purpose and lasting commitment to the ratepayers of the District of Columbia.