



CONSUMER FACT SHEET

Pepco's Request to Implement a Multiyear Rate Plan and Increase Electric Distribution Rates in the District of Columbia (DC PSC Formal Case No. 1156)

Pepco's Request: On May 30, 2019, the Potomac Electric Power Company filed an application with the DC Public Service Commission requesting to change its ratemaking design from the current format which requires Pepco to ask the Commission for permission each time it wants to increase rates, to a multiyear rate plan that will allow Pepco to automatically apply three successive annual rate increases. Pepco wants the Commission to approve a total rate increase of \$162 million over the three years of the plan which breaks down as follows:

- an \$85 million increase to be effective May 1, 2020;
- an additional \$40 million increase to be effective January 1, 2021; and,
- an additional \$37 million increase to be effective January 1, 2022.

As part of its multiyear rate plan proposal, Pepco seeks authorization to implement six performance incentive mechanisms that set and measure its performance against annual performance targets related to reliability, customer service, and the interconnection of distribution energy resources. If approved, five of the six performance incentive mechanisms would allow the Company to earn additional revenue (i.e. charge customers more) if it hits the targets. This could raise rates in 2022 even higher than what is discussed above. One of the performance incentive mechanisms does not have any financial implications and is going to be used to track data about neighborhood outage rates.

If the Commission denies Pepco's request to implement a three-year rate plan, Pepco asks in the alternative that the Commission increase its rates by \$88.6 million.

OPC's Commitment: OPC believes that District consumers have a right to safe, reliable, resilient, and environmentally sustainable electric service, and that rates for such service should be affordable across all eight wards of the District.

OPC will be advocating vigorously to ensure that any distribution rate increase that is authorized is reasonable and only allows Pepco to collect costs from customers that are necessary to provide electric distribution service in the District; and any change to Pepco's ratemaking plan will both generate tangible benefits for District consumers and support the District's environmental goals and policies.

Your dollars at work: OPC is reviewing Pepco's application to ensure that it is in every respect appropriate and reasonable and is paying particular attention to the following questions:

- Will the new rate design harm customers?
- Will customers receive real benefits if Pepco is allowed to switch to a new ratemaking methodology?
- Are Pepco's forecasted rates reasonable and accurate?
- Will the new rate design actually advance the District's environmental goals and policies?
- Are Pepco's construction and project costs, the largest factor in its requested rate increase, reasonable and related to projects that will provide real and additional benefits to District consumers?
- Would it be more appropriate or reasonable for another entity, rather than ratepayers, to pay for some of the costs included in the request?
- Is Pepco seeking a reasonable return for its shareholders or is it too high?
- Is the allocation of the rate increase equitable among customer classes as Pepco has proposed that 35% of the revenue distribution increase be allocated to residential customers?

OPC will continue to keep consumers up-to-date throughout these proceedings and invites any consumers that have concerns with Pepco's proposal to share their concerns with the Office at (202) 727-3071 or info@opc-dc.gov.