March 9, 2017

Ms. Brinda Westbrook-Sedgwick  
Commission Secretary  
Public Service Commission of the District of Columbia  
1325 G Street NW Suite 800  
Washington DC 20005

RE: ANC3B Comments on FC1139 Pepco Proposed Rate Increase

Dear Ms. Westbrook-Sedgwick:

We appreciate the invitation of the Public Service Commission (PSC) for comments from the community about Pepco’s request for a $77.76 million rate increase. Electric rates and service are a vital matter for District residents, including our constituents in the Glover Park-Cathedral Heights neighborhood. That is why our ANC was involved in the Pepco-Exelon case over the past two years. In our community, households and businesses and institutions have had difficulty sustaining normal day-to-day operations, due to the frequency of power outages. The rising cost of electricity can also make it difficult for residents to afford to stay in their homes, particularly our seniors and those who live on limited or fixed incomes.

This rate case is especially important for our constituents not just because the requested rate increase is so large but also because this is the first rate case since the PSC allowed the Exelon acquisition to go through. What the Commission does in this case will determine how much of a rate shock ratepayers will experience, after three years without rate increases while Pepco was awaiting approval of the Exelon buyout. Beyond the rate increase itself, what the Commission decides in this case will also set a marker for how the PSC is going to exercise its regulatory authority over Pepco as our local electric distribution company, now that Pepco is under Exelon ownership.

Exelon made clear in purchasing Pepco Holdings Inc. that Exelon wanted to gain the earnings available from regulated utility companies to shore up Exelon’s profits from its more risky and less reliable unregulated businesses, notably power production at its nuclear power plants. Utility employees can expect to earn reasonable wages and the utility company can expect to earn an adequate rate of return, but ratepayers must not be asked to provide unjustified increases in profits for Pepco shareholders (in other words, Exelon) or enriched compensation for corporate executives. It is also important that Pepco customers not be asked to pay costs associated with developing and promoting Exelon’s acquisition of Pepco. The PSC also has insisted that the utility’s expenditures for assets or improvements be recovered from ratepayers only after the assets involved are in operation serving customers. We believe that practice should continue.

We have reviewed the position of the Office of People’s Counsel on this case, including its recommendations that $60+ million of the requested increase not be approved. We hope the PSC will pay close attention to that analysis and reject any elements of Pepco’s request that are not fair, reasonable, and necessary.
We urge the PSC to scrutinize all elements of Pepco’s application and:

(1) Be rigorous in determining whether each item in the rate request represents expenditures for assets and operations that operating costs that are currently serving ratepayers, and disapprove any part of the rate increase that would cover assets that are not yet in place or in operation;

(2) Ensure that customers not be forced to pay for enriched compensation packages for executives of Pepco/Exelon which should be borne by shareholders;

(3) Identify any costs in Pepco’s rate request that relate to developing, supporting, or promoting Exelon’s purchase of Pepco and exclude those costs from any approved rate increase.

(4) Oppose any increase in the rate of return you allow for Pepco.

(5) Do all you can to protect District ratepayers from having to pay more than is necessary to generate a reasonable rate of return for our local distribution company and support efficient, reliable service at fair and reasonable rates.

(6) Not allow Pepco to change the way it reports its costs in this rate case compared to previous cases.

(7) Not accept any suggested changes in the Commission’s approach to cost recovery as part of this case.

It is vital that the Commission as well as other parties be able to compare revenue and cost data submitted in support of the rate request with data submitted in the recent past, as far as practicable. The PSC must be able to track Pepco’s costs before and after the consolidation with Exelon, at least through the first years. This is the only way to identify clearly whether any unallowed costs are making their way into the rate request, including costs for getting the Exelon acquisition approved. Consistent, traceable data are also key to assuring compliance with the commitments Pepco and Exelon made in the settlement approved in FC1119.

The PSC has the experience and expertise to sort out the details of the Pepco rate request, identify what each cost item represents, and determine whether the utility should be able to recover the costs in rates collected from customers. We urge you to examine carefully Pepco’s application in all its details and carry out your regulatory authority with thoroughness and full attention to the public interest in this vital case.

Thank you for your consideration.

Sincerely,

Jackie Blumenthal
Chairman

Ann Lane Mladinov
Secretary

This letter was approved by the Advisory Neighborhood Commission by a vote of 21 - 0 at a duly noticed public meeting on March 9, 2017, at which a quorum was present. (Three of the five Commissioners make a quorum.)