

**PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA  
1325 G STREET, N.W., SUITE 800  
WASHINGTON, D.C. 20005**

**ORDER**

**April 1, 2024**

**FORMAL CASE NO. 1168, IN THE MATTER OF THE APPLICATIONS FOR  
APPROVAL OF BIENNIAL UNDERGROUND INFRASTRUCTURE IMPROVEMENT  
PROJECTS PLANS AND FINANCING ORDERS, Order No. 21979**

**I. INTRODUCTION**

1. By this Order, the Public Service Commission of the District of Columbia (“Commission”) approves the Request of the Potomac Electric Power Company (“Pepco” or “Company”) for Approval of Pepco’s Proposed Schedule Provisions Applying the True-up Mechanism to the Underground Rider (“UG Rider”).<sup>1</sup>

**II. BACKGROUND**

2. The Electric Company Infrastructure Improvement Financing Amendment Act of 2017 (“Act”), which amended the Electric Company Infrastructure Improvement Financing Act of 2014, became effective on July 11, 2017.<sup>2</sup> The Act authorizes the collection and use by the District of Columbia (“District”) and Pepco of certain charges to finance the undergrounding of certain electric power lines and ancillary facilities in the District. The Act governs Pepco’s and the District Department of Transportation’s (“DDOT”) public-private partnership to bury overhead primary power lines to improve electric service reliability and reduce the impact of storm-related outages in the District. This project is commonly known as the D.C. Power Line Undergrounding (“DC PLUG”) initiative.

3. On September 30, 2021, DDOT and Pepco filed their joint application for approval of the Third Biennial Underground Infrastructure Improvement Projects Plan and the third

---

<sup>1</sup> *Formal Case No. 1168, In the Matter of the Applications for Approval of Biennial Underground Infrastructure Improvement Projects Plans and Financing Orders (“Formal Case No. 1168”)*, Application of the Potomac Electric Power Company for Approval of Schedule Provisions Applying the True-up Mechanism to the Underground Rider, filed March 1, 2024 (“Pepco’s UG Rider Request”). The Underground Rider is an annually adjusted rider to the electric company’s volumetric distribution service rates paid by all distribution service customers of the electric company (except residential aid discount (“RAD”) customers) for its recovery of an amount equal to the aggregate of the DDOT Underground Electric Company Infrastructure Improvement Costs. D.C. Code § 34-1311.01(42A).

<sup>2</sup> D.C. Code § 34-1311.01, *et. seq.*

application for a Financing Order,<sup>3</sup> which included a request for approval of the Underground Rider. On January 27, 2022, the Commission issued an order that approved, among other things, the UG Rider.<sup>4</sup>

4. Pursuant to D.C. Code § 34-1313.14(a), Pepco may file no more frequently than twice per year a request for approval of a schedule applying the true-up mechanism to the Underground Rider.<sup>5</sup> Pepco filed the Request for True-up of the Underground Rider on March 1, 2024. Due notice of the filing with an opportunity for interested persons to file comments with respect to the mathematical accuracy of the Company's calculations was posted on the Commission's website on March 4, 2024. No comments were filed by the March 11 deadline. The Act requires the Commission to act upon the application within 20 days of the end of the comment period (by April 1, 2024), otherwise the request for approval shall be deemed approved.<sup>6</sup>

### **III. DISCUSSION**

5. The Underground Rider recovers the DDOT Charge paid by Pepco to DDOT through a large front-end loaded revenue requirement, over the first 6-7 years of the DC PLUG initiative. Pepco pays the DDOT Charge to DDOT to cover the cost of civil construction. The Commission's statutory authority in reviewing Pepco's UG Rider True-Up Request is limited to a determination of whether there is any mathematical error in the application of the true-up mechanism to the Underground Rider.<sup>7</sup>

6. D.C. Code § 34-1313.14(b) sets forth the contents to be included in the Request for Commission review and approval, which includes a narrative of the proposed adjustments and, as applicable:

- (1) A showing that the allocation of the Underground Rider among the electric company's distribution service customer classes conforms to the distribution service customer class cost allocations approved by the Commission in the electric company's most recent base rate case; provided, that no such charges shall be assessed against customers served under the electric company's residential aid discount or a succeeding discount program;
- (2) Billing and collection data that show the proposed adjustment is expected to generate payments that will permit the electric

---

<sup>3</sup> *Formal Case No. 1168*, Joint Application of Potomac Electric Power Company and the District Department of Transportation for Approval of the Third Biennial Underground Infrastructure Improvement Projects Plan and Financing Order Application, filed September 30, 2021 ("Joint Application" or "Third Biennial Plan").

<sup>4</sup> *Formal Case No. 1168*, Order No. 21105, rel. January 27, 2022 ("Order No. 21105").

<sup>5</sup> D.C. Code § 34-1313.14(a).

<sup>6</sup> D.C. Code § 34-1313.14(d).

<sup>7</sup> D.C. Code § 34-1313.14(c).

company to recover an amount equal to the aggregate amount of the DDOT Underground Electric Company Infrastructure Improvement Charges adjusted for any over-collection or under-collection through the prior year under the Underground Rider;

- (3) A showing that the proposed adjustment is expected to result in neither a net over-collection nor under-collection by the electric company of an amount equal to the aggregate of the DDOT Underground Electric Company Infrastructure Improvement Charges through the Underground Rider; and
- (4) Accounting work papers showing the electric company's prior year's receipts of the Underground Rider and payment of the DDOT Underground Electric Company Infrastructure Improvement Charges.<sup>8</sup>

7. **Customer Class Revenue Allocations (D.C. Code § 34-1313.14(b)(1)):** We have reviewed Pepco's work papers and conclude that the revenue allocations accurately conform to those found in the Company's most recent multi-year distribution base rate case, *Formal Case No. 1156*, updated for Calendar Year ("CY") 2023.<sup>9</sup> Furthermore, the revenue allocation by customer class used by Pepco excludes the RAD class, as the statute requires.

8. **Proposed Adjustments (D.C. Code § 34-1313.14(b)(2)):** The work papers also show that the proposed adjustments were accurately calculated to allow Pepco to recover the expected DDOT Charges as adjusted for over- and under-collection during the previous year. In 2023:

Total Payments by Pepco to DDOT:	\$33.75 million
2023 Rev. Req. Including 2022 Reconciliation	\$33.3 million
Underground Rider Collections in 2023:	<u>\$33.2 million</u>
<b>Total Under-Collection in 2023:</b>	<b>\$ 0.1 million<sup>10</sup></b>

The approximate 2023 Under-Collection amount of \$0.1 million will be included in the 2024 Annual Revenue Requirement for the Underground Rider.

9. **Anticipated Collections (D.C. Code § 34-1313.14(b)(3)):** Pepco's work papers show that the Company has accurately demonstrated that a zero net over- or under-collection is

<sup>8</sup> D.C. Code § 34-1313.14(b).

<sup>9</sup> *Formal Case No. 1156, In the Matter of the Application of Potomac Electric Power Company for Authority to Implement a Multiyear Rate Plan for Electric Distribution Service in the District of Columbia* ("Formal Case No. 1156"), Order No. 21563, rel. December 22, 2022.

<sup>10</sup> *Formal Case No. 1168, Pepco's UG Rider Request, Attachment Pepco (E)-1* at 1.

expected in 2024. Pepco needed to collect \$33.75 million annually during 2022 and 2023 in order to recover the remainder of the DDOT Charge owed to DDOT.<sup>11</sup> In addition, a \$0.5 million reconciliation adjustment was made during 2023.<sup>12</sup> Therefore, the total 2023 Underground Rider Revenue Requirement amount was \$33.3 million, and actual collections were \$33.2 million.<sup>13</sup> For 2024, the total revenue requirement, including an adjustment, is -\$2.7 million.<sup>14</sup>

10. **Underground Rider Receipts and DDOT Charges Payments (D.C. Code § 34-1313.14(b)(4)):** Pepco's work papers show the total amount of Underground Rider Receipts collected and DDOT Charges paid to the District government.<sup>15</sup>

11. Section 14(f)(1) of the Act provides:

In conducting the true-up, the recovery for the under-collection of the DDOT Underground Electric Company Infrastructure Improvement Charges through the Underground Rider shall be allocated to each customer class in the proportion to which the customer class contributed to the under-collection of the DDOT Underground Electric Company Infrastructure Improvement Charges.<sup>16</sup>

This statutory language is specific to the UG Rider, requiring collection of any under-payment in proportion to under-payment by customer class. The Company's methodology in its filing does comply with this statutory requirement.

12. Finally, Pepco Exhibit (E)-2 includes the total bill impact analysis associated with the updated Underground Rider effective March 1, 2024. According to the total bill impact analysis, the amount collected from residential customers using 614 kWh per month results in a decrease of \$0.90 per month from last year.<sup>17</sup> This amounts to a 0.91% decrease for a typical R customer (excluding RAD customers).<sup>18</sup>

---

<sup>11</sup> In the Third Biennial Plan, Pepco requested approval for recovery of this amount, and the Commission granted it. See Order No. 21105, ¶ 145.

<sup>12</sup> *Formal Case No. 1168*, Pepco's UG Rider Request, Attachment Pepco (E)-1 at 1.

<sup>13</sup> *Formal Case No. 1168*, Pepco's UG Rider Request, Attachment Pepco (E)-1 at 1.

<sup>14</sup> *Formal Case No. 1168*, Pepco's UG Rider Request, Attachment Pepco (E)-2 at 1-3.

<sup>15</sup> *Formal Case No. 1168*, Pepco's UG Rider Request, Attachment Pepco (E)-2 at 2.

<sup>16</sup> D.C. Code § 34-1313.14(f)(1).

<sup>17</sup> *Formal Case No. 1168*, Pepco's UG Rider Request, Attachment Pepco (E)-2 at 1.

<sup>18</sup> *Formal Case No. 1168*, Pepco's UG Rider Request, Attachment Pepco (E)-2 at 1.

13. **Termination of the Underground Rider.** In the Third Biennial Plan, the Commission approved the request of the Joint Applicants to collect \$67.5 million in 2022 and 2023 or \$33.75 million in each year.<sup>19</sup> This was intended to exhaust the remainder of the \$187.5 million DDOT Charge authorized under the Act. In testimony filed in support of the Third Biennial Plan, the Company's approach to phasing out the Underground Rider was described in this way:

Following the end of the Third Biennial Plan period, the Company will file a final adjustment to the Underground Rider to true-up total Underground Rider collections to the actual DDOT Charges imposed through 2023. The over- or under-collection will be allocated to each distribution service customer class in proportion to its contribution to the total over- or under-recovery. The resulting deficit or surplus will then be divided by the class's forecasted kWh billing determinants for calendar year 2024 with refunds or surcharges to occur during the following 12-month rate period. At the end of this rate period, currently estimated to be during 2025, the Underground Rider will be terminated.<sup>20</sup>

14. Thus, based on the Company's testimony, it appears that the previous Underground Rider True-Up was anticipated to have been the final one. However, the Company did make a final payment to DDOT in January 2024.<sup>21</sup> As noted above, Pepco states that it will make a final Underground Rider reconciliation filing in 2025 to reconcile the actual 2024 annual revenue requirement for the Underground Rider to revenues collected via the Underground Rider in 2024.<sup>22</sup> Pepco also explains that in the fourth quarter of 2025, the Company will file to set the Underground Rider rates to zero as of January 1, 2026, at which time any final remaining under/over recovery will be collected or returned to customers, either via the Bill Stabilization Adjustment ("BSA") for those customer classes subject to the BSA or via a one-time billing adjustment for those customer classes not subject to the BSA.<sup>23</sup>

#### IV. CONCLUSION

15. Pursuant to Section 34-1313.14(c) of the Act,<sup>24</sup> and based on the above, the Commission determines that there is no mathematical error in Pepco's Request for Approval of a Schedule for the true-up mechanism to the Underground Rider submitted in its March 1, 2024 filing, and the Commission, therefore, approves the schedule applying the true-up mechanism

---

<sup>19</sup> *Formal Case No. 1168*, Order No. 21105, ¶ 149, rel. January 27, 2022.

<sup>20</sup> *Formal Case No. 1168*, Joint Application (Third Biennial Plan), Testimony of Pepco Witness Holden, PEPCO (E) at 18:10-18.

<sup>21</sup> *Formal Case No. 1168*, Pepco's UG Rider Request, Attachment Pepco (E)-3 at 1.

<sup>22</sup> *Formal Case No. 1168*, Pepco's UG Rider Request at 3.

<sup>23</sup> *Formal Case No. 1168*, Pepco's UG Rider Request at 3.

<sup>24</sup> D.C. Code § 34-1313.14(c).

requested therein. We also find Pepco has complied with all the statutory filing requirements and has satisfactorily supported its request for applying the true-up mechanism sought in the Request.

**THEREFORE, IT IS ORDERED THAT:**

16. The Request by the Potomac Electric Power Company for Approval of Schedule Provisions Applying the True-up Mechanism to the Underground Rider is hereby **APPROVED**.

**A TRUE COPY:**

**BY DIRECTION OF THE COMMISSION:**

A handwritten signature in black ink, reading "Brinda Westbrook-Sedgwick". The signature is written in a cursive, flowing style.

**CHIEF CLERK:**

**BRINDA WESTBROOK-SEDGWICK  
COMMISSION SECRETARY**

COMMISSION ACTION

**FORMAL CASE NO. 1168, IN THE MATTER OF THE APPLICATIONS FOR APPROVAL OF BIENNIAL UNDERGROUND INFRASTRUCTURE IMPROVEMENT PROJECTS PLANS AND FINANCING ORDERS,**

Date 4/1/24 Formal Case No. 1168 Tariff No.        Order No. 21979

	Approve Initial & Date	Disapprove Initial & Date	Abstain Initial & Date
Chairman Emile Thompson	<u>ET/CL 4/1/24</u>	_____	_____
Commissioner Richard A. Beverly	<u>RAB/CL 4/1/24</u>	_____	_____
Commissioner Ted Trabue	<u>TT/CL 4/1/24</u>	_____	_____

Certification of Action

C. Lipscombe  
General/Deputy General Counsel

Richard Herskovitz  
OGC Counsel/Staff