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By Electronic Filing

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

Re: Pepco's Purchase of Receivables – Docket PEPPOR-2024-01

Dear Secretary Westbrook-Sedgwick:

Please accept this letter on behalf of NRG Energy, Inc. and Constellation NewEnergy, Inc., and their respective retail affiliates (collectively, “the Suppliers”), in response to Potomac Electric Power Company’s (“Pepco’s”) Purchase of Receivables (“POR”) Supplier Discount Rate, filed April 30, 2024 (“April 30 Filing”), and the Commissions’ Notice of Proposed Tariff, published in the District of Columbia Register on May 17, 2024.

In the April 30 Filing, Pepco seeks to increase its residential POR discount rate from 3.9807% to 14.8693%, effective July 1, 2024. The Suppliers appreciate that this proposed gigantic increase is a product of the tariff methodology used to calculate the annual rates. According to Pepco, “[t]he increase in the Residential rate is driven by a 90% increase in write-offs compared to 2022 primarily driven by increased collection activity following the lifting of the COVID moratorium.” April 30 Filing at 2.

That said, in all the jurisdictions with POR programs in which the Suppliers transact business – which might include all of them – the proposed 14.8693% is by far the highest POR discount rate ever proposed. A rate that high will make it impossible for suppliers to make competitive offers to residential customers in the future. It will also wreak havoc on existing contracts. Thus, the Suppliers encourage the Commission to direct Pepco to propose alternatives to the current calculation. The goal should be to arrive upon a discount rate that will allow Pepco to recover its costs over time but that will not crush the competitive market, harming customers and suppliers.

Suppliers enter into contracts with residential customers throughout the year. In doing so, suppliers cannot hedge against a POR discount rate that changes during the course of a customer’s contract with a supplier. A small increase can be manageable, but a 273.5% increase is not. Existing retail contracts were most likely priced pursuant to the existing 3.9807% discount rate or the 2022-23 discount rate of 0.00%. There is no question that an increase that big renders existing contract uneconomic.



Nor do suppliers have captive customers from whom they can recover their costs. For fixed price retail contracts, suppliers have to absorb the increase or, depending on the contract terms, cancel the contract early. For variable price contracts, the supplier can increase the monthly price to cover all, or some, of the increased discount rate, but doing so increases customers' prices. At some point, customers on variable price contracts will find themselves with prices they cannot tolerate and terminate the contract.

Going forward, if the proposed discount rate is approved, it will be impossible for suppliers to offer competitive savings to District residential customers.

As examples of alternative solutions, Pepco's affiliate distribution utility, Delmarva Power and Light, has amortized specific costs over the years to keep its POR rates in Maryland and Delaware at a level that mitigated its harm to the competitive market. Additionally, in Maryland, Delmarva agreed to base its uncollectible percentage on the average annual percentage since 2010 as opposed to the last 12 months, which also helped to stabilize the rate. These are two examples that the Suppliers recommend be explored here.

In essence, the April 30 Filing proposes a historic POR discount rate. It begs for additional discussion and cooperation, if not a full resolution from the Commission. The Suppliers therefore request that the Commission not approve the proposed tariff and, instead, direct Pepco to propose alternative solutions for the residential POR discount rate that will result in a lower, more palatable rate for the benefit of District customers and suppliers.

Please do not hesitate to contact me if you have any questions.

Sincerely,

/s/ Brian R. Greene

Brian R. Greene

c: All Parties of Record