

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

**ORDER**

**March 26, 2025**

**FORMAL CASE NO. 1163, IN THE MATTER OF THE INVESTIGATION INTO THE REGULATORY FRAMEWORK FOR MICROGRIDS IN THE DISTRICT OF COLUMBIA,**

**and**

**ELECTRIC TARIFF 2025-02, IN THE MATTER OF THE POTOMAC ELECTRIC POWER COMPANY’S PROPOSED MODIFICATIONS TO STANDBY SERVICE, Order No. 22390**

**I. INTRODUCTION**

1. By this Order, the Public Service Commission of the District of Columbia (“Commission”) addresses the Potomac Electric Power Company’s (“Pepco” or “Company”) tariff amendments to replace its current Standby Service Schedule – Schedule S (“Schedule S”) with the proposed Standby Service – Rider S (“Rider S”). The Company is directed to file the information requested in paragraphs 14 and 15 relating to its proposal within 30 days of the date of this Order. The Commission opens a new Electric Tariff docket to review Pepco’s proposal and directs Commission Staff to convene a technical conference within 90 days of Pepco’s updated filing to address key issues identified in this Order. Additional deadlines in this Order apply for filings related to the technical conference and stakeholder comments.

**II. BACKGROUND**

2. In Order No. 21172, the Commission directed Pepco to propose modifications to its current Standby Service Schedule—Schedule S (“Schedule S”) to accommodate a distributed energy resources (“DER”) focus on microgrids and facilitate the development of microgrids.<sup>1</sup> The Commission stated that it planned to “consider establishing a tariff structure to enable a microgrid to receive reasonable compensation for its value in resiliency, power quality, islanding, grid reliability, and other ancillary services for the electric distribution system.”<sup>2</sup> In Order No. 21527, Order No. 21577, and Order No. 21638, the Commission granted Pepco additional time to file an updated standby tariff.<sup>3</sup>

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<sup>1</sup> *Formal Case No. 1163, In the Matter of the Investigation into the Regulatory Framework for Microgrids in the District of Columbia* (“*Formal Case No. 1163*”), Order No. 21172, ¶ 19, rel. June 30, 2022 (“*Order No. 21172*”).

<sup>2</sup> Order No. 21172, ¶ 19.

<sup>3</sup> *Formal Case No. 1163*, Order No. 21527, rel. September 14, 2022; *Formal Case No. 1163*, Order No. 21577, rel. March 2, 2023; and *Formal Case No. 1163*, Order No. 21638, rel. June 5, 2023.

3. On August 1, 2023, Pepco filed a proposed tariff amendment to replace Schedule S with Pepco's Rider S proposal.<sup>4</sup> On October 20, 2023, the Commission published a Notice of Proposed Tariff ("NOPT") soliciting comments on Pepco's proposed Rider S.<sup>5</sup> On November 2, 2023, the District of Columbia Department of Energy and Environment ("DOEE") filed a Motion for Enlargement of Time to file comments until December 19, 2023.<sup>6</sup> On November 13, 2023, the Commission granted the Motion for Enlargement of Time,<sup>7</sup> and on November 24, 2023, the Commission published an NOPT soliciting comments on Pepco's proposed Rider S by December 19, 2023.<sup>8</sup> On December 19, 2023, Gallaudet University ("Gallaudet" or "University"),<sup>9</sup> Ameresco, Inc. ("Ameresco"),<sup>10</sup> and DOEE<sup>11</sup> filed comments, and Solar United Neighbors ("SUN"), Sierra Club District of Columbia Chapter, GRID 2.0, and the Chesapeake Solar and Storage Association, filed joint comments ("Joint Filers").<sup>12</sup> On December 19, 2023, the District of Columbia Water and Sewer Authority ("DC Water") filed a Request to Reject Tariff Filing, a Petition to Intervene, and a Notice of Appearance.<sup>13</sup>

4. On January 12, 2024, Pepco filed a Motion for Leave to File Reply Comments and its reply comments;<sup>14</sup> on January 31, 2024, SUN filed a Motion for Leave to Reply and its reply comments;<sup>15</sup> and on February 1, 2024, DOEE filed a Motion for Leave to File Surreply Comments

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<sup>4</sup> *Formal Case No. 1163*, Pepco Proposed Modifications to the Current Standby Service (Schedule S), filed August 1, 2023 ("Pepco Standby Service—Rider S").

<sup>5</sup> 70 D.C. Reg. 014104-014106 (October 20, 2023).

<sup>6</sup> *Formal Case No. 1163*, Unopposed Motion of the Department of Energy and Environment's for Enlargement of Time to File Comments on Notice of Proposed Tariff, filed November 2, 2023.

<sup>7</sup> *Formal Case No. 1163*, Order No. 21927, rel. November 13, 2023.

<sup>8</sup> 70 D.C. Reg. 015353-15355 (November 24, 2023) ("NOPT").

<sup>9</sup> *Formal Case No. 1163*, Gallaudet University Comments, filed December 19, 2023 ("Gallaudet Comments").

<sup>10</sup> *Formal Case No. 1163*, Ameresco, Inc. Comments, filed December 19, 2023 ("Ameresco Comments").

<sup>11</sup> *Formal Case No. 1163*, Comments of the Department of Energy and Environment in Response to the Potomac Electric Power Company's Proposed Modifications to the Current Standby Service (Schedule S) Tariff, filed December 19, 2023 ("DOEE Comments").

<sup>12</sup> *Formal Case No. 1163*, Initial Comments of Solar United Neighbors, Joined by Sierra Club District of Columbia Chapter, GRID 2.0, and Chesapeake Solar and Storage Association, filed December 19, 2023 ("Joint Filer Comments").

<sup>13</sup> *Formal Case No. 1163*, District of Columbia Water and Sewer Authority Request to Reject Tariff Filing, Petition to Intervene, and Notice of Appearance, filed December 19, 2023 ("DC Water Request and Petition").

<sup>14</sup> *Formal Case No. 1163*, Motion for Leave to File Reply Comments and Reply Comments of Potomac Electric Power Company, filed January 12, 2024 ("Pepco Motion and Reply Comments").

<sup>15</sup> *Formal Case No. 1163*, Motion for Leave to Reply and Reply of Solar United Neighbors, filed January 31, 2024 ("SUN Motion and Reply Comments").

and its surreply comments.<sup>16</sup> The Commission grants motions from Pepco, SUN, and DOEE to submit reply and surreply comments, while dismissing DC Water’s Petition to Intervene.

### III. DISCUSSION

5. **Pepco’s Proposed Rider S Tariff.** Pepco asserts that the proposed Rider S will be required when a minimum of fifteen percent (15%) or more of the customer’s electric or other power requirements normally are supplied by the customer’s own power-producing equipment with a generating capacity greater than 100 kW, and auxiliary service is supplied by the Company for emergency or abnormal conditions.<sup>17</sup> According to Pepco, Rider S is applicable to rate schedules MGT-LV, GT-LV, and GT-3A, and features a Customer Charge, a Contract Demand Charge, and seasonal Daily As-Used Demand Charges.<sup>18</sup> Pepco states there is no energy charge in Rider S.<sup>19</sup>

6. The Company indicates that, under Rider S, generation and transmission charges are assessed under the customer’s otherwise applicable rate schedule and that there are no Rider S capacity reservation requirements for generation and transmission.<sup>20</sup> The Company further indicates that Rider S includes a Facilities Charge modeled after the current Schedule S Facilities Charge and applies to those customers who require the Company to install facilities specifically to provide standby service.<sup>21</sup> The Company states that the total amount of dollars assigned to Secondary, Primary, Substation, and Subtransmission is derived from the Company’s unbundled Class Cost of Service Study results.<sup>22</sup> The Company asserts that Rider S is designed to be revenue neutral at the class level in relation to the otherwise applicable rate schedules.<sup>23</sup>

7. **DOEE’s Comments.** DOEE opposes Pepco’s proposed Tariff arguing that the rate structure will result in higher distribution system costs,<sup>24</sup> and also argues that the Commission should request a detailed explanation from Pepco as to why Rider S is a departure from other Exelon utilities.<sup>25</sup> DOEE contends that the “standby capacity reservation” is the same as

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<sup>16</sup> *Formal Case No. 1163*, Department of Energy and Environment’s Motion for Leave to File Surreply Comments and Surreply Comments, filed February 1, 2024 (“DOEE Motion and Surreply Comments”).

<sup>17</sup> Pepco Standby Service—Rider S at 2.

<sup>18</sup> Pepco Standby Service—Rider S at 2.

<sup>19</sup> Pepco Standby Service—Rider S at 2.

<sup>20</sup> Pepco Standby Service—Rider S at 3.

<sup>21</sup> Pepco Standby Service—Rider S at 3.

<sup>22</sup> Pepco Standby Service—Rider S at 4-5.

<sup>23</sup> Pepco Standby Service—Rider S at 5.

<sup>24</sup> DOEE Comments at 5.

<sup>25</sup> DOEE Comments at 6.

“distribution service” since they are both set to “the customer maximum required capacity.”<sup>26</sup> DOEE also argues that the proposed tariff structure does not differentiate between microgrid customers who have been existing ratepayers and have presumably paid for distribution system upgrades versus microgrid customers who are part of new developments.<sup>27</sup> DOEE contends that Pepco’s Rider S ignores the resilience benefits of microgrids and believes that the rate design acts as a cost barrier to greater microgrid adoption.<sup>28</sup>

8. **Joint Filers’ Comments.** The Joint Filers ask the Commission to reject the Tariff filing because Rider S has the potential to impose outsized costs on microgrids and DER projects that will strip them of anticipated savings and will act as a disincentive for projects aimed at meeting the District of Columbia’s (“District” or “D.C.”) climate goals.<sup>29</sup> Joint Filers argue that the proposed Tariff would increase costs for DERs and does not address reasonable compensation for ancillary services for the distribution system.<sup>30</sup> Joint Filers argue that Pepco has not provided its underlying workpapers or analyses performed by its consultants.<sup>31</sup> Joint Filers contend that it is premature to make a determination on the proposal without an extensive stakeholder process.<sup>32</sup>

9. **Gallaudet’s Comments.** Gallaudet urges the Commission to reject Pepco’s proposal noting that the combination of the Contract Demand Charge and Daily As-Used Daily Demand Charge represents a major increase in standby cost.<sup>33</sup> Gallaudet contends that the cost differential between the current and proposed tariff is approximately \$270,000 per year and that it would more than double its payment to Pepco for all demand-related charges even while the microgrid reduces the overall stress on Pepco’s grid, increases Pepco’s operational flexibility, and benefits other ratepayers.<sup>34</sup>

10. **Ameresco’s Comments.** Ameresco supports the comments of Gallaudet and Joint Filers.<sup>35</sup> Ameresco believes that the tariff has the potential to impose outsized costs and establish disincentives on microgrids and other DER projects. Ameresco also asks the Commission to reject the Tariff and preserve the existing terms of standby service.<sup>36</sup>

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<sup>26</sup> DOEE Comments at 7.

<sup>27</sup> DOEE Comments at 7.

<sup>28</sup> DOEE Comments at 8.

<sup>29</sup> Joint Filer Comments at 2.

<sup>30</sup> Joint Filer Comments at 3.

<sup>31</sup> Joint Filer Comments at 5.

<sup>32</sup> Joint Filer Comments at 5.

<sup>33</sup> Gallaudet Comments at 6.

<sup>34</sup> Gallaudet Comments at 7.

<sup>35</sup> Ameresco Comments at 1-2.

<sup>36</sup> Ameresco Comments at 2.

11. **DC Water’s Comments.** DC Water requests that the Commission reject Pepco’s proposed Rider S Tariff for a few reasons. DC Water argues that *Formal Case No. 1163* was initiated as a general Commission inquiry into microgrids and because the inquiry did not have a rate component, it did not meet the Commission’s Rules for rate filings.<sup>37</sup> Furthermore, according to DC Water, Order No. 21172 required Pepco “to provide the Commission with proposed modifications to the Standby Service (Schedule S) in its tariff. . .” while Pepco’s Rider S filing proposed to eliminate Schedule S and replace it with a tariff rider.<sup>38</sup> DC Water argues that Pepco did not provide notice in accordance with D.C. Official Code § 34-909, despite the Rider S filing applying on a mandatory basis to customers of certain rate classes who meet the fifteen percent (15%) self-supply threshold.<sup>39</sup> DC Water also argues that 15 DCMR § 200 *et seq.* seems to apply.<sup>40</sup> DC Water requests that the Commission should require Pepco to file the proposal in a new stand-alone rate case docket or seek to amend its filing in *Formal Case No. 1176*.<sup>41</sup> DC Water also contends that neither the Rider S filing nor the unfiled Excel spreadsheet offer any explanation as to how Pepco determined the rates for each category, the actual facility costs Pepco incurs for standby service that the rates are intended to cover, or the cost causation analysis.<sup>42</sup>

12. **Pepco’s Reply.** Pepco replies to DOEE by stating that there is no requirement nor historical practice that the Company be held to rate design proposals that only exist at another Exelon utility.<sup>43</sup> Pepco explains that Gallaudet’s criticisms ignore that the Company incurs distribution costs to provide service beyond interconnection costs and that these costs are recovered through the distribution rates.<sup>44</sup> Pepco contends that the infrastructure recovered through distribution rates is not “paid for” after a certain number of years.<sup>45</sup> In response to Joint Filers, Pepco states that it provided its workpapers in response to Staff Data Request 2-7.<sup>46</sup> In response to DC Water, Pepco clarifies that the Rider S charges are intended to replace the equivalent charges on the rate schedule. Pepco also states that the Company complied with Commission directives and believes that the Rider S proposal is reasonable and appropriate and is not averse to additional stakeholder engagement or process.<sup>47</sup>

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<sup>37</sup> DC Water Request and Petition at 8.

<sup>38</sup> DC Water Request and Petition at 8.

<sup>39</sup> DC Water Request and Petition at 9.

<sup>40</sup> DC Water Request and Petition at 10.

<sup>41</sup> DC Water Request and Petition at 10.

<sup>42</sup> DC Water Request and Petition at 13.

<sup>43</sup> Pepco Motion and Reply Comments at 6.

<sup>44</sup> Pepco Motion and Reply Comments at 8-9.

<sup>45</sup> Pepco Motion and Reply Comments at 9.

<sup>46</sup> Pepco Motion and Reply Comments at 10.

<sup>47</sup> Pepco Motion and Reply Comments at 11-12.

#### IV. DECISION

13. First, the Commission agrees that *Formal Case No. 1163* is an inappropriate docket for a rate change application, and we open a new Electric Tariff docket, *Electric Tariff 2025-02, In the Matter of the Potomac Electric Power Company's Proposed Modifications to Standby Service* to address this matter. Therefore, Pepco's proposed Rider S filing, Commission orders and notices in response to Pepco's proposed Rider S filing, and comments filed by stakeholders in response to the November 24, 2023, NOPT<sup>48</sup> in *Formal Case No. 1163* are entered into the record in *Electric Tariff 2025-02*.

14. We also agree that 15 DCMR § 200 *et seq.* applies to this proposal.<sup>49</sup> Rule 200.1 applies to “[a]ll rate change applications, other than tariff filings not affecting existing rates. . . .” and requires those rate change applications to include certain information.<sup>50</sup> Pepco's Rider S proposal is a rate change application that affects Schedule S, an existing rate, and under the plain meaning of the text would apply to the proposal.<sup>51</sup> Pepco's filing does not contain the information generally required by subsections (i) and (j). Therefore, the Commission directs Pepco to file this information related to subsections (i) and (j) for the Rider S proposal within 30 days from the date of this Order in *Electric Tariff 2025-02*.<sup>52</sup>

15. Additionally, Pepco's Rider S proposal references and relies on Attachment B to support the rate design of Rider S.<sup>53</sup> Pepco did not make public in the docket its rate design workbook (Attachment B), which was used to support Rider S's rate design, and only some commenters received access to it.<sup>54</sup> Therefore, the Commission directs Pepco to file Attachment

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<sup>48</sup> NOPT.

<sup>49</sup> DC Water Request and Petition at 10.

<sup>50</sup> 15 DCMR § 200.1.

<sup>51</sup> Pepco Standby Service—Rider S at 2. “The Company proposes to replace the current Schedule ‘S’ with Rider ‘S’.” See *Electric Tariff 03-2, In the Matter of the Application of the Potomac Electric Power Company for Authority to Amend Electric Tariff, P.S.C.-D.C. No. 1*, Order No. 13024, ¶ 6, rel. December 22, 2003. See *Electric Tariff 2022-04, In the Matter of the Potomac Electric Power Company's Proposal to Amend the Costs to Residential Customers for New Underground Service Connections Tariff, P.S.C.- D.C. No. 1*, Order No. 21591, ¶ 8, rel. April 5, 2023.

<sup>52</sup> DC Water argued that Pepco did not follow the notice provision in D.C. Official Code § 34-909. However, the Commission has traditionally applied this notice provision to base rate cases, and because this is a tariff rate change of limited applicability, this provision would not apply.

<sup>53</sup> Pepco Standby Service—Rider S at 4-5.

<sup>54</sup> SUN Motion and Reply Comments at 2. SUN argues that the electronic versions of Attachments A and B have not been made available for review by various stakeholders. DOEE Comments at 3, n.5. DOEE explains that an attachment they used to analyze the rate design “was obtained by DOEE requesting it directly from Pepco . . . [and] . . . was not included in the documents filed by Pepco in their application to revise Schedule S.” DC Water Request and Petition at 13. DC Water references an “unfiled Excel spreadsheet” in their comments. Pepco Motion and Reply Comments at 10. Pepco states that it provided its workpapers in response to Staff DR 2-7.

B and any other workpapers, analyses, or tariff modeling to support the rate design within 30 days from the date of this Order in *Electric Tariff 2025-02*.<sup>55</sup>

16. Many commenters have concerns regarding the rate design of Pepco's Rider S proposal and its potentially substantial costs on microgrids. For example, Gallaudet, which states that it currently takes service under Schedule S, estimates that the cost differential for the University between the current and proposed standby tariff is approximately \$270,000 per year and that over the life of the microgrid project, the additional costs to the University would total approximately \$5.4 million.<sup>56</sup> In addition, the Joint Filers contend, among other things, that the proposed Rider S could potentially impose outsized costs on microgrids and DER projects, stripping them of anticipated savings and acting as a disincentive for projects aimed at meeting the District's climate goals.<sup>57</sup> Further, DOEE argues the rate design acts as a cost-barrier to greater microgrid adoption.<sup>58</sup>

17. In developing a just and reasonable Tariff, the Commission acknowledges the need to avoid placing additional costs on distribution customers due to the installation and use of microgrids while also recognizing the importance of facilitating the development of microgrids. In order to analyze Pepco's proposal and its associated costs and revenues, the Commission directs Commission Staff to convene a technical conference to discuss Pepco's Rider S proposal within 90 days from the date Pepco files the information requested in paragraphs 14 and 15. Topics for the technical conference should include: (1) what factors were considered by Pepco in the development of the Rider S proposal; (2) the tariff design of Rider S and its associated costs and revenues; (3) a comparison of this proposed tariff with standby service tariffs in all other Exelon jurisdictions, New York, Massachusetts, and California; (4) an explanation of how Rider S facilitates microgrid development; (5) a description of the value in resiliency, power quality, islanding, grid reliability, other ancillary services, and any other benefits for which microgrids could be compensated in a standby service tariff; and (6) what kind of modifications need to be considered if Pepco's Rider S proposal needs to be updated. The Company is directed to file a presentation for the technical conference at least seven (7) calendar days before the date of the technical conference. Pepco is directed to prepare and file a technical conference report within 20 days from the date of the technical conference that details the discussions along with any consensus recommendations stakeholders made regarding the discussion items.<sup>59</sup> Interested persons are directed to file comments on the technical conference report within 30 days of the date Pepco files the technical conference report and reply comments are due within 45 days of the date that Pepco

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<sup>55</sup> The Commission also directs Pepco to include in this filing a table that compares all the charges (demand charges, energy charges, customer charges, etc.) and the rates of those charges in the current Schedule S and Pepco's Rider S proposal. Pepco should also provide several bill calculation examples of what hypothetical customers with a microgrid would pay under both the current Schedule S and Pepco's Rider S proposal.

<sup>56</sup> Gallaudet Comments at 7.

<sup>57</sup> Joint Filer Comments at 2.

<sup>58</sup> DOEE Comments at 8.

<sup>59</sup> To the extent that the questions of stakeholders are not answered during the technical conference, Pepco should file responses to those questions in the technical conference report.

files the technical conference report. Commission Staff shall convene additional technical conference meetings as necessary.

**THEREFORE, IT IS ORDERED THAT:**

18. The Commission's Secretary's Office shall open a new Electric Tariff docket, captioned "*In the Matter of the Potomac Electric Power Company's Proposed Modifications to Standby Service*" upon issuance of this Order;

19. The Commission **DIRECTS** the Potomac Electric Power Company to file the information requested in paragraphs 14 and 15 within 30 days of the date of this Order in *Electric Tariff 2025-02*;

20. The Potomac Electric Power Company's proposed Rider S filing, Commission orders and notices in response to the Potomac Electric Power Company's proposed Rider S filing, and the comments filed by stakeholders in response to the November 24, 2023, Notice of Proposed Tariff in *Formal Case No. 1163* are entered into the record in *Electric Tariff 2025-02*;

21. The Commission **DIRECTS** Commission Staff to convene a technical conference within 90 days from the date the Potomac Electric Power Company files the information requested in paragraphs 14 and 15;

22. The Potomac Electric Power Company is **DIRECTED** to file the technical conference presentation at least seven (7) calendar days prior to the date of the technical conference;

23. The Potomac Electric Power Company is **DIRECTED** to file the technical conference report consistent with paragraph 17 within 20 days of the date of the technical conference;

24. Interested persons are **DIRECTED** to file comments on the Potomac Electric Power Company's technical conference report within 30 days of the date Pepco files the technical conference report and reply comments are due within 45 days of the date that the Potomac Electric Power Company files the technical conference report;

25. The Potomac Electric Power Company's Motion for Leave to File Reply Comments, the Solar United Neighbor's Motion for Leave to File Reply, and the District of Columbia Department of Energy and Environment's Motion for Leave to File Surreply are **GRANTED**, and all comments contained therein are accepted into the record of this proceeding; and

26. The District of Columbia Water and Sewer Authority's Petition to Intervene is **DISMISSED**.

**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 style with a large initial 'B' and a long, sweeping underline.

**CHIEF CLERK:**

**BRINDA WESTBROOK-SEDGWICK  
COMMISSION SECRETARY**

COMMISSION ACTION

**FORMAL CASE NO. 1163, IN THE MATTER OF THE INVESTIGATION INTO THE REGULATORY FRAMEWORK FOR MICROGRIDS IN THE DISTRICT OF COLUMBIA,**

and

**ELECTRIC TARIFF 2025-02, IN THE MATTER OF THE POTOMAC ELECTRIC POWER COMPANY'S PROPOSED MODIFICATIONS TO STANDBY SERVICE,**

Date 3/26/25 Formal Case No. 1163 Tariff No. ET2025-02 Order No. 22390

	Approve Initial & Date	Dissent Initial & Date	Abstain Initial & Date
Chairman Emile Thompson	<u>ET/CL 3/26/25</u>	_____	_____
Commissioner Richard A. Beverly	<u>RB/CL 3/26/25</u>	_____	_____
Commissioner Ted Trabue	<u>TT/CL 3/26/25</u>	_____	_____

Certification of Action

C. Lipscombe  
General/Deputy General Counsel

Stephan Jaksch  
OGC Counsel/Staff