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May 6, 2025

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

Re: RM40- 2024-01

Dear Ms. Westbrook-Sedgwick:

Enclosed please find Potomac Electric Power Company's Motion for Leave to Reply and Reply Comments on the RM40 Second Notice of Proposed Rulemaking.

Please feel free to contact me if you have any further questions.

Sincerely,

/s/ *Taylor W. Beckham*

Taylor W. Beckham

Enclosures

cc: All Parties of Record

BEFORE THE
PUBLIC SERVICE COMMISSION
OF THE DISTRICT OF COLUMBIA

IN THE MATTER OF 15 DCMR	)	**RM40- 2024-01**
CHAPTER 40 – SMALL	)	
GENERATOR INTERCONNECTION	)	
RULES	)	

POTOMAC ELECTRIC POWER COMPANY'S MOTION FOR LEAVE TO REPLY AND REPLY COMMENTS ON THE RM40 NOTICE OF SECOND PROPOSED RULEMAKING

On April 14, 2025, in response to the Commission's Notice of Second Proposed Rulemaking (the "Second NOPR"), interested parties filed comments on the proposed amendments to Rule 40. Comments were filed by Potomac Electric Power Company ("Pepco"), the District Department of Energy and the Environment ("DOEE"), Chesapeake Solar & Storage Association ("CHESSA"), and the Interstate Renewable Energy Council ("IREC").

I. Motion for Leave to Reply

Pursuant to 15 D.C.M.R. Section 105.8, Pepco requests leave to file these reply comments to respond to specific comments made by IREC and DOEE regarding Pepco's ability to recover costs for distribution system upgrades. The Second NOPR, which did provide for comments on the proposed changes to RM40, did not specifically allow the right to file reply comments. Pepco represents that good cause exists to permit reply comments, which will provide additional detail and a more robust record for the Commission to consider while considering the proposals in the Second NOPR and the comments made thereto. While Pepco responds to specific recommendations made by DOEE and IREC within these reply comments, Pepco's non-response to other recommendations made by DOEE, IREC, and CHESSA, does not indicate that it agrees with those recommendations to which it has not responded. Accordingly, Pepco respectfully requests that the Commission (1) grant the Company's Motion for Leave to Reply, and (2) consider Pepco's reply comments in its deliberation on the Second NOPR.

II. Reply Comments

a. Pepco's Response to DOEE's Recommendation that the EDC is Solely Responsible for Cost Overruns.

The Commission should reject DOEE's recommendation that it adopt the Massachusetts cost recovery model where the Electric Distribution Company (the "EDC") is responsible for interconnection cost overruns. At the outset, DOEE has cited to dated regulations (adopted sixteen years ago in 2009) that have been adopted by only *one* state,[1] at a time when the DER landscape was very different from the one that exists today. The Commission should reject this attempt by DOEE to create a dated cost recovery environment as it's a model that does not exist broadly and can hinder broader DER deployment.

Pepco conferred with utility colleagues operating DER interconnection processes in Massachusetts and understands that the downstream effect of DOEE's proposed cost recovery construct has been higher cost estimates (by a range of 25-30%) that result in more projects being stalled in the design/construction phase, further resulting in issues with queue management and stale estimates. While Pepco's estimates expire after 90 days, which mitigates some of the risk related to outdated estimates, there are downstream customer impacts related to the higher cost estimates. For instance, the utilities in Massachusetts have substantially more time to compile the cost estimate that serves as the basis for the regulatory cost cap. In fact, they are able to provide a more refined cost estimate further in the process. Moreover, Pepco understands the Massachusetts utilities to charge a range of about $30,000-$80,000 for a Detailed Engineering Study, which is

[1] Pepco notes for the Commission that other states that support DER deployment have supported other cost allocations methods that are not similar to the one proposed by DOEE.

the equivalent of a System Impact Study at Pepco. While Pepco recommends that the Commission fully reject DOEE's recommendations regarding making the EDC solely responsible for cost overruns over its cost estimates, if the Commission does consider DOEE's recommendation, interconnecting customers would likely experience higher cost estimates as well as see higher study fees for system impact studies so that the estimate is more accurate.

Finally, Pepco again raises the issue of timing and what DOEE recommends. DOEE's comments reflect a disregard for the complex process of developing a cost estimate within a truncated timeframe. The key term is *estimate* - Pepco provides a customer with its best estimate within 45 days based on just the information that developers provide in their application and the technical review. In Massachusetts, and as discussed above, the utilities conduct a "true-up of the estimate" *after* construction is completed to further refine their costs. No such refinement is allotted to Pepco within the current regulatory timeframe, and it would not be appropriate to impose the full burden of cost overruns on Pepco in a similar fashion to the construct in Massachusetts, when there are additional safeguards built into the Massachusetts framework that are not available within the District and this is not a widely accepted model across the US.

b. Pepco's Reply to IREC's Recommendation that Cost Recovery Determinations be Made Outside of a Rate Case.

IREC recommends that the Commission adopt regulations that would, instead of the review of cost overruns in a rate case as proposed by the Second NOPR, allow for cost overruns to be reviewed outside of rate case within the "Standing Interconnection Task Force or Forum." At the outset, the Commission should reject this recommendation as a working group, which is essentially what Pepco understands the Interconnection Task Force to be akin to as it has been proposed within the Petition for a Rulemaking for Chapter 29 and Chapter 40,[2] is not the appropriate forum to review prudency of costs that would impact a change in base distribution rates. Further, those interested parties who wish to participate in a prudency review of costs are already afforded that opportunity: they may intervene in a rate case and submit testimony and issue discovery to Pepco within that proceeding.[3] It would contravene due process and fairness to only allow Pepco to recover costs, that were incurred solely to serve one interconnection customer, once a working group reaches consensus on the approval of whether those costs should be recovered outside of a rate case. The Commission should reject this recommendation from IREC.

III. Conclusion

WHEREFORE, for the reasons set forth herein, Pepco respectfully requests that the Commission: (1) grant Pepco's motion for leave to reply, and (2) accept and consider Pepco's reply comments.

Respectfully submitted,

POTOMAC ELECTRIC POWER COMPANY

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May 6, 2025

[2] See Petition filed by CHESSA on September 11, 2024 and Pepco's Reply Comments filed November 12, 2024.
[3] *See* 15 D.C.M.R. 106.1 ("Any person as defined by this chapter, not named as a party in the pleadings initiating a proceeding but having a substantial interest therein, may petition the Commission for leave to intervene.").

CERTIFICATE OF SERVICE

I hereby certify on behalf of Pepco that a copy of Pepco's Motion for Leave to Reply and Reply Comments on the RM40 Second Notice of Proposed Rulemaking was served this May 6, 2025 on all parties in RM40-2024-01- E by electronic mail to:

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