

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

ORDER

May 7, 2025

**FORMAL CASE NO. 1017, IN THE MATTER OF THE DEVELOPMENT AND
DESIGNATION OF STANDARD OFFER SERVICE IN THE DISTRICT OF
COLUMBIA, Order No. 22412**

I. INTRODUCTION

1. By this Order, the Public Service Commission of the District of Columbia (“Commission”) approves the Potomac Electric Power Company’s (“Pepco” or “Company”) proposed retail rates, including the modified administrative charges, for Standard Offer Service (“SOS”) filed on March 6, 2025.¹ Additionally, as the SOS Administrator, Pepco shall file a revised tariff setting forth the adjusted SOS retail rates containing the modified administrative charge within seven (7) calendar days of the date of this Order. The new retail rates and modified administrative charges shall become effective on June 1, 2025.

II. BACKGROUND

2. A consumer’s bill for electricity service consists of three (3) cost components – generation, transmission, and distribution – plus various taxes and surcharges.² Although Pepco serves as the District of Columbia’s (“District”) SOS Administrator, Pepco does not produce electricity, and the rates for electricity, which are reflected in the generation and transmission portion of a customer’s electric bill, are not regulated by the Commission. The Commission only sets rates for the distribution portion of a customer’s bill,³ which, on average, only accounts for 32% of a Residential customer’s bill, while the generation portion accounts for 60%, and the transmission portion accounts for 7% of a Residential customer’s bill on average.⁴

¹ *Formal Case No. 1017, In the Matter of the Development and Designation of Standard Offer Service in the District of Columbia* (“*Formal Case No. 1017*”), Potomac Electric Power Company’s Updated Retail Rates, Including Administrative Charges, for Standard Offer Service, filed March 6, 2025 (“SOS Filing”).

² *Formal Case No. 1017*, Order No. 21133, ¶ 2, rel. March 23, 2022.

³ *Formal Case No. 1139, In the Matter of the Application of the Potomac Electric Power Company for Authority to Increase Existing Retail Rates and Charges for Electric Distribution Service*, Order No. 18846, ¶¶ 3-4, rel. July 25, 2017.

⁴ See SOS Filing at Attachment C.

3. Pursuant to Chapter 41 of the Commission's Rules, Pepco, as the SOS Administrator, obtains electric supply for SOS pursuant to a competitive wholesale procurement process. Pepco purchases this electric supply for SOS customers through power supply contracts in an annual auction. Following the procurement process (SOS auctions), Pepco is required to submit to the Commission the retail SOS rates, including the administrative charges, based on the winning wholesale bids.⁵ By Order No. 21099, the Commission directed Pepco to recover administrative costs associated with a Community Renewable Energy Facility's ("CREF") use of Pepco's system and billing services through the SOS administrative charge.⁶ By Order No. 21986, the Commission directed Pepco to remove costs from the SOS administrative charge associated with implementing and developing a system for CREFs and stated that recovery of these costs would be determined in Pepco's next base rate case as prescribed by D.C. Code § 34-1522.⁷

4. On March 5, 2025, Pepco filed its SOS retail rates.⁸ On March 6, 2025, Pepco filed updated SOS retail rates.⁹ Rule 4103.3 sets forth a comment period followed by a Commission order and a compliance filing by Pepco.¹⁰ On March 5, 2025, the Commission posted a notice soliciting comments on Pepco's March 5, 2025, filing and on March 6, 2025, the Commission posted another notice on Pepco's March 6, 2025, filing, which superseded the first notice.¹¹ No comments were filed.

III. DISCUSSION

5. On March 6, 2025, Pepco filed its proposed retail rates, including the administrative charges, for SOS for the period June 1, 2025, through May 31, 2026.¹² According to Pepco, the proposed retail rates reflect the prices in the power supply contracts awarded in the auctions held on December 9, 2024, and January 6, 2025. In addition to the market prices obtained through the competitive bidding process, and the administrative charge, a Capacity Price Adder was included in retail rates to adjust for the difference between the capacity proxy price in the Request for

⁵ 15 DCMR § 4103.

⁶ *RM40-2020-01, In the Matter of 15 DCMR Chapter 40 – District of Columbia Small Generator Interconnection Rules, and Formal Case No. 1050, In the Matter of the Investigation of Implementation of Interconnection Standards in the District of Columbia*, Order No. 21099, ¶ 11, rel. January 14, 2022 ("Order No. 21099").

⁷ *Formal Case No. 1017*, Order No. 21986, ¶ 11, rel. May 1, 2024 ("Order No. 21986").

⁸ *Formal Case No. 1017*, Potomac Electric Power Company's Retail Rates, Including Administrative Charges, for Standard Offer Service, filed March 5, 2025.

⁹ SOS Filing.

¹⁰ 15 DCMR § 4103.3.

¹¹ *Formal Case No. 1017*, Notice, rel. March 6, 2025 ("Notice").

¹² SOS Filing.

Proposals and the actual PJM Base Residual Auction price as part of the 2025-2026 PJM capacity auction.¹³

6. Pepco provided the average dollar and percentage change in total bills for each rate class. Residential customers will see an approximate increase of \$20.81 per month or 17.7%,¹⁴ customers in the Master Metered Apartment class will see an approximate increase of \$13.49 per month or 17.2%,¹⁵ Small Commercial customers will see an increase of \$43.91 per month or 16.1%,¹⁶ and Large Commercial customers will see an increase of 12.1%.¹⁷ The Residential SOS customers' generation rate during the summer will increase from 9.7 cents per kWh to 13.1 cents per kWh, while the winter generation rate will increase from 10.7 cents per kWh to 13.9 cents per kWh.¹⁸

7. The administrative charge for Residential customers will decrease from \$0.00465 to \$0.00345, and will decrease for Small Commercial customers from \$0.00690 to \$0.00475.¹⁹ Pepco proposes increasing the administrative charge for Large Commercial customers from \$0.00125 to \$0.00425. Pepco represents that over-collections of \$644,094 primarily drive the decrease in the Residential administrative charge, while the decrease in the Small Commercial administrative charge is primarily driven by the expected decrease in under-collections.²⁰ Pepco also explains that the increase in the administrative charge for Large Commercial customers is primarily driven by the expected decrease in over-collections for Large Commercial customers.²¹ Pepco also notes that CREF-related expenses for the period June 1, 2023, to May 31, 2024, are reflected in the administrative charge and that the administrative charge includes estimated CREF administrative and billing costs for the period June 1, 2025, to May 31, 2026.²²

¹³ SOS Filing at 2.

¹⁴ Attachment C. On average, the generation portion of the bill for SOS for a Residential customer (excluding Master Metered Apartment and Residential Aid Discount customers) will increase by about \$20.81 per month for the average user.

¹⁵ SOS Filing at 2 and Attachment C.

¹⁶ SOS Filing at 2, and Attachment C.

¹⁷ SOS Filing at 2, and Attachment C.

¹⁸ SOS Filing at Attachment C.

¹⁹ SOS Filing at 2.

²⁰ SOS Filing at 2.

²¹ SOS Filing at 2.

²² SOS Filing at 1.

IV. DECISION

8. The Commission has reviewed the SOS filing, and we conclude that the revised SOS rates are consistent with the winning bids received during the most recent round of the SOS auction bidding. Generation rates have risen substantially, primarily due to capacity price increases. This rate increase is due to the retirement of generating facilities across the regional electric wholesale market, increasing demand for electricity by new high-usage regional data centers, and increasing mandates from the District's Renewable Energy Portfolio Standard. In July 2024, the PJM Interconnection LLC held its capacity auction for the 2025-2026 delivery year, which resulted in capacity prices that hit record highs.²³ The Commission lacks regulatory control over the capacity auctions and the prices that result from them. In response to these increased capacity prices, the Commission filed comments through the Organization of PJM States, Inc., regarding the rules that govern the auction to ensure that future auctions produce just and reasonable rates.²⁴ The Commission also approved the formation of the PJM Capacity Auction Task Force, which will result in a recommendation report to the Commission on this topic.²⁵

9. Pepco states that actual CREF costs for SOS year 2023 to 2024 totaled \$815,179.37, while estimated CREF costs for SOS year 2025 to 2026 are \$800,000 and are based on actual CREF costs from SOS year 2023 to 2024.²⁶ Pepco notes that the actual CREF costs for SOS year 2023 to 2024 were higher than forecasted due to \$405,215.15 of incremental operations and maintenance costs related to the CREF billing system implementation that were not included in the original forecast filed in March 2023.²⁷ Of the \$815,179.37 actual CREF costs for SOS year 2023 to 2024, Pepco states that \$409,964.22 are administrative non-Information Technology ("IT") costs while \$405,215.15 are nonrecurring IT-related costs to support the CREF billing system implementation.²⁸

10. The Commission will allow the inclusion of the \$409,964.22 administrative non-IT costs in the SOS administrative charge because these are incremental recurring costs for

²³ Ethan Howland, *PJM capacity prices hit record highs, sending build signal to generators*, UTILITY DIVE, July 31, 2024, <https://www.utilitydive.com/news/pjm-interconnection-capacity-auction-vistra-constellation/722872/>.

²⁴ *Organization of PJM States, Inc.*, FERC Docket No. EL24-148-000, (October 8, 2024).

²⁵ *General Docket No. 2024-02-M, In the Matter of the Petition for an Investigation into the Impact of the PJM Capacity Auction and a Request for the Establishment of a Task Force to Develop Solutions*, and *Formal Case No. 1183, In the Matter of the Application of the Potomac Electric Power Company for Authority to Increase Existing Retail Rates and Charges for Electric Distribution Service*, Order No. 22334, rel. December 9, 2024.

²⁶ SOS Filing at Attachment D. Order No. 21986 directed Pepco, among other things, to file detailed workpapers, calculations, and explanations of all forecasted CREF costs from June 1, 2024, to May 31, 2025, by July 31, 2024. These forecasted CREF costs will be trued-up by Pepco and then reviewed by the Commission in next year's SOS filing.

²⁷ *Data Request No. 1017*, Potomac Electric Power Company's Response to Staff Data Request No. 14, filed April 1, 2025 ("Pepco's Data Response") at 2. *Data Request No. 1017*, Potomac Electric Power Company's Response to Staff Data Request No. 14 Follow-Up, filed April 10, 2025.

²⁸ Pepco's Data Response at Attachment 1.

procuring and providing the service, which can be recovered through the SOS administrative charge.²⁹ The Commission will not allow the \$405,215.15 of IT costs in the SOS administrative charge. These costs relate to implementing and developing a system for CREFs. These costs should not be recovered through the SOS administrative charge. Pepco may recover these implementation costs “solely through a rate assessment of the subscribers” as prescribed in D.C. Code § 34-1522.³⁰ Thus, if deemed appropriate, recovery of these costs will be determined in Pepco’s next base rate case. Pepco is directed to remove the \$405,215.15 in IT costs from the SOS administrative charge. Because the forecasted CREF costs for SOS year 2025 to 2026 are based on actual CREF costs for the SOS year 2023 to 2024, the Commission directs Pepco to also remove \$400,000 in forecasted costs for SOS year 2025 to 2026.

11. After reviewing the information in the SOS filing, we conclude that the administrative charges, except for those costs outlined in paragraph 10, reflect reasonable administrative costs as prescribed by the Commission. The Commission, therefore, approves Pepco’s proposed retail rates, including the administrative charges, except for those costs outlined in paragraph 10, for SOS. We direct Pepco to file a revised tariff setting forth the adjusted SOS retail rates containing the updated administrative charge consistent with the directive in paragraph 10 within seven (7) calendar days of the date of this Order. Accordingly, the new retail rates and modified administrative charges shall become effective on June 1, 2025, unless otherwise ordered by the Commission.

THEREFORE, IT IS ORDERED THAT:

12. The Potomac Electric Power Company’s Response to Commission Staff’s Data Request No. 14, dated April 1, 2025, and the Potomac Electric Power Company’s Response to Commission Staff’s Data Request No. 14 Follow-Up, dated April 10, 2025, are **ENTERED** into the record;

13. The Potomac Electric Power Company’s proposed retail rates, including the modified administrative charges, for Standard Offer Service filed on March 6, 2025, are hereby **APPROVED**;

²⁹ Order No. 21099, ¶ 11. *See* 15 D.C.M.R. § 4103.4.

³⁰ D.C. Official Code § 34-1522. Order No. 21986, ¶ 11, rel. May 1, 2024.

14. The Potomac Electric Power Company is **DIRECTED** to submit a revised tariff setting forth the new rates for Standard Offer Service consistent with the directive in paragraphs 10 and 11 within seven (7) calendar days of the date of this Order; and

15. The new retail Standard Offer Service rates shall become effective on June 1, 2025.

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. 1017, IN THE MATTER OF THE DEVELOPMENT AND DESIGNATION OF
STANDARD OFFER SERVICE IN THE DISTRICT OF COLUMBIA,**

Date 5/7/25 Formal Case No. 1017 Tariff No. _____ Order No. 22412

	Approve Initial & Date	Disapprove Initial & Date	Abstain Initial & Date
Chairman Emile Thompson	<u>ET/CL 5/7/25</u>	_____	_____
Commissioner Richard A. Beverly	<u>RB/CL 5/7/25</u>	_____	_____
Commissioner Ted Trabue	<u>TT/CL 5/7/25</u>	_____	_____

Certification of Action

C. Lipscombe
General/Deputy General Counsel

Stephan Jaksch
OGC Counsel/Staff