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June 4, 2025

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

Re: Formal Case No. 1017

Dear Ms. Westbrook-Sedgwick:

Enclosed please find Potomac Electric Power Company's Motion for Clarification of Order No. 22412 in the above-referenced matter.

Please contact me if you have any further questions.

Sincerely,

/s/ Dennis P. Jamouneau

Dennis P. Jamouneau

Enclosures

cc: All Parties of Record

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF THE DISTRICT OF COLUMBIA**

IN THE MATTER OF)
)
THE DEVELOPMENT AND DESIGNATION OF) **Formal Case No. 1017**
STANDARD OFFER SERVICE IN THE DISTRICT)
OF COLUMBIA)
)

**POTOMAC ELECTRIC POWER COMPANY’S
MOTION FOR CLARIFICATION OF ORDER NO. 22412**

Potomac Electric Power Company (“Pepco,” or the “Company”) hereby files, pursuant to Section 604(b) of Title 34 of the District of Columbia Official Code (“D.C. Code”) and Rule 140.1 of the Public Service Commission of the District of Columbia’s (“Commission”) Rules of Practice and Procedure (“Rules”), for clarification of certain aspects of Order No. 22412 as discussed below.¹

1. The Commission Should Clarify the Recovery of Costs Related to the Administration of the CREF Program.

Pepco requests clarification on the method by which it can recover certain CREF-related expenses and the proceedings in which it can do so. As the Commission has reviewed and approved Pepco’s SOS retail rates, which include the SOS Administrative Charge, over the course of the last several years,² the Commission has provided some guidance on the types of costs that are appropriately recovered through the SOS Administrative Charge versus those that should be

¹ Formal Case No. 1017, Order No. 22412 (May 7, 2025) (“Order”).

² D.C. Code §1522 states: “Pursuant to §§ [34-1101](#) and [34-901](#), the electric company may seek recovery of any costs associated with *the implementation of this chapter* in a base rate case. In a base rate case filing that includes recovery of such costs, the electric company shall include in its filing with the Commission any benefits and costs to the electric company. Any recovery of the net costs by the electric company approved by the Commission shall occur solely through a rate assessment of the subscribers” (*italics added*).

assessed to Subscribers pursuant to D.C. Code § 34-1522. For example, in Order No. 21986,³ issued in 2024, the Commission appeared to draw a distinction between Operation and Maintenance (“O&M”) expenses, which could be flowed through the SOS Administrative Charge, and capital expenses, which may be recovered from Subscribers. However, in the recent Order, the Commission indicated that certain IT costs could not be recovered through the SOS Administrative Charge even though those costs are O&M and not capital costs. Thus, and because Pepco expects to continue to incur costs to support the CREF program, including IT costs, Pepco seeks clarification from the Commission so that the Company can properly allocate CREF-related costs and, where adequately supported, recover those costs. Uncertainty over how to allocate and from whom the costs can be recovered prejudices the Company because Pepco must administer and support the CREF program, but must also be provided the opportunity to recover its prudently-incurred costs for doing so.

Specifically, the recent Order introduces a new standard that sets forth how, and under what mechanism, Pepco can recover certain CREF-related costs. In Paragraph 10 of the Order, the Commission says:

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. Thus, if deemed appropriate, recovery of these costs will be determined in Pepco’s next base rate case.

The “IT costs” referenced in the Order are not capital costs but rather O&M costs intended to refine the Company’s billing process and management of the CREF program.⁴ Additionally, these

³ Formal Case No. 1017, Order No. 21986 (May 1, 2024).

⁴ See Pepco’s Response to Commission Staff DR14-2, DR1017 (April 1, 2025).

costs are not related to the “implementation” of the CREF program.⁵ Based on Order No. 21986, Pepco had determined that such costs were appropriate for recovery in SOS rates within the SOS Administrative Charge. Specifically, in Order No. 21986, the Commission held:⁶

The Commission will allow the inclusion of the \$775,000 forecasted administrative labor costs and \$499,945.92 forecasted recurring operating and maintenance costs in the administrative charge because these are incremental costs for procuring and providing the service, which can be recovered through the SOS administrative charge.

The Commission also decided:⁷

The Commission is not inclined to allow the \$501,590.66 capital costs in the 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 by D.C. Code § 34-1522.36 Thus, if deemed appropriate, recovery of these costs will be determined in Pepco’s next base rate case.

As such, Order No. 21986 seemed to be drawing a line between O&M and capital costs. However, the recent Order focused more on the “recurring” nature of the cost compared to whether or not the cost related to “implementation.”⁸ Pepco respectfully requests additional clarity on how the Commission delineates costs that are appropriate for inclusion in the SOS Administrative Charge from costs that are required to be assessed to Subscribers under D.C. Code § 34-1522, so that the Company can properly allocate its CREF-related costs going forward.

⁵ See Pepco’s Response to Commission Staff Follow-up DR14-1, Attachment 1, DR1017 (Apr. 10, 2025).

⁶ Order No. 21986 at Paragraph 11.

⁷ *Id.*

⁸ As noted above, IT costs will continue to be incurred in the future as needed and thus could also be considered “recurring” in nature.

2. The Commission Should Clarify How Pepco Can Assess CREF Subscribers.

The Company is incurring significant ongoing costs to support the CREF program and, according to the statute and the Commission's decisions cited in this filing, some CREF-related costs must be assessed to CREF Subscribers. Pepco respectfully requests that the Commission clarify how Pepco will assess Subscribers for the CREF-related expenses required by the law. Pepco asks for this guidance because it will be more efficient to determine the method up-front rather than litigate it in a base rate case. In the alternative, Pepco would request that the Commission initiate and have Staff chair a limited working group to discuss and prepare a report on this issue for the Commission's consideration.

In making this request, Pepco understands that the Company has the burden of demonstrating that certain CREF-related costs are reasonable and prudent in order to recover those costs. Moreover, Pepco does not dispute that the law requires Pepco to recover certain costs from CREF Subscribers and that the Commission – along with the clarification sought in Part 1, above – has determined that certain costs cannot be recovered from distribution customers or through the SOS Administrative Charge. However, no mechanism has been developed to assess CREF Subscribers, who are customers that are generally low-income (through the Solar For All program), can change monthly, and are not on a dedicated rate schedule.

Given these factors, which are unique to the CREF program, developing a mechanism to assess Subscribers will be difficult. In order to mitigate unnecessary litigation during the course of the next rate case, when Pepco would seek to recover prudently-incurred CREF-related costs from Subscribers in accordance with D.C. Code § 34-1522, Pepco seeks either (a) Commission direction on the mechanism by which such costs can be recovered or (b) the Commission direct Staff to institute a limited duration working group with relevant stakeholders to find consensus

and develop recommendations for the Commission's consideration on an appropriate mechanism by which to assess such costs to CREF Subscribers in the future. Failing to provide such direction or reach consensus now perpetuates uncertainty and can prejudice the Company's ability to incur future expenses in an area where there is alignment among the parties, the Commission, and the District on the need to facilitate the deployment of CREFs in the District of Columbia.

CONCLUSION

For the foregoing reasons, Pepco respectfully requests that the Commission clarify the Order, as discussed herein.

Respectfully Submitted,

POTOMAC ELECTRIC POWER COMPANY

By: /s/ *Dennis P. Jamouneau*

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June 4, 2025

CERTIFICATE OF SERVICE

I hereby certify a copy of Potomac Electric Power Company's Motion for Clarification of Order No. 22412 was served this June 4, 2025 on all parties in Formal Case No. 1017 by electronic mail.

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