

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

ORDER

June 18, 2025

**PEPPOR-2024-01, IN THE MATTER OF POTOMAC ELECTRIC POWER COMPANY'S
PURCHASE OF RECEIVABLES PROGRAM, Order No. 22442**

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”) Purchase of Receivables (“POR”) proposed tariff for Residential Class, Large Commercial Class, and Small Commercial Class customers. The POR tariff, as reflected in the Notice of Final Tariff (“NOFT”), becomes effective upon the NOFT’s publication in the *D.C. Register*.

II. BACKGROUND

2. By Order No. 16916, the Commission established a POR program for electricity in the District of Columbia (“District”).¹ A POR program allows retail electricity suppliers to sell their unpaid customer bills (called receivables) to the utility—in this case, Pepco. In this scheme, the Commission authorizes Pepco to purchase the receivables of any supplier enrolled in the program. Thus, suppliers avoid the risk of not getting paid because the utility buys these bills at a discount. In other words, the risk of collecting unpaid debt is shifted from suppliers to the utility. As the owner of the unpaid debt, the utility bears the responsibility of collecting the payments from the customers. This arrangement helps suppliers manage their cash flow and reduces their financial risk, while the utility earns a small discount for taking on the risk of collecting unpaid bills.² This allows customers to switch suppliers more easily and provides competitive suppliers with a payment assurance mechanism for their unpaid customer bills by selling them to Pepco.³ The Commission’s intent was to improve customer choice, thereby increasing competition, and reducing the commodity price of electricity through the POR program.⁴ Ideally, a POR program should lead to more affordable options for consumers (through competition) while enhancing the reliability and stability of the District’s electricity grid. However, the Commission approval made clear that no part of the POR program costs should be recovered from ratepayers.⁵

¹ *Formal Case No. 1085, In the Matter of the Investigation of a Purchase of Receivables Program in the District of Columbia (“Formal Case No. 1085”), Order No. 16916, rel. September 20, 2012 (“Order No. 16916”).*

² *Formal Case No. 1085, Order No. 16916, ¶ 3.*

³ *Formal Case No. 1085, Order No. 16916, ¶ 3.*

⁴ *Formal Case No. 1085, Order No. 16916, ¶ 25.*

⁵ *Formal Case No. 1085, Order No. 16916, ¶ 42.*

3. In relevant part, Pepco's POR program permits or requires the Company to purchase the receivables of retail electricity suppliers at a discounted rate—at least equal to the utility's actual uncollectible rate (bad debt rate). POR programs shift the risk of collecting unpaid debt from the suppliers to the Company. Pepco's POR Discount Rate is made up of several components, such as the Company's actual bad debt expense, cash working capital, program costs, late payment revenues, a Risk Component, and the Reconciliation Factor. The POR Discount Rate functions to provide a discount to Pepco for purchasing the electricity that a supplier requires to provide electricity to the supplier's customer. The discount rate is applied to the monthly payments Pepco makes to retail suppliers and is subject to a periodic reconciliation process.

4. On April 30, 2024, Pepco filed a proposed tariff to update the POR Supplier Discount Rate.⁶ Pepco's POR Supplier Discount Rate Update modifies the Company's Electric Supplier Coordination Tariff (Electric Supplier—P.S.C. of D.C. No. 1). The Commission issued a Notice of Proposed Tariff ("NOPT") published in the *D.C. Register* on May 17, 2024, inviting public comments.⁷ On June 17, 2024, NRG Energy, Inc. and Constellation NewEnergy, Inc., and their respective retail affiliates (collectively, "the Suppliers") filed comments in response to the NOPT.⁸ On July 1, 2024, Pepco filed a motion for leave to file reply and limited reply comments, including new proposed tariff language in response to the Suppliers' Comments.⁹ On August 7, 2024, the Commission issued Order No. 22259, rejecting Pepco's April 30, 2024, proposed tariff and directing Pepco to calculate its POR Discount Rate using Calendar Year 2022 Residential Customer Class expenses as a proxy for calculating the Company's 2024 POR Discount Rate.¹⁰ Pepco filed a tariff update on August 16, 2024, in response to Order No. 22259 and filed a superseding, revised tariff update on September 6, 2024.¹¹ The Commission issued a NOPT published in the *D.C. Register* on October 4, 2024, inviting public comments.¹² No comments were received. On March 6, 2025, the Commission issued Order No. 22379 rejecting the revised tariff update filed on September 6, 2024, and directed the Company to file a tariff update that will have no impact on non-POR ratepayers and that is consistent with Order No. 22259.¹³

⁶ *PEPPOR-2024-01*, Potomac Electric Company's Purchase of Receivables Supplier Discount Rate Update, filed April 30, 2024.

⁷ 71 *D.C. Reg.* 006318-006320 (May 17, 2024).

⁸ *PEPPOR-2024-01*, Comments from NRG Energy, Inc. and Constellation NewEnergy, Inc., filed June 17, 2024 ("Supplier Comments").

⁹ *PEPPOR-2024-01*, Pepco's Motion for Leave to Reply and Limited Reply Comments, filed on July 1, 2024.

¹⁰ *PEPPOR-2024-01*, Order No. 22259, rel. August 7, 2024 ("Order No. 22259").

¹¹ *PEPPOR-2024-01*, Pepco's Update of the POR Supplier Discount Rate, filed August 16, 2024; Pepco's Revised POR Supplier Discount Rate, filed September 6, 2024 ("Revised POR Supplier Discount Rate").

¹² 71 *D.C. Reg.* 012073-012075 (October 4, 2024).

¹³ *PEPPOR-2024-01*, Order No. 22379, rel. March 6, 2025.

5. On March 17, 2025, Pepco filed a compliance tariff update to the POR Supplier Discount Rate as directed by Order No. 22379.¹⁴ The Commission issued a NOPT published in the *D.C. Register* on March 28, 2025, inviting public comments within thirty (30) days.¹⁵ On May 2, 2025, the Retail Energy Supply Association (“RESA”) filed comments.¹⁶

III. DISCUSSION

6. **Pepco POR Tariff.** Pepco’s Compliance POR Supplier Discount Rate includes the language of the Supplier Tariff, Schedule 3, describing the components and derivation of the POR Supplier Discount Rates, including the proposed Discount Factors. The tariff update describes how the Discount Rates are derived using the POR data from the period of January through December 2023, a summary showing the results of the Write-Offs, including Reinstatements, and Late Payment Revenues expressed as a percentage of Third-Party Supplier Revenues for Residential Customers served under Schedules R and MMA, Small Commercial Customers served under Schedules GS-LV-ND, T, SL, TS, TN, and OL-LED, and Large Commercial customers served under Schedules GS-LV, GS-3A, MGT-LV, GT-LV, GT-3A, GT-3B, and RT. The Discount Rate proposed on the receivables associated with Residential customers is 11.3079% on Schedules R and MMA, and 0.0000% for Small Commercial customers, Schedules GS-LV-ND, T, SL, TS, and OL-LED.¹⁷ The Discount Rate for Large Commercial customers, Schedules GS-LV, GS-3A, MGT-LV, GT-LV, GT-3A, GT-3B, and RT, remains at 0.0000%.¹⁸

7. **RESA Comments.** RESA states that it is concerned that Pepco’s proposed POR Discount Rate is so high that it will render existing contracts uneconomic and deter suppliers from entering the District’s retail electricity market.¹⁹ RESA argues that a high POR discount rate could effectively end competition for the District’s retail electricity market as suppliers may be unable to offer prices below Pepco’s SOS price.²⁰ RESA urges the Commission to take every step possible to encourage retail competition through the POR program.²¹ Finally, RESA would welcome an

¹⁴ *PEPPOR-2025-01*, Potomac Electric Company’s Revised Purchase of Receivables Supplier Discount Rate Update, filed March 17, 2025 (“Compliance POR Supplier Discount Rate”).

¹⁵ *72 D.C. Reg.* 003584-003586 (March 28, 2025).

¹⁶ *PEPPOR-2025-01*, Comments from Retail Energy Supply Association, filed May 2, 2025 (“RESA Comments”). The Commission notes that RESA did not file a motion to file out of time to accompany its untimely comments. Nevertheless, the Commission finds good cause to allow RESA’s comments to remain on the record, and no interested person would be prejudiced by this action.

¹⁷ *PEPPOR-2025-01*, Compliance POR Supplier Discount Rate at Attachment A, Seventh Revised Page Nos. 41 and 42.

¹⁸ Compliance POR Supplier Discount Rate at Attachment A, Seventh Revised Page Nos. 41 and 42.

¹⁹ *PEPPOR-2025-01*, RESA Comments at 1.

²⁰ *PEPPOR-2025-01*, RESA Comments at 2.

²¹ *PEPPOR-2025-01*, RESA Comments at 3.

opportunity to comment on the future of POR programs because, according to the trade association, the current POR rates do not support the goals of the program.²²

IV. DECISION

8. In determining whether a POR program was worth exploring, the Commission recognized that POR programs are but one factor that may affect supplier competition.²³ At the inception of the POR program, the Commission stated that the POR program is intended to promote customer choice, which increases competition and reduces the commodity price of electricity.²⁴ The Commission intended the program to encourage retail electricity competition in the District, without the program having any adverse impact on non-POR ratepayers.²⁵

9. In Order No.22259, the Commission rejected Pepco's proposed calculation of the 2024 POR Discount Rate because it found that it would create a rate that would not be just and reasonable and harm retail suppliers and retail competition in the District.²⁶ The proposed discount rate in the April 30, 2024, filing was consistent with the Commission approved methodology from previous years, but we found that the use of 2023 actual expenses to calculate the 2024 POR Discount Rate resulted in a significantly higher POR residential Discount Rate. This significant increase in the residential discount rate compared to 2022 was primarily because of the resumption of collection activity following the lifting of the COVID-19 moratorium. In that same Order, we rejected Pepco's alternative July 1 proposal to lower the 2024 POR discount rate for residential customers. The Commission unanimously held that the proposed calculation methodology, leading to a lower discount rate of 5.42%, would not resolve the magnitude of the future POR Discount Rate increase for residential customers and may have a chilling effect on electricity supplier competition in the District. In other words, given the 2023 bad debt expense and expected continuation of the bad debt trends, the proposed two-year amortization of 2023 uncollectibles that Pepco proffered as an alternative rate would postpone the significant POR Discount Rate increase for residential customers to next year. As a result, we directed Pepco to submit a new residential POR Discount Rate tariff using Residential Calendar Year 2022 Bad Debt Expenses and Late Fees Revenues as a proxy for calculating the Company's 2024 residential POR Discount Tariff. The Commission approved Washington Gas Light Company's ("WGL") use of this methodology to calculate their POR Discount Rate.²⁷

²² PEPPOR-2025-01, RESA Comments at 3.

²³ Formal Case No. 1085, Order No. 16767, ¶ 21 rel. April 16, 2012.

²⁴ Formal Case No. 1085, Order No. 16916, ¶ 25.

²⁵ Formal Case No. 1085, Order No. 16916, ¶¶ 25 and 42.

²⁶ PEPPOR-2024-01, Order No. 22259.

²⁷ WGPOR-2024-01, Order No. 22244, rel. July 29, 2024.

10. In Order No. 22379, the Commission rejected a third residential POR Discount Rate proposal by Pepco.²⁸ The September 6, 2024, filing proposed moving a net imbalance out of the Residential POR Discount Rate calculation in an effort to comply with Order No. 22259 and decrease the residential discount rate. However, the Commission unanimously held that the September 6th POR Discount Rate for residential customers creates a rate that would impose an additional financial burden on Standard Offer Service ratepayers that would not be just and reasonable. The Order also reaffirmed a guiding principle associated with the formation of the POR program, that “no part of the POR program costs should be recovered from ratepayers.”²⁹ We noted that “it is apparent from reviewing Pepco’s proposals that there is no simple way to mitigate a high POR Discount Rate without impacting non-POR ratepayers” and that “[T]he Commission still believes that the POR program must be a self-contained program with all of its cost components contained therein.”³⁰ Therefore, the Commission directed Pepco to recalculate its 2024 Residential POR Discount Rate based on the Reconciliation Factor using 2023 actual net write-offs instead of 2022 Actual Residential net write-offs as a proxy.

11. In their May 2025 Comments, RESA raised an argument that this substantial increase in the POR Discount Rate could impact the availability of residential electricity offers in the District. However, the Commission reminds the parties that the POR program is a voluntary program that directly benefits retail electricity suppliers by reducing their financial liabilities related to uncollectible expenses. We note that the primary cause of the rising Residential POR Discount Rate is an increase in uncollectible expenses. This demonstrates that the financial risk associated with these uncollectible accounts is higher than it has ever been at any point in the history of the POR program in the District. The Commission supports novel ideas to encourage more business opportunities in the District, but these ideas must be implemented in a way that is just and reasonable for all ratepayers in the District and must promote a stable market that benefits all stakeholders. Additionally, while the Commission wants to encourage competition, that does not mean it has to completely de-risk the business model for competitive suppliers. Competitive suppliers are, in fact, competitive suppliers.³¹ The Commission’s primary obligation is to all ratepayers, and we will continue to take steps that protect every ratepayer equally and equitably.

12. Upon review of Pepco’s Compliance POR Tariff Update, including the supporting calculation tables and schedules for each component of the POR Discount Rate filed on March 17, 2025, the Commission is satisfied that all of the costs of the POR program are captured in the proposed POR Discount Rate. The Commission finds that the proposed POR Discount Rate would have no detrimental impact on non-POR ratepayers and achieves the Commission’s requirement that the POR program costs must be self-contained. Based on the calculation methodology

²⁸ *PEPPOR-2024-01*, Order No. 22379, rel. March 6, 2025 (“Order No. 22379”).

²⁹ *PEPPOR-2024-01*, Order No. 22379, ¶ 21.

³⁰ *PEPPOR-2024-01*, Order No. 22379, ¶ 8.

³¹ During the period of six years since Pepco’s POR program was established, the number of electric competitive suppliers increased by over 300%: from 12 in 2012 to 40 in 2018. (*See* Commission’s Annual Report for 2012-2018.) In the next five years, the increase was around 12% from 40 in 2018 to 45 in 2023. (*See* Commission’s Statistical Report for 2017-2023.) This demonstrates that the majority of suppliers have been present in the District for a number of years. The retail energy industry is mature enough to handle its own credit and business risk.

approved by the Commission and included in Pepco's Compliance POR Tariff Update, the Commission approves a Residential Customer Discount Rate of 11.3079%, a Large Commercial Customer Discount Rate of 0.00%, and a Small Commercial Customer Discount Rate of 0.00%.

13. Finally, the Commission recognizes the need to address the continued increase in Residential Customer Class cumulative under-collection amounts. The Commission will issue a Notice of Inquiry in tandem with this Order, seeking comments from stakeholders, WGL and Pepco to address the future of the POR program in the District.

THEREFORE, IT IS ORDERED THAT:

14. Potomac Electric Power Company's proposed Purchase of Receivables Discount Rate as reflected in the Notice of Final Tariff, is **APPROVED**; effective upon the Notice of Final Tariff's publication in the *D.C. Register*.

A TRUE COPY:

BY DIRECTION OF THE COMMISSION:



CHIEF CLERK:

**BRINDA WESTBROOK-SEDGWICK
COMMISSION SECRETARY**

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

June 18, 2025

**PEPPOR-2024-01, IN THE MATTER OF POTOMAC ELECTRIC POWER COMPANY'S
PURCHASE OF RECEIVABLES PROGRAM**

DISSENT OF COMMISSIONER BEVERLY TO ORDER NO. 22442

1. The purpose of Pepco's POR program is laid out in Order No. 22379. Briefly put, the purpose of the POR program is to encourage a competitive market by allowing electricity suppliers to avoid the risk of not being paid by selling their unpaid customer bills (receivables) to the utility at a discount. This arrangement helps suppliers manage their cash flow. The utility assumes the risk of collecting the entire amount of the unpaid bill and keeps the difference between the discount and the full amount that it collects.

2. For 2024 rates, Pepco initially proposed an increase in the POR rate from 3.9807% to 14.8693%, a staggering 273.5% increase that suppliers told the Commission would render it "impossible for suppliers to offer competitive savings to District residential customers."¹ These suppliers also stated that this was the highest proposed rate they had seen in any jurisdiction.

3. As noted in Order No. 22259, the 14.9% figure was calculated by using Pepco's actual bad debt expense. The number ballooned to 14.9% because it coincided with lifting the COVID-19 moratorium on collections. The Commission rejected the 14.9% rate because we were concerned that the high POR discount rate could make it impossible for suppliers to offer competitive prices in the future. The Commission specifically found that it was in the best interest of ratepayers to calculate the POR Discount Rate using a methodology that facilitates competition.²

4. In reaching the conclusion to reject the 14.9% discount rate, the Commission also considered Pepco's offer to use the same methodology used by Delmarva Power and Light, which has amortized POR-related costs to lower POR rates. This would result in a 2024 rate of 5.42%.³ The Commission rejected this proposal, preferring instead to try and better align actual debt to the discount rate using the methodology for WGL. That required Pepco to recalculate its POR for 2024 using 2022 bad debt expenses as a proxy. Pepco calculated a new residential POR rate of 7.7466%. The Commission rejected this rate, and now is finalizing a rate of 11.3079%, which is still an

¹ *PEPPOR-2024-01*, Letter of NRG Energy, Inc., and Constellation NewEnergy, Inc., and their respective retail affiliates. Filed June 17, 2024.

² Order No. 22259, ¶ 11.

³ *PEPPOR-2024-01*, Potomac Electric Power Company's Motion for Leave to Reply and Limited Reply Comments. Filed July 1, 2024.

enormous increase from the existing 3.9807%. According to RESA's most recent comments, this 184% increase in the discount rate will likely drive suppliers out of the market.⁴

5. The problem with all of this is that we're trying to balance the goal of fostering competition through the POR program against a need to recover the actual debt and do it within the confines of the POR program itself (so ratepayers aren't paying for it). If we continue to believe that the POR program is necessary to foster competition, then we may have to reconsider how costs are recovered. If suppliers are driven out of the market, the POR program will collapse. All future bad debt customers will be on SOS service and all the bad debt costs will fall on ratepayers anyway. The only difference would be that we destroyed the competitive market in the process. Also, as RESA points out, Order No. 22259 said that we would issue a separate order inviting comments on the future of the POR program in the District. Although we are now issuing that inquiry, I would prefer that we delay raising the rate precipitously before listening to what commenters have to say about the program itself.⁵ Therefore, I think we should temporarily adopt the 5.42% rate proposed by Pepco so we do not inadvertently harm the competitive market.⁶ This is particularly important given the Commission's own decisions to raise distribution rates significantly for both the electric and gas utilities, which contributes to rising bad debts.

⁴ RESA, in its comments, also cautioned the Commission against raising the POR rate for WGL for the same reasons.

⁵ Footnote 31 in the majority opinion notes how the supplier market has grown under the POR but inexplicably uses this success to conclude that the supplier market can do without the POR altogether, a view that seemingly prejudices a Commission conclusion on the NOI.

⁶ I fully recognize, as the majority points out, that the decision to reject the rate of 5.42% was unanimous and that we made the decision on the grounds that the rate may be detrimental to the market. However, based on subsequent information from the suppliers, the alternative of a 11.3079% rate may be even more detrimental to the market. Faced with two potentially detrimental alternatives, I've reconsidered my original position and picked the option that I think would cause the least disruption for now until we can better understand the consequences of our actions.

COMMISSION ACTION

PEPPOR-2024-01, IN THE MATTER OF POTOMAC ELECTRIC POWER COMPANY'S PURCHASE OF RECEIVABLES PROGRAM,

Date 6/18/25 Formal Case No. PEPPOR-2024-01 Tariff No. _____ Order No. 22442 & NOFT

	Approve Initial & Date	Disapprove Initial & Date	Abstain Initial & Date
Chairman Emile Thompson	<u>ET/JP 6/18/25</u>	_____	_____
Commissioner Richard A. Beverly	<u>RB/JP 6/18/25</u>	_____	_____
Commissioner Ted Trabue	<u>TT/JP 6/18/25</u>	_____	_____

Certification of Action

Jamond D. Perry
General/Deputy General Counsel

Hunter Davis
OGC Counsel/Staff