

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

**ORDER**

**July 2, 2025**

**FORMAL CASE NO. 1176, IN THE MATTER OF THE APPLICATION OF THE  
POTOMAC ELECTRIC POWER COMPANY FOR AUTHORITY TO IMPLEMENT A  
MULTIYEAR RATE PLAN FOR ELECTRIC DISTRIBUTION SERVICE IN THE  
DISTRICT OF COLUMBIA, Order No. 22453**

**I. INTRODUCTION**

1. By this Order, the Public Service Commission of the District of Columbia (“Commission”) grants the Motion for Clarification of the Office of the People’s Counsel for the District of Columbia (“Office” or “OPC”) and clarifies where it derived the 7.27% rate of return (“ROR”) listed in Schedule 1 of Order No. 22328.

**II. BACKGROUND**

2. On April 13, 2023, the Potomac Electric Power Company (“Pepco”) filed an application, which it calls “Climate Ready Pathway,” for approval to increase rates by implementing a second Multi-year Rate Plan (“MRP”) for its electric distribution service in the District of Columbia (“District”) from Calendar Years (“CY”) 2024 through 2026.<sup>1</sup> By Order No. 22328, the Commission approved a *Formal Case No. 1176* Modified MRP Extended Pilot, which authorized Pepco to increase its electric distribution rates during a two-year term with a revenue requirement of \$99.7 million in 2025 and \$23.7 million in 2026 for a cumulative revenue requirement increase of \$123.4 million over two years.<sup>2</sup>

3. OPC filed a Motion for Clarification regarding why the ROR of 7.27% was used to calculate the CY 2024 revenue requirement in Schedule 1 of Order No. 22328.<sup>3</sup> OPC states that unless the Commission can clarify this with support, the proper ROR to be used in Schedule 1 is

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<sup>1</sup> *Formal Case No. 1176, Application of Potomac Electric Power Company for Authority to Implement a Multiyear Rate Plan for Electric Distribution Service in the District of Columbia (“Formal Case No. 1176”),* filed April 13, 2023.

<sup>2</sup> *Formal Case No. 1176, Order No. 22328, rel. November 26, 2024 (“Order No. 22328”).*

<sup>3</sup> *Formal Case No. 1176, Office of the People’s Counsel for the District of Columbia’s Motion for Clarification at 1 and 4, filed May 22, 2025 (“OPC Motion”).*

7.17%.<sup>4</sup> Pepco asks the Commission to deny the OPC Motion.<sup>5</sup>

### III. DISCUSSION

4. **OPC Motion.** OPC contends that in Order No. 20755, the Commission approved an authorized ROR of 7.17% and directed Pepco to file quarterly earnings reports tracking Pepco's ROR.<sup>6</sup> OPC further contends that in Order No. 22328, the Commission approved an authorized ROR of 7.28% to take effect on January 1, 2025. OPC asserts that Order No. 22328 did not approve a new ROR for CY 2023 and CY 2024, and the Commission did not change the authorized ROR for CY 2023 and CY 2024. According to OPC, the ROR authorized in Order No. 20755 applied to CY 2023 and CY 2024.<sup>7</sup>

5. OPC states that in Order No. 22328, the Commission indicated that CY 2023 and CY 2024 were bridge years and projected the financials for CY 2024, which are included in Schedule 1 of Order No. 22328.<sup>8</sup> OPC contends that Order No. 22328 authorized a reconciliation and a prudency review to aid in the administration and review of the Modified MRP Extended Pilot.<sup>9</sup> OPC further contends that the financial statements and schedules must be consistent with Order No. 22328.<sup>10</sup> The Office asserts that because the adjusted ROR for CY 2024 on line 15 of Schedule 1 is 7.27%, 10 basis points above the authorized ROR of 7.17% approved in Order No. 20755, the ROR listed in Schedule 1 is an error, resulting in Pepco earning higher revenues.<sup>11</sup> OPC contends that amounts listed in Schedule 1 of Order No. 22328 should be accurate for the reconciliation and prudency review; otherwise, any inaccuracies may impact future projections and evaluations of the Modified MRP Extended Pilot.<sup>12</sup> OPC requests that the Commission specify the derivation of the 7.27% authorized ROR, or if not, use the 7.17% ROR authorized in Order No. 20755.<sup>13</sup>

6. **Pepco Response.** Pepco contends that the OPC Motion should be denied because (1) the OPC Motion is untimely because it suggests that the Commission committed an error in Schedule 1 of Order No. 22328, which should have been raised in an application for reconsideration; (2) the Commission found that Pepco's cost of debt and capital structure were

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<sup>4</sup> *Formal Case No. 1176*, OPC Motion at 4.

<sup>5</sup> *Formal Case No. 1176*, Letter from Dennis P. Jamouneau to Brinda Westbrook-Sedgwick, Re: Response to OPC Motion, filed May 28, 2025 ("Pepco Response").

<sup>6</sup> *Formal Case No. 1176*, OPC Motion at 2.

<sup>7</sup> *Formal Case No. 1176*, OPC Motion at 2.

<sup>8</sup> *Formal Case No. 1176*, OPC Motion at 2-3 (*citing* Order No. 22328 at ¶ 97).

<sup>9</sup> *Formal Case No. 1176*, OPC Motion at 3.

<sup>10</sup> *Formal Case No. 1176*, OPC Motion at 3.

<sup>11</sup> *Formal Case No. 1176*, OPC Motion at 3.

<sup>12</sup> *Formal Case No. 1176*, OPC Motion at 3-4.

<sup>13</sup> *Formal Case No. 1176*, OPC Motion at 4.

reasonable, which resulted in an ROR of 7.27%, as indicated in Schedule 1; and (3) regardless of whether the return on equity for CY 2024 is 9.5% in Order No. 22328 or 9.275% in Order No. 20755 for 2021, Order No. 22328 approved rate changes for CY 2025 and CY 2026, not CY 2024, which had no impact because the distribution revenue deficiency the 7.27% authorized ROR may produce is not used as a basis to change rates.<sup>14</sup>

#### IV. DECISION

7. While the Office has styled its motion as one seeking clarification, OPC asserts that the ROR listed in Schedule 1 in Order No. 22328 is an error.<sup>15</sup> D.C. Code § 34-604(b) establishes that the purpose of an application for reconsideration is to identify errors of law or fact in the Commission's initial Order so that they can be corrected.<sup>16</sup> In construing D.C. Code § 34-604(b), the Commission has held that the purpose of an application for reconsideration is to identify and correct errors of law or fact in the Commission's order.<sup>17</sup> Moreover, the Commission has held that an application for reconsideration "shall set forth specifically the grounds on which the applicant considers the order or decision of the Commission to be unlawful or erroneous."<sup>18</sup> Order No. 22328 was issued on November 26, 2024. An application for reconsideration must be filed thirty (30) days after its issuance.<sup>19</sup> The OPC Motion was filed after the deadline for filing an application for reconsideration.

8. To the extent that the OPC Motion seeks reconsideration of an alleged error in Order No. 22328—a matter properly raised through an application for reconsideration—we deny the request as untimely, as it was filed after the applicable deadline. Nevertheless, we offer the following clarification. The 7.27% ROR for CY 2024 in Schedule 1 is for illustrative purposes and does not reflect any change in the 7.17% ROR authorized by the Commission in Order No. 20755. Moreover, Order No. 22328 establishes the derivation of the ROR of 7.27% for 2024. Paragraphs 174 and 175 discuss and approve the capital structure of a 49.5% long-term debt and 50.5% equity ratio. No party objected to Pepco's cost of debt, which includes the expected debt issuance during the MRP period.<sup>20</sup> Paragraphs 198-205 discuss and approve the return on equity of 9.5%. Applying

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<sup>14</sup> *Formal Case No. 1176*, Pepco Response at 1-2.

<sup>15</sup> *Formal Case No. 1176*, OPC Motion at 3.

<sup>16</sup> D.C. Code § 34-604 (b) states in pertinent part:

Any public utility or any other person or corporation affected by any final order or decision of the Commission, may within 30 days after the publication thereof, file with the Commission an application in writing requesting a reconsideration of the matters involved, and stating specifically the *errors* claimed as grounds for such reconsideration. (Emphasis added).

<sup>17</sup> *See Formal Case No. 1103, 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. 17539 ¶ 4, rel. July 10, 2014, construing D.C. Code § 34-604(b).

<sup>18</sup> 15 DCMR § 140.2.

<sup>19</sup> *See* D.C. Code § 34-604 (b).

<sup>20</sup> *See Formal Case No. 1176*, Order No. 22328 ¶¶ 206 and 207.

these components, the Weighted Average Cost of Capital, and, therefore, the illustrative ROR for CY 2024, is calculated to be 7.27% as shown in Schedule 1. The Commission also clarifies that this decision should not be interpreted as permitting parties to seek clarification on issues that were, or should have been, raised in an application for reconsideration. This clarification is not intended to establish a precedent for accepting untimely applications for reconsideration and should not be construed as signaling any openness to such filings in the future.

9. For the *Formal Case No. 1176* Modified MRP Extended Pilot, the Commission approved an overall Weighted Average Cost of Capital for Pepco of 7.28% for CY 2025 and 7.29% for CY 2026.<sup>21</sup>

**THEREFORE, IT IS ORDERED THAT:**

10. The Motion for Clarification of the Office of the People's Counsel for the District of Columbia is **GRANTED**.

**A TRUE COPY:**

**BY DIRECTION OF THE COMMISSION:**

A handwritten signature in black ink, reading "Brinda Westbrook-Sedgwick". The signature is fluid and cursive, with the first name "Brinda" being the most prominent.

**CHIEF CLERK:**

**BRINDA WESTBROOK-SEDGWICK  
COMMISSION SECRETARY**

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<sup>21</sup> See *Formal Case No. 1176*, Order No. 22328, ¶ 208.

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COLUMBIA,**

**DISSENT OF COMMISSIONER RICHARD BEVERLY TO ORDER NO. 22453**

D.C. Code §34-604(b)'s time limit for filing an application for reconsideration is premised on the assumption that the order is clear enough to know that the Commission is actually making a decision on a particular issue. As OPC points out, the order doesn't contain any language that expressly changes the prior authorized rate of return for CY 2024 from 7.17% to 7.28%. OPC thought that, based on the language in the MRP Pilot order, the new ROR of 7.28% would not take effect until January 1, 2025. The only way OPC knew that something may have changed is because Schedule 1 of the most recent order inexplicably uses 7.28% for CY 2024. This confusion between orders and lack of an explanation as to whether one order is superseding another rather than just a clerical error in the Schedule is precisely why OPC seeks clarification. I don't see anything in the law that prevents a party from seeking clarification as to whether something in the order is a clerical mistake or prevents the Commission from amending the order if the Commission determines that a clerical mistake was made.<sup>1</sup>

In looking at the merits of OPC's motion, the majority agrees with Pepco that it doesn't matter which percentage is used because Pepco's only changing the percentage for the purpose of the reconciliation and prudence review, implying rather than stating that the actual rate for CY 2024 is still 7.17%. However, that "clarity" is undermined by a confusing statement that implies the actual rate is changing to 7.28% (which is the only other percentage on the table) and OPC could have figured that out for itself through a simple math calculation. In any event, assuming the actual rate is clarified to be 7.17% (which the majority could do by saying that the percentage in Schedule 1 is an error), it's not clear to me why using different percentages for the same calendar year doesn't matter as the majority thinks, especially when OPC explains why it does matter. According to OPC, these percentages are used in the reconciliation and prudence review process. The higher percentage for CY 2024 results in higher revenues for Pepco which skews the numbers and undermines the accuracy of the reconciliation and prudence review. If accuracy is irrelevant to the reconciliation/prudence review as the majority implies, then what's the point of doing it?

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<sup>1</sup> A clerical error is unintentional and is in contrast to an intentional ruling that a party argues is erroneous in a petition for reconsideration. Normally, once a matter is before the court, it can't be modified without permission of the court even to address clerical errors. However, D.C. Code §34-608 states that the Commission can modify a decision at any time, even if it's on appeal.

COMMISSION ACTION

**FORMAL CASE NO. 1176, IN THE MATTER OF THE APPLICATION OF THE POTOMAC ELECTRIC POWER COMPANY FOR AUTHORITY TO IMPLEMENT A MULTI-YEAR RATE PLAN FOR ELECTRIC DISTRIBUTION SERVICE IN THE DISTRICT OF COLUMBIA,**

Date 7/2/25 Formal Case No. 1176 Tariff No. \_\_\_\_\_ Order No. 22453

	Approve Initial & Date	Disapprove Initial & Date	Abstain Initial & Date
Chairman Emile Thompson	<u>ET/JP 7/2/25</u>	_____	_____
Commissioner Richard A. Beverly	_____	<u>RB/JP 7/2/25</u>	_____
Commissioner Ted Trabue	<u>TT/JP 7/2/25</u>	_____	_____

Certification of Action

*Jamond D. Perry*  
General/Deputy General Counsel

Brian Edmonds  
OGC Counsel/Staff