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September 2, 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. PEPPOR-2025-01/WGPOR-2025-01

Dear Ms. Westbrook-Sedgwick:

Enclosed please find Potomac Electric Power Company's Initial Comments to the Notice of Inquiry (NOI).

Please feel free to contact me if you have any questions regarding this matter.

Sincerely,

s/ *Dennis P. Jamouneau*
Dennis P. Jamouneau

Enclosure:

cc: All Parties of Record

PEPCO PURCHASE OF RECEIVABLES)	PEPPOR-2025-01
)	
AND)	
)	
IN THE MATTER OF)	
)	
THE INVESTIGATION INTO THE)	
ESTABLISHMENT OF A PURCHASE)	
OF RECEIVABLES PROGRAM FOR)	WGPOR-2025-01
NATURAL GAS SUPPLIERS AND)	
THEIR CUSTOMERS IN THE)	
DISTRICT OF COLUMBIA)	

INITIAL COMMENTS OF POTOMAC ELECTRIC POWER COMPANY

On June 18, 2025, and as extended on July 15, 2025, the Public Service Commission of the District of Columbia (Commission) issued a Notice of Inquiry (NOI) to determine the adequacy of the Purchase of Receivables (POR) program that facilitates payments between the Potomac Electric Power Company (Pepco or the Company) or Washington Gas Light Company (WGL) and competitive suppliers. Through the NOI, the Commission requested information from stakeholders on the future of the POR program and whether the Commission should consider making any modifications to the program or its goals. Initial comments are due on September 1, 2025 and reply comments due on September 15, 2025. The following are Pepco’s initial comments.

a. Is the POR program still necessary to encourage utility competition in the District? Please explain your position in detail.

The POR program was established to promote competition in the supply of electricity and thus, customer choice in the District’s energy market. The POR program establishes a requirement for third-party suppliers to sell their receivables to the utility, thereby reducing financial risk and administrative barriers and encouraging market entry. In light of recent challenges seen in the District’s supplier market, this underscores the importance of establishing clear rules and oversight to ensure the program operates effectively and continues to serve its intended purpose.

b. Should the POR Discount Rate calculation be modified? If yes, explain how it should be modified for Residential, Small Commercial, and Large Commercial Customers, and why?

Pepco supports modifying the POR discount rate calculation to better reflect the actual costs of administering the program. The current calculation incorporates components such as write-offs, late payment revenues, interest, and reconciliation factors. These components are not arbitrary and are grounded in actual POR activity and financial data.

Pepco recommends excluding late payment revenues from the POR discount rate calculation. These revenues should be used to cover the costs Pepco incurs in pursuing past-due and uncollectible balances and should not be used to reduce the discount rates charged to suppliers.

Alternatively, if late payment revenues are retained in the calculation, Pepco recommends adding an administrative adder to more accurately reflect the costs associated with administering the program and collecting overdue balances.

It is also important to recognize that cost dynamics differ across customer classes:

- Residential Customers often experience higher levels of uncollectibles and write-offs. This can be influenced by myriad factors, such as income variability and payment timing. Pepco's policy is to write off residential receivables after 120 days past the final bill due date, which contributes to the higher discount rate for this group.
- Small and Large Commercial Customers generally experience lower levels of write-offs. Their payment behavior tends to be more consistent. As a result, the POR discount rate for commercial classes (Type I, Type II, Hourly) is typically lower and less variable.

These differences reflect the distinct characteristics and risk profiles of each customer segment.

Recognizing these nuances is essential to ensuring the utility can appropriately recover costs associated with the program.

c. How should the Commission direct Pepco or WGL to treat existing and future under-collections and or over-collections? Please provide a detailed explanation.

Pepco should be afforded the opportunity to fully recover the costs associated with administering the POR program. The current discount rate structure is designed to reflect actual

program costs, and it must remain flexible to account for both under-collections and over-collections. Pepco has no control over the agreements established between suppliers and their customers. Therefore, Pepco should not be precluded from recovering costs that are passed on to Pepco by suppliers. If under-collections occur, either existing or in the future, Pepco should be permitted to adjust the discount rate to ensure appropriate cost recovery and to accurately reflect the risk profile for the given customer segment. Conversely, in the event of over-collections, Pepco should be allowed to reduce the discount rate, including setting it to zero if warranted, so that suppliers receive the full value of their receivables.

Any cumulative over-collections would be applied to offset future under-collections, maintaining a fair and transparent approach to managing program costs over time.

d. Should the Commission change the POR Discount Rate calculation when there is a change in the utility commodity cost? If so, how should the threshold be determined?

Pepco's position is that the POR discount rate calculation should remain independent of changes in the utility commodity costs. The POR program and Pepco's commodity procurement are distinct and operate independently. Third-party suppliers enter into contracts directly with their customers, and Pepco does not have visibility into the terms, pricing structures, or risk profiles of those agreements. Because the POR discount rate is intended to reflect the costs of administering the receivables program, such as uncollectibles, late payment revenues, interest, and reconciliation factors, it should not be influenced by changes in the utility commodity cost.

Maintaining this separation ensures clarity, preserves the integrity of the POR framework, and supports a consistent and equitable approach for all participating suppliers.

e. What is the current status of the utility competition (both electric and gas) in the District since the POR programs were introduced? Please provide the status for residential and commercial suppliers separately, if available.

In 2012, prior to the launch of the POR program, the District of Columbia had 13 active retail electricity suppliers. Since the POR program was introduced in 2013, supplier participation has expanded considerably, with 43 unique suppliers registered as of July 2025.

Of these, and as of July 2025, 39 suppliers are currently serving residential customers, totaling 33,481 contract accounts, and 39 are serving 9,054 commercial contract accounts. It is worth noting that many suppliers operate in both segments, hence, these figures reflect overlapping participation rather than distinct supplier groups.

Under the Standard Offer Service (SOS) program, Pepco provides electricity to approximately 291,819 residential contract accounts and 18,505 commercial contract accounts.

f. At the outset of the POR programs in DC, proponents claimed that the POR program would incentivize retail market supplier competition in the District and provide more choices of utility supply for DC customers.

- i. Have DC customers benefited from the DC POR program? If so, explain the benefits, including the impact of the POR program on customers and the competitive market in DC.**

While the POR program has expanded the electricity suppliers' market, recent trends indicate a rise in uncollectibles and write-offs, particularly among residential customers. This has contributed to a significant increase in the calculated supplier discount rate. While the POR discount rate is designed to reflect actual program costs, the underlying drivers of these costs deserve attention.

One contributing factor may be limited screening of customers' ability to pay by some third-party suppliers. Additionally, certain marketing practices—such as offering low introductory rates that later increase substantially—may lead to customer dissatisfaction and payment issues. These dynamics can result in higher write-offs, which ultimately affect the discount rate and the cost recovery mechanism for the utility.

Pepco acknowledges the concerns and unfavorable trends regarding the POR program, particularly in the residential customer segment. Pepco continues to participate in stakeholder discussions. Supplier responsibility in customer enrollment and ensuring that customers are well-informed about their energy choices are important factors in evaluating the program.

ii. How would the discontinuation of a POR program affect the retail suppliers and/or DC customers?

Discontinuing the POR program would shift the responsibility for collections and administrative functions of receivables from the utility to retail suppliers. This change would require suppliers to assume full accountability for their business practices and customer management. While this shift does not necessarily imply a contraction of the supplier market, it would place greater emphasis on supplier-led operations and customer engagement.

Additionally, the discontinuation of the POR program would underscore the importance of comprehensive oversight by the Commission. This would include, but not limited to, handling consumer complaints, enforcing rules that protect consumers from misleading market practices, and closely monitoring supplier conduct to ensure compliance and fair treatment of consumers.

Lastly, discontinuation of the program would require Utilities to adjust processes and IT systems to the new environment. Utilities should be allowed recovery of necessary and prudent costs associated with that effort.

g. What additional factors (if any) should the Commission consider when deciding about the future of the POR program in the District?

As the Commission evaluates the future of the POR program, it is important to consider the broader structural issues that have contributed to current challenges. Pepco supports a comprehensive approach that goes beyond temporary fixes and ensures long-term program integrity.

Any under-collected balances should be recoverable by Pepco, and any over-collected balances should be returned to suppliers. These adjustments are essential to maintaining fairness and transparency in the program's financial operations. Additionally, uncollectible costs may continue to accrue for several months—potentially up to seven months—following the end of the program. This extended timeline must be factored into any final reconciliation process to ensure that all outstanding obligations are accounted for appropriately.

Additionally, Pepco recommends the Commission to consider requesting increased transparency from retail suppliers around rate offerings and pricing structures. A lack of visibility into supplier pricing and customer risk profiles has contributed to elevated levels of write-offs and uncollectibles, particularly in the residential segment. Enhanced transparency would allow for more accurate assessments of supplier practices and customer affordability and could inform future adjustments to the POR framework. This consideration is especially relevant as the Commission evaluates whether the current structure adequately reflects the financial risks borne by the utility and whether suppliers are appropriately accountable for their enrollment practices and customer management.

Pepco encourages continued dialogue among stakeholders to address the root causes of rising uncollectibles and to explore solutions that strengthen supplier accountability and customer protections. A thoughtful and collaborative approach will help ensure that any changes to the POR framework are both equitable and sustainable.

CERTIFICATE OF SERVICE

I hereby certify that a true copy of Pepco's Initial Comments to the Notice of Inquiry was served on the parties of record in Formal Case No. PEPPOR by electronic mail this 2nd day of September 2025.

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