PEPPOR-2025-01 - E - 10, WGPOR-2025-01-G - 11

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By Electronic Filing

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

Re: ***Pepco Purchase of Receivables***
PEPPOR-2025-01

In the Matter of the Investigation into the Establishment of a Purchase of Receivables Program for Natural Gas Customers in the District of Columbia
WGPOR-2025-01

Dear Ms. Westbrook:

The Retail Energy Supply Association ("RESA"),[1] by counsel, submits this letter with comments in response to the Commission's Notice of Inquiry ("NOI") regarding the Purchase of Receivables ("POR") program for suppliers serving customers in the Potomac Electric Power Company ("Pepco") and Washington Gas Light Company ("WGL") service territories in the District of Columbia.[2] The POR programs have been—and remain—critical market programs that strive to level the playing field between utilities and competitive suppliers, expand customer choice, and support resilient, competitive markets in the District.

I. Introduction

RESA is the nation's leading trade association representing competitive retail energy suppliers. RESA's members participate in, or want to participate in, the competitive retail electricity and natural gas markets in the District. The purpose and goal of POR programs, as the

[1] The comments expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at www.resausa.org.

[2] The initial deadline for comments in response to the NOI was extended to September 1, 2025, by Order on Delegated Authority issued on July 15, 2025, in response to the *Motion of the Office of People's Counsel for the District of Columbia for Enlargement of Time to File Comments on the Commission's Notice of Inquiry* filed on July 8, 2025.

Commission has acknowledged, is to "encourage electricity competition in the District by encouraging Suppliers to participate in the electricity market."[3] The same is true for natural gas competition.

POR is a necessary feature of the competitive retail market in the District. Utilities possess the unique ability to manage non-payment risk, including the ultimate "stick" of disconnection for unpaid utility charges. POR mitigates the structural imbalance this creates relative to competitive suppliers. Since the adoption of the POR program (in 2013 for Pepco and 2019 for WGL), the discount rates have been relatively stable. The current spike in the residential discount rates appears primarily driven by COVID pandemic-era arrearage dynamics and related service disconnection moratoria. In contrast, non-residential POR has not experienced similar spikes in the discount rates and the program continues to function as designed. The path forward is to establish a stakeholder working group to:

(1) diagnose the cause of the spike in discount rates for the residential POR program in the District,
(2) develop options to resolve the present issues facing the POR program, and
(3) recommend durable fixes to ensure a well-functioning POR program to enable robust competition and a bright future of energy choice for District consumers.

II. Responses to Commission POR Questions in the NOI

RESA offers the following responses to the questions presented by the Commission in the NOI:

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

Yes. The POR program remains essential to ensuring a fair and competitive marketplace in the District. From its inception, POR was designed to level the playing field between utilities and retail suppliers. Utilities retain a unique and powerful tool—the ability to manage nonpayment risk through the threat of disconnection. Competitive suppliers do not have this tool, and without POR, suppliers would face disproportionate credit and collection risk. POR addresses this structural imbalance, allowing suppliers to participate on the same terms as the regulated utilities, with equal treatment for all unpaid electricity and natural gas supply charges.

The fundamental rationale for POR has not changed. Indeed, the District's own experience demonstrates the program's success: the number of licensed suppliers increased substantially after POR was adopted, and customers gained more choices and innovative product offerings. Eliminating POR would risk reversing these gains and undermining competition. For specific data, please refer to RESA's discussion below regarding the current status of retail choice in the District.

[3] Order No. 22259 at ¶ 11 (Aug. 7, 2024).

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?

For residential POR, discount rates for residential customers have risen to levels so high that suppliers cannot reasonably compete. This development appears to be driven primarily by pandemic-era arrearages and disconnection moratoria. These extraordinary circumstances temporarily inflated bad debt expenses. The current excessive POR arrearage and discount rate issues are not reflective of the long-term uncollectible expenses associated with POR.

If discount rates remain elevated, suppliers could be forced to make the hard decision to reconsider participation in the DC residential market. As supplier participation falls, it would become harder for POR rates to return to their pre-COVID levels. As discussed below, RESA recommends that the Commission establish Working Group to gather requisite information and propose solutions for the long-term success of the POR program for all customer classes.

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.

RESA recommends that the Commission take a pragmatic approach prioritizing stability and predictability for all market participants, which may include:

- **Annual Reconciliation:** Under normal conditions, the POR discount rates should be updated annually. This annual reconciliation moderates short-term changes in uncollectibles, while providing for timely utility cost-recovery. In times of anomalous uncollectibles, the Commission could consider more frequent reconciliation to avoid sudden, large fluctuations in the POR discount rates.

- **Multi-year amortization:** Large imbalances should be recovered over several years to prevent rate shock and maintain supplier confidence.

Incorporating these concepts into the POR framework can minimize POR discount rate volatility.

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?

No. POR discount rates should reflect only credit and collection risk plus the incremental administrative costs of the program. They should not fluctuate with commodity prices. Suppliers already assume commodity price risk when they contract with customers; adding commodity price variability into the POR discount would distort the program and double-count supplier risk.

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.

Electric: After POR adoption, the number of retail suppliers grew rapidly—from 13 active suppliers in 2012 to over 40 by 2018. In 2023, there were 45 retail electricity suppliers serving residential customers.[4] Prior to COVID, shopping participation reached healthy levels (approximately 14% of residential accounts and more than one-third of non-residential accounts). More recently, residential participation has declined, while non-residential participation remains robust.

In December 2019, competitive suppliers served 14.2% of residential accounts and 36.3% of non-residential accounts—the overall shopping share was 16.1%.[5] By July 2025, suppliers were serving 10.2% of residential customer accounts and 32.4% of non-residential accounts. Looking at load served, as of July 2025, suppliers served 10.8% of residential customer load and 82.3% of non-residential customer load.[6]

Gas: WGL's POR program has similarly supported supplier participation, increasing from 14 suppliers in 2019 to 20 suppliers in 2023.[7] Residential participation remains modest at 10%,[8] while commercial participation is materially higher at 32%.[9]

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.

Yes, District customers have benefited from increased competition through more supplier participation, more diversity of supplier product offerings under POR than suppliers would be able to offer without it, and a more streamlined billing experience. Consolidated billing with POR provides customers with streamlined billing through Pepco and WGL. When a POR customer cannot pay, suppliers do not need to pursue collections. The improved customer experience provided by the POR program is a strong benefit for customers.

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[4] NOI at ¶ 3.
[5] *Status of Electric Retail Choice in the District of Columbia* (Number of Customers and Market Shares Table), *available at* https://dcpsc.org/PSCDC/media/PDFFiles/Electric/electric_sumstats_no_cons.pdf.
[6] *Status of Electric Retail Choice in the District of Columbia* (Customer Demand (MW) and Market Shares Table), *available at* https://dcpsc.org/PSCDC/media/PDFFiles/Electric/electric_sumstats_cons_dmnd.pdf (last visited Sept. 1, 2025).
[7] NOI at ¶ 3.
[8] Customer Participation, District of Columbia Residential Customer Choice Program (Table 4), *available at* https://dcpsc.org/Utility-Information/Natural-Gas/Historical-Analytical-Information-for-Natural-Gas/Commodity-Natural-Gas-Market-Share-Tables.aspx.
[9] Customer Participation, District of Columbia Customer Choice Program (Table 6).

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

Discontinuation of POR would place retail supplier receivables at a distinct disadvantage relative to utility receivables, leaving suppliers without adequate tools to manage collections risk. Absent recourse via disconnection, retail suppliers lack the critical tool to encourage customers to pay. Currently, all customers can select a retail supplier and energy product of their choice. Absent POR, suppliers will be forced to implement credit screening and deny choice to customers who do not pass.

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

RESA recommends that the Commission convene a POR Working Group to explore potential reforms and provide detailed recommendations. This group should consider:

- Normalization of uncollectibles to remove pandemic-era anomalies.
- Smoothing mechanisms for under- and over-collections to avoid volatility.
- Exploring complementary tools, such as Supplier Consolidated Billing, to enhance innovation while retaining POR.
- Utility cost recovery, ensuring Pepco and WGL can recover reasonable costs with transparency in filings.
- Market monitoring, through regular publication of shopping participation and arrearage data to measure program performance and track developments in uncollectibles.

III. Conclusion

The Commission's POR programs have delivered benefits to DC consumers in the form of greater options by enabling a more competitive retail market. The residential discount rate methodology would benefit from a review of current practices and an evaluation of improvements that can restore stability.

RESA respectfully urges the Commission to:

1. Preserve POR as a necessary component of retail energy competition;
2. Convene a Working Group to identify best practices and recommend durable solutions, and to present proposals to resolve the anomalous residential POR discount rates tied to COVID-era uncollectibles;
3. Maintain non-residential POR in its current form.

Thank you for the opportunity to submit these comments. Should you have any questions about this filing, please do not hesitate to contact me.

Sincerely,

/s/ Brian R. Greene

Brian R. Greene