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September 29, 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: PEPPOR-2054-01

Dear Ms. Westbrook-Sedgwick:

Enclosed please find Potomac Electric Power Company's ("Pepco" or the "Company")
Reply Comments.

Sincerely,

/s/ Dennis P. Jamouneau

Dennis P. Jamouneau

Enclosures

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)	

REPLY 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 were filed by several parties, including Pepco, and reply comments are due on September 29.

The following are Pepco’s reply comments, which are organized by party and topic. While these reply comments do not reiterate each point made by Pepco in its initial comments,¹ Pepco would stress that it supports modifying the POR discount rate calculation to better reflect the actual costs of administering the program and that Pepco should be afforded the opportunity to fully recover the costs associated with administering the POR program.

¹ Pepco’s reply comments do not respond to every point made by other parties in their respective initial comments. Omission of any argument or point does not connote agreement.

I. REPLY COMMENTS

Washington Gas Light Company (WGL) noted in one of its responses that late fees are part of the revenues included in the Company's base rate cases in determining the Company's base rates. Including late fees as an offset to bad debt expense in the POR discount rate calculation double counts those late fees.²

Pepco's treatment of late payment fees differs from that of WGL. Specifically, Pepco does not include late payment fees associated with supplier receivables in its base rate case revenues. Instead, these fees are exclusively applied as an offset to write-offs in the calculation of the POR discount rate. This approach ensures that late fee revenues are accounted for only within the POR mechanism and are not reflected in both the base rate revenue and the POR discount rate, thereby avoiding any potential for double counting. Although Pepco's current approach avoids double recovery, the company strongly recommends a change. As stated in its initial comments, Pepco proposes that late payment revenues be excluded from the POR discount rate calculation. Instead, these revenues should be used to cover the costs Pepco incurs pursuing past-due and uncollectible balances, rather than being used to reduce the discount rates charged to suppliers.

WGL also suggests that the Commission could consider lengthening the period over which the Company recovers its current under-collection. However, if uncollectable rates climb or there are fewer billed commodity sales than anticipated, lengthening the period over which the under-collection is paid may serve to exacerbate the problem.³ Similarly, the Retail Energy Supply

² WGL Comments at pages 3-4.

³ *Id.* at 4.

Association (RESA) recommends multi-year amortization, where large imbalances should be recovered over several years to prevent rate shock and maintain supplier confidence.⁴

Pepco acknowledges the intent behind WGL and RESA's recommendations and does not oppose the concept of lengthening the recovery period for under-collections. However, Pepco emphasizes that any extended recovery timeline must include appropriate compensation for carrying costs because currently, Pepco is only compensated for unrecovered balance within each specific year, with interest calculation resetting annually. This approach does not account for cumulative unrecovered balances over time, and therefore, any prolonged recovery timeline must ensure that Pepco is made whole and does not incur financial losses as a result of deferred cost recovery. Pepco previously proposed amortizing substantial POR balances over a two-year period, but the Commission rejected this approach, citing concerns about delayed cost recovery and/or potential subsidization by Standard Offer Service (SOS) ratepayers.

RESA also commented that high residential discount rates appear to be driven primarily by pandemic-era arrearages and disconnection moratoria. According to RESA, these extraordinary circumstances temporarily inflated bad debt expenses and, as such, the excessive POR arrearage and discount rate issues are not reflective of the long-term uncollectible expenses associated with POR.⁵

Pepco acknowledges that pandemic-related arrearages and disconnection moratoria may have contributed to elevated bad debt levels during earlier periods. However, RESA's statement of the causes of the high arrearages does not comport with current data. Specifically, as of August 2025, data indicate that the persistent year-over-year increase in write-offs continues and could be

⁴ RESA Comments at page 3.

⁵ *Id.* at page 2.

a result of other.⁶ While the pandemic may have initiated certain trends, these trends in uncollectible expenses and write-offs have continued well beyond the pandemic.

The Office of People's Counsel for the District of Columbia (OPC) recommends that the Commission convene a stakeholder working group to explore alternative billing models.⁷ RESA also recommends that the Commission convene a POR Working Group to explore potential reforms and provide detailed recommendations.⁸ Additionally, one of the recommendations RESA proposed was exploring complementary tools, such as Supplier Consolidated Billing (SCB), to enhance innovation while retaining POR.⁹

While Pepco understands the intent behind convening a formal working group, Pepco respectfully prefers to address recommendations and explore potential solutions through the current process in filings. It allows for the parties to consider other parties' written positions in advance, which will allow the Company to carefully deliberate those positions to prepare a contemplative response. This approach is both more efficient and productive because it allows for focused and timely exchanges on specific issues. Pepco remains committed to constructive collaboration and any questions that may be posed by parties or the Commission.

Regarding RESA's proposal to explore SCB, Pepco does not support its implementation in the District of Columbia. SCB has faced significant challenges in Maryland, where initial supplier interest has diminished significantly, and operational complexity has proven burdensome. SCB requires extensive data exchange between utilities and suppliers, and despite the fact that discussions began in 2017 in Maryland, implementation has been slow and costly. Exelon's

⁶ Contributing factors may include broader economic conditions and supplier practices.

⁷ OPC Comments at 8.

⁸ RESA Comments at 5.

⁹ *Id.* at 5.

Maryland Utilities have invested over \$24 million to date.¹⁰ Given that supplier participation remains limited, Pepco is concerned that ratepayers may ultimately bear the financial burden of the program with only limited participation. Given these outcomes, Pepco does not believe SCB is a viable or cost-effective solution in the District of Columbia.

OPC noted in one of its responses that, in practice, bad debt accumulated through the POR Programs is ultimately recovered through future rate cases – placing an undue financial burden on consumers.¹¹ This is not correct and has not been presented in any Pepco base rate cases. Pepco does not include bad debt expense associated with POR in base rates or through a base rate case. Instead, bad debt expense is deferred, and actual write-offs are recovered through the POR discount rate. This approach ensures that bad debt expense and associated write-offs attributable to POR are accounted for only within the POR mechanism.

¹⁰ MD PSC Order No. 91448

¹¹ OPC Comments at page 6.

CERTIFICATE OF SERVICE

I hereby certify that a true copy of Pepco's Reply Comments was served on the parties of record in Formal Case No. PEPPOR by electronic mail this 29th day of September 2025.

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