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January 6, 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 DRPEPPOR 2025

Dear Ms. Westbrook-Sedgwick:

Enclosed please find Potomac Electric Power Company's responses to Staff Data Request No. 2.

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

POTOMAC ELECTRIC POWER COMPANY
DISTRICT OF COLUMBIA PEPPOR 2025
RESPONSE TO STAFF DATA REQUEST NO. 2

QUESTION NO. 1

Please refer to WGL Energy's September 26, 2025, Reply Comments to the Notice of Inquiry (NOI) PEPPOR-2025-01/WGPOR-2025-01, Question 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?" In its Reply Comments, WGL Energy stated that:

"A more equitable solution would establish discount rates based on the utility's overall experience with uncollectible accounts from a specific supplier, while implementing true-up mechanisms that adjust payments based on the actual collection performance of each supplier's customer base. This approach would create appropriate incentives for suppliers to maintain high-quality customer portfolios while ensuring collection costs are allocated to the parties who directly cause them. Suppliers with consistently higher-than-average uncollectible rates would face additional charges through the true-up process, while suppliers demonstrating superior customer management would receive credits. Additionally, to have an effective POR program, third-party suppliers require better visibility into customer payments made directly to the utility, how those payments are distributed, and the age and amount of utility and supplier debts. This is essential so that suppliers can monitor customer arrears, send collection notices, and reconnect customers to utility service."

- (a) Please indicate whether Pepco would be able to implement WGL Energy's recommended approach described above by the next annual discount rate application, reflecting POR discount rates that are based on supplier-specific uncollectible rates.
- (b) If the answer to item (a) above is affirmative, please provide a step-by-step approach that the Company would use to compute the supplier-specific discount rate.
- (c) If the answer to item (a) above is affirmative, please indicate whether any system upgrade would be required and the timing and cost of such an upgrade.
- (d) If the answer to item (a) above is affirmative, please indicate the nature of the annual discount rate application that the Company envisions would be made to the Commission, including (but not limited to) the estimated number of pages of the application.
- (e) If the answer to the item (a) is non-affirmative, please provide a detailed explanation, and indicate whether a system upgrade would help achieve the recommended approach, as well as the cost and timing for such an upgrade.

RESPONSE:

- (a) Pepco would not be able to implement WGL Energy's recommended approach by the next annual discount rate application to reflect POR discount rates that are based on supplier-specific uncollectible rates. At present, Pepco tracks and records uncollectible amounts on an aggregate basis rather than at the individual supplier level.
- (b) Please see response to DR2-1(a).
- (c) Please see response to DR2-1(a).
- (d) Please see response to DR2-1(a).
- (e) Currently, Pepco does not track supplier uncollectibles or late payment revenues at the individual supplier level; these costs are recorded in aggregate. Where supplier-level data exists, it relates only to POR revenues and discounts. The current system applies discount rates at the customer class level (Residential, Small Commercial, Large Commercial) rather than at the individual supplier level. As of Calendar Year 2025, Pepco has approximately 45 unique suppliers serving these classes. Moving to supplier-specific discount rates would increase complexity significantly, potentially requiring over 120 unique discount rates compared to the current three.

Implementing supplier-specific tracking for uncollectibles and late payment revenues, along with the capability to apply supplier-specific discount rates, would require substantial system changes. These include expanding or creating discount tables to incorporate supplier codes, modifying payment creation programs to query rates by supplier, and maintaining records for every supplier and rate category. Additional changes would be needed for late payment charge processing, including system configuration updates and billing program modifications, which would apply across all suppliers (including all other jurisdictions served by Pepco Holdings Inc., outside of the District of Columbia), and bill redesign for the Third-Party Supplier section on customer bills. This process would also require ongoing maintenance as new suppliers enter the market.

From a reporting perspective, the following steps are required: In-depth requirement analysis, development of a new report by the IT team, extraction of new data between two separate systems, and final automation through data analytics.

From a discount rate filing perspective, rates are currently updated annually and subject to Commission approval before rates are effective. Transitioning to an individual supplier-based discount rate, would require frequent filings when new suppliers enter the market, which would add additional administrative burden on the Regulatory teams.

In summary, while technically feasible, this change involves significant development effort, increased complexity and administrative burdens, extended timelines (conservatively 9–10 months end-to-end), and ongoing maintenance. There are several elements of the system update that require detailed analysis and business requirements to determine scope and associated costs. These assessments are complex and may require several weeks to complete. Consequently, Pepco cannot provide cost estimates until the requirements are fully defined.

SPONSOR: Renae Graham, Manager, Revenue Requirements

CERTIFICATE OF SERVICE

I hereby certify that a true copy of Pepco's Responses to Staff Data Request No. 2 was served on the parties of record in Formal Case No. PEPPOR by electronic mail this 6th day of January 2026.

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