

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

**ORDER**

May 20, 2026

**FORMAL CASE NO. 1017, IN THE MATTER OF THE DEVELOPMENT AND DESIGNATION OF STANDARD OFFER SERVICE IN THE DISTRICT OF COLUMBIA, Order No. 22869**

**I. INTRODUCTION**

1. By this Order, the Public Service Commission of the District of Columbia (“Commission”) accepts the Potomac Electric Power Company’s (“Pepco” or “Company”) proposed retail rates, including the modified administrative charges, for Standard Offer Service (“SOS”) filed on March 2, 2026.<sup>1</sup> Additionally, Pepco, as the SOS Administrator, shall file a revised tariff setting forth the adjusted SOS retail rates containing the modified administrative charge within seven (7) calendar days of the date of this Order. The new retail rates and modified administrative charges shall become effective on June 1, 2026.

**II. BACKGROUND**

2. A consumer’s bill for electricity service consists of three (3) cost components – generation, transmission, and distribution – plus various taxes and surcharges.<sup>2</sup> Although Pepco serves as the District of Columbia’s (“District”) SOS Administrator, Pepco does not produce electricity, and the rates for electricity, which are reflected in the generation and transmission portion of a customer’s electric bill, are not regulated by the Commission. The Commission only sets rates for the distribution portion of a customer’s bill.<sup>3</sup>

3. Pursuant to Chapter 41 of the Commission’s Rules, Pepco, as the SOS Administrator, obtains electric supply for SOS pursuant to a competitive wholesale procurement process. Pepco purchases this electric supply for SOS customers through power supply contracts in an annual auction. Following the procurement process (“SOS auctions”), Pepco is required to

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<sup>1</sup> *Formal Case No. 1017, In the Matter of the Development and Designation of Standard Offer Service in the District of Columbia (“Formal Case No. 1017”), Potomac Electric Power Company’s Retail Rates, Including Administrative Charges, for Standard Offer Service, filed March 2, 2026 (“SOS Filing”).*

<sup>2</sup> *Formal Case No. 1017, Order No. 21133, ¶ 2, rel. March 23, 2022.*

<sup>3</sup> *Formal Case No. 1139, 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. 18846, ¶¶ 3-4, rel. July 25, 2017.*

submit to the Commission the retail SOS rates, including the administrative charges, based on the winning wholesale bids.<sup>4</sup>

4. On March 2, 2026, Pepco filed its SOS retail rates.<sup>5</sup> Rule 4103.3 sets forth a comment period followed by a Commission order and a compliance filing by Pepco.<sup>6</sup> On March 4, 2026, the Commission posted a notice soliciting comments on Pepco's March 2, 2026, filing.<sup>7</sup> No comments were filed.

### III. DISCUSSION

5. On March 2, 2026, Pepco filed its proposed retail rates, including the administrative charges, for SOS for the period June 1, 2026, through May 31, 2027.<sup>8</sup> According to Pepco, the proposed retail rates reflect the prices in the power supply contracts awarded in the auctions held on December 8, 2025, and January 5, 2026. In addition to the market prices obtained through the competitive bidding process, and the administrative charge, a Capacity Price Adder was included in retail rates to adjust for the difference between the capacity proxy price in the Request for Proposals and the actual PJM Base Residual Auction price as part of the 2026-2027 PJM capacity auction.<sup>9</sup>

6. Pepco provided the average dollar and percentage change in total bills for each rate class. Residential customers will see an approximate increase of \$8.79 per month or 6.2%,<sup>10</sup> customers in the Master Metered Apartment class will see an approximate increase of \$6.32 per month or 7.0%,<sup>11</sup> Small Commercial customers will see an increase of \$15.34 per month or 4.8%,<sup>12</sup> and Large Commercial customers will see an increase of \$925.08 per month or 5.4% compared with the distribution rates in effect as of January 1, 2026.<sup>13</sup>

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<sup>4</sup> 15 DCMR § 4103 (2021).

<sup>5</sup> *Formal Case No. 1017*, Potomac Electric Power Company's Retail Rates, Including Administrative Charges, for Standard Offer Service, filed March 5, 2025.

<sup>6</sup> 15 DCMR § 4103.3 (2021).

<sup>7</sup> *Formal Case No. 1017*, Notice, rel. March 6, 2025.

<sup>8</sup> SOS Filing.

<sup>9</sup> SOS Filing at 2.

<sup>10</sup> SOS Filing at Attachment C.

<sup>11</sup> SOS Filing at 2 and Attachment C.

<sup>12</sup> SOS Filing at 2, and Attachment C.

<sup>13</sup> SOS Filing at 2, and Attachment C. The Commission notes that these average dollar and percentage changes in the March 2, 2026, filing use the distribution rates originally approved in *Formal Case No. 1176*. On March 5, 2026, the District of Columbia Court of Appeals issued its decision in vacating Commission Order Nos. 22328 and 22358 and remanding this matter to the Commission for further proceedings.

7. The administrative charge for Residential customers will increase from \$0.00320 to \$0.00470 per kWh, and will increase for Large Commercial customers from \$0.00400 to \$0.01020 per kWh.<sup>14</sup> Pepco represents that the increase in the Residential administrative charge is primarily driven by an increase in uncollectibles, cash working capital, and forecasted under-collections, while the increase in the Large Commercial administrative charge is primarily driven by an excess of administrative credits issued and an increase in uncollectibles.<sup>15</sup> Pepco also explains that the administrative charge for the Small Commercial is unchanged at \$0.00450 per kWh, primarily driven by an over-collected balance, while lower forecasted administrative charge collections following the June 2025 rate decrease will limit further over-collections.<sup>16</sup> Pepco also notes that these ongoing expenses related to Community Renewable Energy Facilities (“CREF”) for the period June 1, 2024, to May 31, 2025, are reflected in the administrative charge.<sup>17</sup>

#### IV. DECISION

8. The Commission Staff reviewed the workpapers with the independent Market Monitor and confirmed their accuracy. The Commission finds that the revised SOS rates are consistent with the winning bids received during the most recent round of the SOS auction bidding. Generation rates are determined by competitive bidding, which is influenced by changes in the competitive electricity market and reflect utility-scale electric generating capacity additions and planned generation retirements. These shifts in electricity supply, along with the District’s Renewable Energy Portfolio Standard mandates ultimately shape default (SOS) service prices. During July 2025, the PJM Interconnection LLC held its capacity auction for the 2026-2027 delivery year, which resulted in capacity prices that reached new record highs for the second year in a row.<sup>18</sup> The Commission lacks regulatory control over the electricity market and the prices that result from the competitive auction. However, on October 1, 2025, the Commission approved changes to the Wholesale Full Requirements Service Agreement that permitted additional bidders to participate in the SOS supplier auction, making the auction more competitive than in prior auctions.<sup>19</sup> Additionally, the Commission is currently reviewing the recommendation reports submitted by the PJM Capacity Auction Task Force. The second recommendation report was submitted on January 23, 2026.<sup>20</sup> The Commission is reviewing stakeholder comments regarding

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<sup>14</sup> SOS Filing at 2.

<sup>15</sup> SOS Filing at 2.

<sup>16</sup> SOS Filing at 2.

<sup>17</sup> SOS Filing at 1.

<sup>18</sup> Ethan Howland, *PJM capacity prices hit record high as grid operator falls short of reliability target*, UTILITY DIVE, December 18, 2025, <https://www.utilitydive.com/news/pjm-interconnection-capacity-auction-data-center/808264/>.

<sup>19</sup> *Formal Case No. 1017*, Order No. 22718, ¶¶ 6, rel. October 1, 2025.

<sup>20</sup> *Formal Case No. 1183, In the Matter of the Investigation into the Impact of the PJM Capacity Auction and the Establishment of the PJM Capacity Auction Task Force*, Potomac Electric Power Company PJM Task Force, filed January 23, 2026.

potential improvements to Standard Offer Service as part of its biennial *Formal Case No. 1017* review of SOS.<sup>21</sup>

9. Pepco states that estimated CREF costs from 2026 to 2027 are \$420,000 and are based on the actual CREF costs from the SOS year 2024 to 2025 of \$418,756.36.<sup>22</sup> While these costs are unrelated to IT implementation, the Commission denies their inclusion in the SOS rates at this time due to the lack of unsupported clarity for the individual costs. We direct Pepco to submit an itemized breakdown of the CREF costs of \$418,756.36, including an explanation of each of the items, within ten (10) days of the date of this Order for the Commission's review.<sup>23</sup> The Commission will make a determination about these costs when it considers the SOS rate application for June 1, 2027.

10. The Commission also reviewed the SOS administrative charges as a whole and concluded that they are as permitted. The Commission, therefore, accepts Pepco's proposed retail rates, including the administrative charges for SOS. We direct Pepco to file a revised tariff filing setting forth the new SOS retail rates within seven (7) calendar days of the date of this Order reflecting the removal of all CREF-related costs. Accordingly, the new retail rates and modified administrative charges shall become effective on June 1, 2026, unless otherwise ordered by the Commission.

**THEREFORE, IT IS ORDERED THAT:**

11. The Potomac Electric Power Company's proposed retail rates, including the modified administrative charges, for Standard Offer Service filed on March 2, 2026, are hereby **ACCEPTED**;

12. The Potomac Electric Power Company is **DIRECTED** to submit an itemized breakdown of CREF costs within ten (10) days of this Order;

13. The Potomac Electric Power Company is **DIRECTED** to submit a revised tariff setting forth the new rates for Standard Offer Service within seven (7) calendar days of the date of this Order; and

14. The new retail Standard Offer Service rates shall become effective on June 1, 2026.

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<sup>21</sup> *Formal Case No. 1017*, Public Notice, rel. December 23, 2025.

<sup>22</sup> SOS Filing at Attachment D.

<sup>23</sup> SOS Filing at Attachment D, p. 3 footnote 2. See Order No. 22412, ¶ 10: "The Commission will not allow the...IT costs in the SOS Administrative charge. These costs relate to implementing and developing a system for CREFs. These costs should not be recovered through the SOS administrative charge."

**A TRUE COPY:**

**BY DIRECTION OF THE COMMISSION:**

A handwritten signature in black ink, reading "Brinda Westbrook-Sedgwick". The signature is written in a cursive style with a large initial 'B' and a long, sweeping underline.

**CHIEF CLERK:**

**BRINDA WESTBROOK-SEDGWICK  
COMMISSION SECRETARY**

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

**May 20, 2026**

**FORMAL CASE NO. 1017, IN THE MATTER OF THE DEVELOPMENT AND  
DESIGNATION OF STANDARD OFFER SERVICE IN THE DISTRICT OF COLUMBIA.**

**DISSENT OF COMMISSIONER BEVERLY TO ORDER NO. 22869**

1. It is unclear to me how anybody, including the Commission, can review the Company's calculations for accuracy without access to the workpapers in their native format. If our regulatory oversight is to be more than a rubber stamp, then we must independently review the filings rather than implicitly deem them accurate just because no one objected.

2. The majority is approving \$420,000 for CREF administration charges for incremental use of Pepco's billing services. While Pepco states that the CREF costs are based on actuals from the prior year, Pepco presents those actuals as a single line item, unsupported by any evidence for the individual costs. The costs may be fine, but I can't verify it. I note that, in a separate Order, the Commission recognized the results of an audit of the SOS administrative charge, in which the auditor found that Pepco had failed to produce a conformance memo on CREF costs.<sup>1</sup> Lumping the CREF costs into a single line item and then not producing a conformance memo as required is reason enough for me to conclude that approving additional CREF costs is premature at this time.

3. That brings me to a legal problem with the CREF costs themselves. D.C. Code § 34-1522 governs recovery of CREF implementation costs. It states: "Pursuant to §§ 34-1101 and 34-901, the electric company may seek recovery of any costs associated with the implementation of this chapter in a base rate case. In a base rate case filing that includes recovery of such costs, the electric company shall include in its filing with the Commission any benefits and costs to the electric company. Any recovery of the *net* costs by the electric company approved by the Commission shall occur solely through a rate assessment of the subscribers." Therefore, by law, only net implementation costs are recoverable. However, Pepco has continued to file biannual CREF reports in accordance with 15 DCMR § 908.7 which state: "Pepco does not conduct measurements nor compensate for ancillary markets for PV Generation or DER Generators participating in CREF."<sup>2</sup> So there is no data to calculate the benefits of CREFs.

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<sup>1</sup> Atrium Economics Report at 4: "A written conformance memo should be produced to document the procedure for properly capturing allowable CREF-related incremental expenses as part of the SOS Administrative Charge."

<sup>2</sup> *RM09-2015*, Potomac Electric Power Company's Semi-Annual CREF Report.

4. Without the data allowing us to calculate the benefits of CREFs, I'm not prepared to reach a determination that any of Pepco's billing costs are *net* costs of CREFs, nor am I prepared to put unsubstantiated costs on the backs of ratepayers and reward the Company for noncompliance with the law and our rules. I note that I dissented in part from Order No. 21986, in which the majority approved the inclusion of recurring CREF billing costs, stating: "the Commission's decision in Order No. 21099 presupposes that Pepco first shows that the *actual* costs themselves are reasonable rather than simply presuming that the *estimated* costs provided by Pepco are reasonable..."<sup>3</sup> In the filing approved by this Order, the Company has failed to substantiate both the billing costs and benefits of CREFs. Given the current affordability crisis in the District, it is imperative now, more than ever, that we ensure the accuracy and prudence of costs that are placed on District ratepayers.

5. Therefore, I respectfully dissent.

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<sup>3</sup> Statement of Commissioner Beverly Dissenting in Part from Order No. 21986, rel. May 1, 2024.

COMMISSION ACTION

**FORMAL CASE NO. 1017, IN THE MATTER OF THE DEVELOPMENT AND DESIGNATION OF STANDARD OFFER SERVICE IN THE DISTRICT OF COLUMBIA,**

Date 5/20/26 Formal Case No. 1017 Tariff No. \_\_\_\_\_ Order No. 22869

|                                 | Approve<br>Initial & Date | Dissent<br>Initial & Date | Abstain<br>Initial & Date |
|---------------------------------|---------------------------|---------------------------|---------------------------|
| Chairman Emile Thompson         | <u>ET/DJ 5/20/26</u>      | _____                     | _____                     |
| Commissioner Richard A. Beverly | _____                     | <u>RB/DJ 5/20/26</u>      | _____                     |
| Commissioner Ted Trabue         | <u>TT/DJ 5/20/26</u>      | _____                     | _____                     |

Certification of Action

*Dionne Joemah*  
General/Deputy General Counsel

Alex Woodward  
OGC Counsel/Staff