

**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. 22870**

I. INTRODUCTION

1. By this Order, the Public Service Commission of the District of Columbia (“Commission”) accepts Atrium Economics, LLC’s (“Atrium”) Audit Report on Potomac Electric Power Company’s District of Columbia Standard Offer Service Administrative Charge (“Report”).¹ This Order also directs Commission Staff to convene a Standard Offer Service Working Group meeting within sixty (60) days of the date of this Order, and directs the Potomac Electric Power Company (“Pepco”) to comply with the directives within paragraphs 17 to 21.

II. BACKGROUND

2. By Order No. 21934, the Commission concluded the 2023 Biennial Review of the provision of Standard Offer Service (“SOS”) in the District of Columbia and determined that an audit of the last five (5) years of the administrative charge true-ups of the SOS program was reasonable in order to ensure that the costs within the administrative charge are accurate and appropriate.² By Order No. 21949, the Commission set out details for the audit and later selected Atrium as the independent auditor.³ By Order No. 21986, the Commission extended the audit period by an additional year until May 31, 2024, to provide a more comprehensive analysis of recent costs in the SOS administrative charge, including those related to Community Renewable Energy Facilities (“CREF”).⁴

3. On April 17, 2025, the Commission issued a Notice soliciting comments and reply

¹ *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”), Atrium Economics’ Pepco DC SOS Administrative Charge Audit Report, filed April 15, 2025 (“Atrium Report”).*

² *Formal Case No. 1017, Order No. 21934, rel. November 22, 2023.*

³ *Formal Case No. 1017, Order No. 21949, rel. February 7, 2024.*

⁴ *Formal Case No. 1017, Order No. 21986, rel. May 1, 2024.*

comments on Atrium's Report.⁵ Pepco, the Office of the People's Counsel for the District of Columbia ("OPC"), and the Retail Energy Supply Association ("RESA") filed comments.⁶ Pepco later filed reply comments.⁷

III. DISCUSSION

4. **Atrium's Report.** Following its evaluation of the processes, procedures, mechanics, and internal controls related to the SOS administrative charge, Atrium made seven (7) recommendations based on seven (7) findings. First, Atrium found that Pepco duplicated minor Wholesale Bidding fringe benefit and payroll tax expenses in both the SOS administrative charge and the distribution cost of service.⁸ Atrium recommends that Pepco implement a process to confirm that SOS incremental expenses map to non-distribution Federal Energy Regulatory Commission ("FERC") accounts, or are flagged and removed before distribution rate filings are made.⁹ Second, Atrium found that Pepco's previous SOS administrative charge included \$51,000 in duplicate ICF Resources, LLC ("ICF") company costs resulting from inconsistent classification over the years.¹⁰ Atrium recommends correcting these duplicate charges in the next SOS filing and adopting consistent year-to-year classifications of similar costs.¹¹ Third, Atrium found that one General Service – Low Voltage ("GS-LV") customer's bill had its SOS charges excluded.¹² Atrium recommends ensuring monthly bill testing includes at least one customer from each class or subgroup to verify proper application of the SOS administrative charge.¹³ Fourth, Atrium found that the adder no longer tracks third-party marketing costs, although the adder was established as a proxy for these costs.¹⁴ Atrium recommends comparing the SOS administrative charge and adder to third-party quotes so that the adder does not undercut competition.¹⁵ Fifth, Atrium found that when incremental SOS costs exceeded the administrative charge, Pepco sets the adder to zero rather than increasing the administrative charge to a positive

⁵ *Formal Case No. 1017*, Notice, rel. April 17, 2025.

⁶ *Formal Case No. 1017*, Potomac Electric Power Company's Comments, filed May 19, 2025 ("Pepco Comments"). *Formal Case No. 1017*, Office of the People's Counsel for the District of Columbia's Comments, filed May 19, 2025 ("OPC Comments"). *Formal Case No. 1017*, Retail Energy Supply Association, filed May 19, 2025 ("RESA Comments").

⁷ *Formal Case No. 1017*, Potomac Electric Power Company's Reply Comments, filed June 2, 2025 ("Pepco Reply Comments").

⁸ Atrium Report at 3.

⁹ Atrium Report at 3.

¹⁰ Atrium Report at 3.

¹¹ Atrium Report at 3.

¹² Atrium Report at 3.

¹³ Atrium Report at 3.

¹⁴ Atrium Report at 4.

¹⁵ Atrium Report at 4.

number.¹⁶ Atrium recommends increasing the fixed administrative charge to equal the sum of Administrative Cost components whenever costs exceed the charge so the adder is zero without producing a negative Administrative Credit rate.¹⁷ Sixth, Atrium finds that Pepco returns adder revenue to customers on a prospective twelve (12)-month lag basis rather than contemporaneously, contrary to the original design of the mechanism.¹⁸ Atrium recommends remitting the administrative credit contemporaneously on a dollar-for-dollar basis.¹⁹ Lastly, Atrium finds that Pepco did not prepare a conformance memo documenting Commission-ordered changes to CREF cost treatment, even though those changes significantly impact the SOS administrative charge.²⁰ Atrium recommends that Pepco prepare a written conformance memo to document proper treatment of allowable CREF-related incremental expenses.²¹

5. **Pepco's Comments.** Pepco states that isolated issues identified through the audit had no material impact on the SOS administrative charge and that the audit found Pepco's controls to be effective, but noted some areas for potential enhancements.²² First, Pepco agrees with Atrium's recommendation to enhance its already robust process, ensuring all incremental SOS costs are allocated to non-distribution FERC accounts to prevent duplication in distribution rate recovery.²³ Second, Pepco acknowledges the advantages of maintaining consistent expense classification year over year and will adopt the recommended enhancement on cost classification consistency.²⁴ Third, Pepco states that they maintain a Sarbanes-Oxley control process for daily rate verification, which involves the sampling of random bills across different rate classes to ensure rates align with approved tariff rates.²⁵ Pepco also reviews the SOS administrative charge on customer bills to confirm that the approved rate is being applied.²⁶ Fourth, Pepco states that it will explore Atrium's recommendation to link the adder to third-party price quotes to better preserve market neutrality.²⁷ Fifth, Pepco asserts that the practice that Atrium recommended in which Pepco should increase the fixed administrative charge so that the adder is not negative if the administrative costs exceed the administrative charge for any given rate class,

¹⁶ Atrium Report at 4.

¹⁷ Atrium Report at 4.

¹⁸ Atrium Report at 4.

¹⁹ Atrium Report at 4.

²⁰ Atrium Report at 4.

²¹ Atrium Report at 4.

²² Pepco Comments at 4.

²³ Pepco Comments at 5.

²⁴ Pepco Comments at 6.

²⁵ Pepco Comments at 6.

²⁶ Pepco Comments at 6.

²⁷ Pepco Comments at 6.

aligns with Pepco's current process, where Pepco adjusts the adder if it is negative.²⁸ Sixth, Pepco argues that implementing Atrium's recommendation to return the administrative credits concurrently with collections will require significant effort to change the current process for administrative credits and requires further analysis and review.²⁹ Pepco explains that its approach in distributing the administrative credit on a rolling 12-month basis has allowed Pepco to mitigate monthly volatility, ensure stability and predictability in credits for customers, and has helped Pepco manage its administrative burden effectively.³⁰ Seventh, Pepco agrees with Atrium's recommendation to formally document material changes to the CREF cost treatment in a conformance memo to enhance audit transparency.³¹

6. **OPC's Comments.** OPC generally supports the findings and recommendations of Atrium's Report and requests that the Commission facilitate regular audits of all components of SOS.³² OPC requests that the Commission adopt Atrium's proposed: (1) enhancement to Pepco's SOS process so that the SOS administrative charge and adder are tied to or verified against competitive third-party supply pricing; (2) remittance of the administrative credit to customers on a dollar-for-dollar contemporaneous basis; and (3) requirement for a written conformance memo to document Pepco's procedure for properly capturing allowable CREF-related incremental expenses as part of the SOS administrative charge.³³

7. OPC asserts that in the absence of a Power Purchase Agreement ("PPA") contract, it is contrary to the public interest that District consumers receive zero benefits while paying Pepco's nearly \$300,000 costs for a year of PPA negotiations.³⁴ OPC also urges the Commission to reasonably increase the target quantity of SOS load that Pepco can procure through a PPA.³⁵

8. **RESA's Comments.** RESA asserts that the adder serves a vital and necessary purpose in the wholesale SOS procurement.³⁶ District of Columbia electricity suppliers incur costs that Pepco either does not incur to provide SOS or can collect from all customers through its SOS rates.³⁷ RESA argues that Atrium's recommended potential enhancements to ensure a more accurate adder merit

²⁸ Pepco Comments at 7.

²⁹ Pepco Comments at 8.

³⁰ Pepco Comments at 7.

³¹ Pepco Comments at 8.

³² OPC Comments at 1.

³³ OPC Comments at 1-2.

³⁴ OPC Comments at 2.

³⁵ OPC Comments at 2.

³⁶ RESA Comments at 4.

³⁷ RESA Comments at 4.

Commission consideration.³⁸ RESA states that they would be willing to participate in discussions or provide comments on how to ensure that the level of the adder serves its intended purpose.³⁹

9. **Pepco's Reply Comments.** Pepco argues that the adder should not be adjusted without further analysis.⁴⁰ Pepco argues that this proposal to set the adder based on third-party retail supply offers could result in an artificial increase to the cost of SOS for District residents, rather than reflecting actual administrative cost recovery needs.⁴¹ Due to these considerations and because the Company has not fully determined the feasibility of the approach suggested by Atrium, Pepco recommends that any proposal to modify the adder should be evaluated through a separate working group or technical conference, not adopted based on advertised rates without further analysis.⁴²

10. Additionally, the Company reiterates that the modifications to the adder must be reviewed more closely, as the current proposal to issue a contemporaneous credit would be very compacted and incur additional costs to carry out.⁴³ Pepco argues that the cumulative method ensures stability and predictability in credits for distribution customers, has helped Pepco manage its administrative burden effectively, and that modifying this method without fully examining the impacts could have negative impacts.⁴⁴

11. Pepco asserts that additional audits are unnecessary under current regulations.⁴⁵ Pepco explains that the Commission already requires biennial reviews of Pepco's SOS rates, including the administrative charge, under existing regulations, and 15 DCMR § 4102.2 permits the Commission to initiate reviews or require compliance filings every other year.⁴⁶ Increasing the frequency with no basis risks incurring unneeded financial and resource costs, which would be borne by Pepco customers.⁴⁷

IV. DECISION

12. The Commission accepts the Atrium Report and provides several directives based on both Atrium's recommendations and the comments received on the Atrium Report. In response to OPC's comments regarding the PPA, we note that the Commission, by Order No. 22702, approved a

³⁸ RESA Comments at 4.

³⁹ RESA Comments at 5.

⁴⁰ Pepco Reply Comments at 2.

⁴¹ Pepco Reply Comments at 2.

⁴² Pepco Reply Comments at 2.

⁴³ Pepco Reply Comments at 3.

⁴⁴ Pepco Reply Comments at 3.

⁴⁵ Pepco Reply Comments at 3.

⁴⁶ Pepco Reply Comments at 3.

⁴⁷ Pepco Reply Comments at 3.

PPA serving five percent (5%) of the SOS load, and directed Pepco to attempt a target quantity of up to twenty-five percent (25%) of the SOS load through renewable energy PPAs.⁴⁸

13. **Recommendation 1.** Atrium found that for the period June 2021 to May 2022, \$3,602.46 of fringe benefits and payroll taxes-associated wholesale bidding expense charges were recorded to a distribution account and duplicated in the 2021 Cost of Service.⁴⁹ Atrium recommends that Pepco institute a process to view the mapping of all SOS administrative charge incremental expenses to verify that the charge account either directly maps to a non-distribution FERC account or is flagged to a distribution account. The Commission agrees with this recommendation and directs Pepco to institute a process to comply with this recommendation, as this verification by Pepco should be sufficient to assign costs to appropriate accounts. Pepco corrected the \$3,602.46 duplication in its March 2, 2026, SOS filing, and the error occurred only in 2021.⁵⁰

14. **Recommendation 2.** Atrium recommends that Pepco provide a correction of the duplicate ICF charges in the amount of \$51,000 that was recovered through the administrative charge. Atrium also recommends that Pepco employ consistent classification of like charges from year to year. The Commission agrees with Atrium's recommendations and confirms that Pepco removed this duplicative cost in its March 2, 2026, SOS retail rates filing.⁵¹

15. **Recommendation 3.** Atrium noted one instance in which a GS-LV customer erroneously had SOS charges excluded from their bill, resulting in a lower bill. After Pepco confirmed the error, the Company reviewed all customer contracts that had SOS charges excluded in the billing system and identified twelve (12) customer contracts where this issue occurred and corrected this issue for each account. Except for these 12 customers, all other contracts that had SOS charges excluded in the billing system were with a third-party supplier, not SOS customers. Atrium recommends that at least one customer from each class and any subgroups of each rate class be selected for monthly testing to ensure that all SOS customers are correctly receiving the approved SOS administrative charge. The Commission agrees with Atrium's recommendation and believes that regular sampling of customer bills is a good practice and supports additional sampling to include one bill from each rate class for monthly testing to ensure SOS rates are appropriately applied. Therefore, the Commission directs Pepco to comply with Atrium's recommendation. To ensure compliance with this direction, the Commission additionally directs Pepco to file a "Sampling Report" within thirty (30) days after the sampling process is established and first performed. The Sampling Report will cover one month of charges and include at least one customer from each customer class, noting any inconsistencies in charges applied.

16. **Recommendations 4, 5, and 6.** Several of Atrium's recommendations involve the adder, which reflects the retail electricity suppliers' marketing costs in SOS rates in order to ensure that the

⁴⁸ *Formal Case No. 1017*, Order No. 22702, rel. August 14, 2025.

⁴⁹ Atrium Report at 37.

⁵⁰ Atrium Report at 24.

⁵¹ *Formal Case No. 1017*, Pepco Standard Offer Service Compliance tariff filing, Attachment D at 3, filed March 2, 2026. *See also: Formal Case No. 1017*, Potomac Electric Power Company Initial Comments on Atrium Standard Offer Service Administrative Charge Audit Report, at 6, filed May 19, 2025. "Pepco acknowledges the advantages of maintaining consistent expense classification year over year and will adopt this recommended enhancement."

suppliers are not placed at a competitive disadvantage.⁵² The Commission agrees with Pepco and believes that revisions to the adder should be discussed in an SOS Working Group meeting as part of the SOS Biennial Review currently taking place. Therefore, Commission Staff is directed to convene one or more SOS Working Group meetings as needed, with the first meeting convening within sixty (60) days of the date of this Order. Topics of the SOS Working Group meeting should include discussions of Atrium's recommendations 4, 5, and 6, as well as the other issues discussed in the 2025 SOS Biennial Review. Pepco, as the SOS Administrator, is directed to prepare and file a report within thirty (30) days of the final SOS Working Group meeting that details recommendations made by stakeholders regarding the discussion items, including both consensus and non-consensus items.

17. **Recommendation 7.** Atrium recommends that Pepco draft a conformance memo to document properly allowable CREF incremental expenses, as Pepco has a Key Financial Control to produce a conformance memo for significant changes to regulatory deferrals due to Commission orders, and Pepco did not develop any conformance memos for the period under audit, even though the treatment of CREF costs has significantly impacted the SOS administrative charge. The Commission agrees with this recommendation and directs Pepco to complete its conformance memo within 90 days of the date of this Order and file a letter in the *Formal Case No. 1017* docket confirming that it has been completed. Absent a legal justification, the Commission also directs Pepco to file its internal conformance memo on CREF costs by August 31, 2026.

THEREFORE, IT IS ORDERED THAT:

18. The Commission **ACCEPTS** Atrium Economics, LLC's Potomac Electric Power Company District of Columbia Standard Offer Service Administrative Charge Audit Report;

19. The Commission **DIRECTS** Commission Staff to convene one or more Standard Offer Service Working Group meetings within sixty (60) days of the date of this Order;

20. The Commission **DIRECTS** the Potomac Electric Power Company, in its role as the Standard Offer Service Administrator, to prepare and file a Standard Offer Service Working Group Meeting Report within thirty (30) days of said meeting; and

21. The Commission **DIRECTS** the Potomac Electric Power Company to comply with all other directives within paragraphs 13 to 17.

A TRUE COPY:

BY DIRECTION OF THE COMMISSION:



CHIEF CLERK:

**BRINDA WESTBROOK-SEDGWICK
COMMISSION SECRETARY**

⁵² *Formal Case No. 1017*, Order No. 18829, ¶ 125, rel. July 7, 2017.

**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.**

CONCURRENCE OF COMMISSIONER BEVERLY TO ORDER NO. 22870

While I agree with directing Pepco to implement the auditor's recommendations, I believe the Commission should require Pepco to provide its conformance memo on CREF costs to the Commission, rather than simply providing a letter stating the memo has been completed.

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. 22870

	Approve Initial & Date	Dissent Initial & Date	Concur 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