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October 16, 2026

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 No. 1017 – SOS Working Group Report

Dear Ms. Westbrook-Sedgwick:

Please find attached the Updated Standard Offer Service Working Group Report in the above referenced case.

Please do not hesitate to contact me if you have questions.

Sincerely,

/s/Dennis P. Jamouneau
Dennis P. Jamouneau

Enclosure

cc: All Parties of Record

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF THE DISTRICT OF COLUMBIA**

IN THE MATTER OF

**THE DEVELOPMENT AND
DESIGNATION OF STANDARD
OFFER SERVICE IN THE DISTRICT
OF COLUMBIA**

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FORMAL CASE NO. 1017

SOS WORKING GROUP REPORT

On May 20, 2026, the Public Service Commission of the District of Columbia (Commission) issued Order No. 22870 (Order), which *inter alia* accepted Atrium Economics, LLC’s (“Atrium”) Audit Report on Potomac Electric Power Company’s (“Pepco”) District of Columbia Standard Offer Service Administrative Charge (“Report”) and also directed Commission Staff to convene a Standard Offer Service (“SOS”) Working Group meeting or meetings to discuss several of the recommendations included in the Atrium Report.

By Public Notices dated July 28 and August 14, 2026, the Commission Staff convened SOS Working Group meetings on August 18 and September 3, 2026, respectively. Meeting Minutes were maintained and filed for each meeting and are appended to this report for reference. The topics discussed at the meetings are summarized, along with stakeholder positions, as applicable.

I. SOS Administrative Costs

a. SOS Price Adder (FC1017) (Order 22870)

Staff asked Pepco for an explanation for how the Adder currently works. Pepco explained that the original purpose of the Adder (marketing/customer acquisition costs) was to support a competitive market, though in recent years the Adder operates differently. Pepco explained the history of the Adder and context,

such as affordability concerns, supply cost pressures, and a more mature market. Pepco questions the need for the Adder given the current environment. Pepco then discussed the Atrium Audit (Recommendations 4, 5, and 6, **bolded**):

4. Proposal to link or benchmark costs to highest third-party supplier rate, which Pepco disagrees with based on affordability concerns and lack of transparency, among other reasons cited in the PowerPoint.

5. Increase administrative charge if administrative costs are more than the administrative charge – Pepco supports this recommendation, which is consistent with current practice.

6. Change in when/how Adder returned to customers – currently, Adder is based on cumulative over/under balance and is done through the Administrative Charge and returned to all distribution customers separately for each rate schedule. The recommendation is to return Adder revenues through the Administrative Credit on a contemporaneous basis with rates set annually and including a true-up component. Pepco supports this recommendation.

Pepco supports Atrium’s proposed change, which would provide more timely/contemporaneous return of Adder to customers. Pepco explained that the process is still being determined if approved. Staff asked about timing for any change to the Adder, and Staff and Pepco agreed that any change would have to be made next year.

Staff asked for comments from other parties. The Retail Energy Supply Association (“RESA”) stated that it would refer to its 2025 comments and continuation of the Adder in some form. Bates White (“BW”) asked to clarify Pepco’s position and Pepco responded that it would propose to eliminate the adder for all rate classes. AOBA supports maintaining the Adder for all customer classes at this time. Pepco also stated that the Adder is part of the SOS process in Maryland, but calculated differently. Staff asked if Pepco could provide a Table¹ showing the Adder over the past several years. No comments were made on Atrium Recommendation 6 by any stakeholders.

¹Pepco DC Adder by Year

(Mills per kWh)	2026		2025		2024		2023		2022	
Residential		0.4321		0.0464		0.0327		0.0452		0.4819
Small Commercial		0.6602		0.0370		0.0370		0.0264		1.4196
Large Commercial		0.0096		2.7012		0.0147		0.7153		0.4621
(\$ per kWh)	2026		2025		2024		2023		2022	
Residential	\$	0.00043	\$	0.00005	\$	0.00003	\$	0.00005	\$	0.00048
Small Commercial		0.00066		0.00004		0.00004		0.00003		0.00142
Large Commercial		0.00001		0.00270		0.00001		0.00072		0.00046

b. Reporting Requirements for Administrative Costs

Staff explained this issue is one of interest to the Commissioners. Pepco agreed that annual reporting should continue but noted that it would propose including actuals through December of the previous year to reduce lag. Pepco also emphasized its need for certainty regarding what costs related to Community Renewable Energy Facility (“CREF”) are allowable for recovery under SOS given the numerous orders over the last several years that have been issued further defining these costs. In response to a Department of Energy & Environment (“DOEE”) question, Pepco pointed to the supporting material in its annual SOS retail rates filing in FC 1017. Parties were asked for their opinion on what else could be provided in Pepco’s SOS Retail Rates filing for administrative costs. No comments were made.

II. SOS Procurement Process

a. Separate RPS REC Procurement

Pepco has proposed considering the removal of Renewable Portfolio Standard (“RPS”) compliance from the SOS product and be responsibility of the utility. Under the proposal, Pepco could purchase RPS Renewable Energy Credits (“RECs”) and potentially reduce costs and could make the costs of RPS transparent.

Pepco agreed with Staff that such changes could only be made, if at all, starting on or after June 2028 and not affect the current/upcoming SOS auctions. Staff asked if there is any evidence that this benefits customers. Pepco explained that it expected to benefit customers by allowing Pepco to maximize value of Power Purchase Agreements (“PPAs”), allowing Pepco to buy RECs based on the actual cost rather than it being included in the overall SOS price, which adds transparency.

Pepco also explained the options for including that price (for RPS) on customer bills. Staff asked if Delmarva Power & Lighting Company’s Delaware (“DE”) jurisdiction does this service for all customers and Pepco responded that it provided that service for all customers. If done for all customers (SOS or third-party supplied), Staff asked how that option would apply to third-party customers and Pepco responded it would get back to the group.

Staff also asked how this works considering these are laddered contracts, and Pepco responded that it would apply prospectively and as new SOS contracts go into place. Staff asked if there is evidence in DE that this has saved customers money. Pepco responded that because DE never had RECs/RPS as part of SOS, there is no such evidence, but that savings are evident due to the nature of the way RECs are currently procured. Staff asked others for their views, as well. Staff also asked if there would be incremental costs for Pepco providing this service and Pepco explained that there may be some incremental costs.

Staff asked if there would be any influence on REC prices. Pepco explained that REC prices are generally driven by supply and demand not typically administrative changes like the one proposed. DOEE asked for clarification of the current and proposed process for obtaining SOS RECs. The Apartment & Office Building Association of Metropolitan Washington (“AOBA”) also asked if this would eliminate the need for any compliance penalty and Pepco responded that a compliance fee would only be required if Pepco could not buy RECs at or below Alternative Compliance Payment (“ACP”). DOEE also noted that there is an open question as to whether a change in the RPS law is needed for Pepco to perform this function, and Pepco agreed to further discussion on that point.

Pepco also explained that this was driven by the renewable PPAs and optimizing their value. DOEE explained its position and expressed a concern that Pepco would be the only entity buying RECs, which could distort the market. However, DOEE explained how this could work for the PPAs in place/being considered. Pepco agreed to provide more detail on this proposal and how it might work if Pepco sought to more formally make this proposal in the future.

RESA noted that it supports the current framework but noted in general that the concern from Third Party Suppliers (“TPS”) is that the REC procurement is a competitive service within SOS and on the TPS side is a product currently offered. DOEE also stated that it understood the “transactional efficiency” of Pepco handling REC administration, noting some issues with how suppliers pay the District now – noting that there may be administrative efficiencies to gain by streamlining the process (though not necessarily Pepco’s proposal). Staff also asked if there were any Pepco proposals to explain administrative

costs and any market power concerns. Staff asked BW, which explained that it is generally supportive of the type of proposal to break out RPS from the SOS product for the reasons discussed by Pepco. BW said that several other states, like OH, DE, IL, MA and others, separate RPS from the backstop supply services.

b. Separate Capacity Procurement

Pepco stated that it reviewed this concept but noted that it was not aware of any means to effectuate this proposal, but asked if other parties understood how this could occur outside of SOS. Staff asked how this worked for PPAs and Pepco explained that it would be purchasing the capacity for the PPA load, which is essentially what is being done for SOS. Staff re-explained the question with the PPA(s) as context and that, for SOS, capacity is included as a blended price. RESA stated that they did not see a need to change the current process. Constellation responded similarly. AOBA agrees with both RESA and Constellation. Staff asked BW for its opinion. BW stated that is unaware of any jurisdiction that separates capacity from the default service product, but is aware of states that have initiatives to increase the supply of capacity, which is indirect.

c. Changes to Duration of SOS Procurement and Timing of Auction

Staff discussed the current timing for procurements. Pepco explained that it supported the current, three-year SOS procurement for Residential and Small Commercial. Staff asked if Exelon utilities have any period beyond 3 years, and Pepco responded no. RESA's position is that shorter contract durations are more market reflective. AOBA agrees that shorter contract durations are more market reflective. BW agreed with Pepco that they are unaware of contracts with duration longer than 3 years. 1 to 3 years is most common. Staff then asked for any additional comments on the procurement duration noting that it is one year for large commercial customers. Pepco did not have any changes to that. RESA clarified that its position would apply to the bundled (energy and capacity) product but over the long term it proposes the procurement to consist of one- and two-year contracts.

Pepco explained that it is open to changing the timing of the auctions for the Tranche 1 and Tranche 2 auction but expressed that a change in timing of the auctions would need to be mindful of PHI's other jurisdictional SOS and Basic Generation Service ("BGS") auction timelines. Pepco also noted that the

Tranche 2 auction would need to be aware of the Financial Transmission Rights (“FTR”) and Auction Revenue Rights (“ARR”) auctions that are held annually at the end of February and early March, which requires auction results to be verified and approved within PJM. Pepco also noted that if there were a change in the Tranche 2 auction date, it would subsequently require a change in the timing of the annual Retail Rates filing, as well as any other filings related to SOS.

d. Auction Combination w/other jurisdictions

There was discussion of whether there would be a benefit to adding additional jurisdictions (Maryland or other PJM members) to the DC SOS process. The challenges were noted that combining with other jurisdictions would likely disrupt the timing of the Tranches that are currently utilized. AOBA expressed concern about the impact of the Montgomery County (MD) Community Choice Aggregation and how that might adversely impact the procurement process if added to a DC procurement. Parties noted that the Maryland and DC markets, while close in proximity, have clear differences including separate Commissions, different Request for Proposals for Bidders, disparate Renewable Energy Portfolio Standard requirements and length of the SOS contracts (two vs. three years).

Pepco is not advocating a change to combine the jurisdictions. Other Parties stated that a cost/benefit analysis would need to be undertaken before considering a change like this and because of this insufficient information would not recommend this change.

e. Modification to SOS Rate Design

Pepco noted that the current rate design, as structured, directly reflects actual costs and the auction results and protects SOS customers and would not propose any changes.

Pepco did note that if the RPS procurement is separated from the SOS process that Pepco would need time to evaluate and would be a larger undertaking that would need to be worked on outside of this working group.

f. Improvements to SOS Rate Communications

Pepco provided information on the current state of SOS rate communications and noted which modes would be eliminated (Bill Inserts), and which would be enhanced (Bill Messages and Newsletters)

as well as some other communications changes. Pepco has historically included bill inserts on the SOS rate changes twice per year.

Staff offered the opportunity to host a meeting for discussion of the communication of SOS rates for all Parties and asked if there would be value in that. Hearing no responses, this likely would not be considered.

g. Other Improvements

Modification	Impact Date
Change to RPS Procurement Process	December 2027 SOS Auction
Modification to Adder for SOS Rates	June 2027
Return of Adder charge to all distribution customers	June 2027

Parties noted that any change would have to have clear guidelines on implementation and impacts and provide Parties with the opportunity to comment.

The change to RPS procurement would need a deeper discussion as to whether this applies only to the SOS process or if the entire RPS procurement for all customers would change to be the responsibility of Pepco. Pepco noted that they would need some time to provide a presentation on the topic and Parties noted that there are legal considerations that would need to be discussed in the review of any potential changes.

It is AOBA's understanding that the current SOS procurement process will remain in place until further study and discussion is completed. DOEE suggests that for that deeper discussion, an analysis of the relative merits of various types of market hedging strategies be considered for incorporation into the structure of the SOS procurement given the developments in the PJM capacity and energy markets that have pushed prices up quickly.

III. Other SOS Process Changes

a. PPAs

Pepco noted that in its July 29th SOS filing, they recommend delaying the start of the PPA inclusion in the SOS auction process until June 1, 2028. Pepco's proposal would treat the PPA as a financial transaction. This would shield Pepco and ratepayers from spot market price risk exposure and load

reductions in year one, as well as any potential delays of the start of the PPA which is currently scheduled to come online in December of 2027. The recommendation is that this change would not impact the procurement process, would allow for a full year of supply from the PPA, and would allow proper allocation for all suppliers of SOS load.

Additionally, there are two additional PPAs before the Commission for approval and Pepco would ask for similar financial treatment of these PPAs. Pepco stated that with the addition of these two PPAs (if approved), 20% of the current SOS load would be procured through these PPAs.

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September 4, 2026

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

Re: Formal Case No. 1017, Working Group's meeting

Dear Ms. Westbrook-Sedgwick:

Attached are the Minutes to the August 18, 2026 Standard Offer Service Working Group's meeting. In addition, attached is Pepco's presentation, which was discussed at the meeting. Thank you.

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

Minutes for August 18, 2026 FC 1017 Standard Offer Service (SOS) Meeting

I. Introduction

Commission Staff began the meeting with an introduction and stakeholders introduced themselves. Staff also asked that Pepco draft the meeting minutes. Pepco agreed and asked that another stakeholder draft the minutes for the next stakeholder meeting, which is expected to be needed.

List of Parties present: Commission Staff, Pepco, DOEE, AOBA, Constellation, RESA.¹

II. Substantive Issues Identified in Commission Staff Notice

a. Administrative Costs

i. Price Adder – discussion stemming from Atrium Audit

Staff asked Pepco for an explanation for how adder currently works. Pepco provided background on the adder using a powerpoint (attached).

Pepco began its presentation by talking more broadly about the Administrative Charge and the various components, which includes the Adder among other components. Pepco explained the original purpose of the Adder (marketing/customer acquisition costs) to support a competitive market, though in recent years the Adder operates differently. Pepco explained the history of the adder and context, such as affordability concerns, supply cost pressures, and a more mature market. Pepco questions the need for the adder given the current environment.

Pepco discussed the Atrium Audit (Recommendations 4, 5, and 6):

4. Proposal to link or benchmark costs to highest third-party supplier rate, which Pepco disagrees with based on affordability concerns and lack of transparency, among other reasons cited in the powerpoint.

5. Increase administrative charge if administrative costs are more than the administrative charge – Pepco supports recommendation, which is consistent with current practice.

6. Change in when/how Adder returned to customers – currently, Adder is based on cumulative over/under balance and is done through the Administrative Charge and returned to all distribution customers separately for each rate schedule. Pepco supports Atrium's proposed change, which would provide more timely/contemporaneous return of Adder to customers. Pepco explained that the process is still being determined if approved.

¹ Others may have been on the call, but did not announce or make changes to the draft Minutes that were circulated to everyone invited to this meeting.

Staff asked about timing for any change to the Adder and Staff and Pepco agreed any change would have to be made next year. Staff asked for comments of other parties. RESA stated that it would refer to its 2025 comments and continuation of the Adder in some form. Bates White asked to clarify Pepco's position and Pepco responded that it would propose to eliminate the adder for all rate classes. Pepco also stated that the Adder is part of the SOS process in MD, but calculated differently. Staff asked if Pepco could provide a Table showing the Adder over the past several years.

No comments were made on Atrium Recommendation 6 by any stakeholders.

ii. Reporting Requirements for Administrative Costs

Staff explained this issue of interest of the Commissioners. Pepco agreed that annual reporting should continue but noted that it would propose including actuals through December of the previous year to reduce lag. Pepco also emphasized its need for certainty regarding what costs related to CREF are allowable for recovery under SOS. In response to a DOEE question, Pepco pointed to the supporting material in its annual retail rates filing in FC 1017.

Parties were asked for their opinion on what else could be provided in Pepco's Retail Rates filing for administrative costs. No comments were made.

b. SOS Procurement Process

i. Separate Procurement for RECs for SOS

Pepco proposes to remove RPS from the SOS product and be responsibility of the utility. Pepco could purchase RPS RECs and potentially reduce costs and could make the costs of RPS transparent. Pepco notes that changes to regulations and procurement process would be needed and similar to DPL Delaware. This would include the PPA currently approved and future PPAs. Pepco agreed with Staff that such changes could only be made starting on or after June 2028 and not affect the current/upcoming SOS auctions.

Staff asked if there is any evidence that this benefits customers. Pepco explained that it expected to benefit customers by allowing Pepco to maximize value of PPA, allow Pepco to buy RECs based on the actual cost rather than it being included in the overall SOS price, which adds transparency. Based on a Staff question, Pepco explained the options for including that price (for RPS) on customer bills. Staff asked if DPL DE does this service for all customers and Pepco responded that it provided that service for all customers. If done for all customers (SOS or third-party supplied), Staff asked how that option would apply to third-party customers and Pepco responded it would get back to the group. Staff also asked how this works considering there are laddered contracts and Pepco responded that it would apply prospectively and as new SOS contracts go into place. Staff asked if there is evidence in DE that this has saved customers money. Pepco responded that because DE never had RECs/RPS as part of SOS, there is no such evidence but that savings

are evident due to the nature of the way RECs are currently procured. Staff asked others for their views, as well. Staff also asked if there would be incremental costs for Pepco providing this service and Pepco explained that there may be some incremental costs. Staff asked if there would be any influence on REC prices. Pepco explained that REC prices are generally driven by supply and demand not typically administrative changes like the one proposed.

DOEE asked for clarification of the current and proposed process for obtaining SOS RECs. AOBA also asked if this would eliminate the need for any compliance penalty and Pepco responded that a compliance fee would only be required if Pepco could not buy RECs at or below ACP. Pepco also explained that this was driven by the renewable PPAs and optimizing their value. DOEE explained its position and expressed a concern that Pepco would be the only entity buying RECs, which could distort the market. However, DOEE explained how this could work for the PPAs in place/being considered. Pepco agreed to provide more detail on this proposal and how it might work. RESA noted that it supports the current framework, but noted in general that the concern from TPS is that REC procurement is a competitive service within SOS and on the TPS side is a product currently offered. DOEE also stated that it understood the “transactional efficiency” of Pepco handling REC administration, noting some issues with how suppliers pay the District now – noting that there may be administrative efficiencies to gain by streamlining the process (though not necessarily Pepco’s proposal). Staff also asked any Pepco proposals to explain administrative costs and any market power concerns. Staff asked Bates White and BW explained that it is generally supportive of the type of proposal to break out RPS from the SOS product for the reasons discussed by Pepco. BW said that several other states, like OH, DE, IL, MA and others, separate RPS from the backstop supply services.

ii. Separate Capacity Procurement

Staff then transitioned to a discussion of separating capacity from the SOS product. Pepco stated that it reviewed this concept, but noted that it was not aware of any means to effectuate this proposal, but asked if other parties understood how this could occur outside of SOS. Staff asked how this worked for PPAs and Pepco explained that it would be purchasing the capacity for the PPA load, which is essentially what is being done for SOS.

Staff re-explained the question with the PPA(s) as context and that, for SOS, capacity is included as a blended price. RESA stated that they did not see a need to change the current process. Constellation responded similarly. Staff asked Bates White for its opinion. BW stated that they are unaware of any jurisdiction that separates capacity but is aware of states that have initiatives to increase the supply of capacity, which is indirect.

iii. Auction Timing and Procurement Periods

Staff discussed the current timing for procurements. Pepco explained that it supported the current, three-year SOS procurement for Residential and Small Commercial. Staff asked if Exelon utilities have any period beyond 3 years, and Pepco responded no. RESA’s position is that shorter contract

durations are more market reflective. BW agreed with Pepco that they're aware of no durations longer than 3 years. 1 to 3 years is most common.

Staff then asked for any additional comments on the procurement duration noting that it is one year for larger commercial customers. Pepco did not have any changes to that. RESA clarified that its position would apply to the bundled (energy and capacity) product but over the long term it proposes the procurement to consist of one- and two-year contracts.

Conclusion of Meeting 1

Staff noted that next meeting could occur in first or second week of September. Parties agreed to meet on September 3 from 1-3. Pepco floated the idea of a separate meeting about Pepco's proposal to procure RECs separately.

August 18, 2026

Standard Offer Service (SOS) Work Group

SOS Administrative Costs & SOS Procurement Process

1

SOS Administrative Charge

SOS Administrative Charge

Overview of Components

Write-Offs: Uncollectible SOS customer balances, net of late payment revenues.

Incremental Costs: Administrative and operational expenses incurred specifically to support the provision of SOS.

Cash Working Capital (CWC): Compensation for the timing difference between when SOS-related costs are incurred and when those costs are recovered through customer bills.

Margin: Provides a return for assuming SOS related financial and operational risks.

Taxes: Provision for Federal and State taxes associated with earnings on Margin and CWC.

True-Up: Reconciles actual costs vs revenues collected through the admin charge.

Adder: The remaining amount needed to bridge the gap between the fixed SOS administrative charge and the combined value of the components listed above.

SOS Administrative Charge Adder – Original Purpose and Current Application

Original Purpose:

- The Adder was introduced to reflect costs incurred by competitive suppliers that are not incurred by Pepco under the SOS program.
- Intended to help maintain a competitive retail electricity market.

Current Application:

- Administrative Charge is established using forecasted SOS balances through the end of the upcoming SOS year.
- The Adder functions as the residual amount needed to reconcile the fixed Administrative Charge with forecasted balances.

SOS Administrative Charge Adder – Removal Consideration

The Commission last considered removal of the Adder in Order No. 19897 (April 12, 2019) and declined to eliminate it at that time.



Since then, market conditions have changed significantly, including higher electric supply costs and increased customer affordability concerns.



The Adder increases SOS customer costs and subsidizes Distribution customers through the Administrative Credit.



Does the benefit justify the cost?

SOS Administrative Charge Adder – Atrium Recommendation 4

Recommendation

- Set the Administrative Charge such that the SOS rate (including Transmission) would equal the higher of i) the highest upcoming 12-month electric supply quote as can be found on search.dcpowerconnect.com/search-offers or ii) the sum of the admin charge components noting the adder would be zero.

Pepco's Position

- Benchmarking SOS rates to the highest third-party supplier offer could increase Residential SOS prices by ~50%
- Pepco has limited visibility into how competitive suppliers develop their pricing, and the highest quoted offer may not represent reasonable or efficient market costs.
- Relying on the highest supplier offer as a pricing benchmark could increase customer costs without a clear demonstration of corresponding customer benefits.
- A drastic increase in SOS prices may cause customer confusion.
- The approach does not address broader industry concerns related to rising electricity supply costs and customer affordability
- Higher SOS rates could increase the amount returned through the Administrative Credit, resulting in additional subsidization of distribution customers.
- There is potential incentive for 3rd party suppliers to increase their pricing knowing Pepco is required to match them.

SOS Administrative Charge Adder – Atrium Recommendation 5

Recommendation

- If SOS Administrative Costs exceed the Administrative Charge, increase the Administrative Charge to fully recover costs, resulting in an Adder of zero and avoiding a negative Administrative Credit.

Pepco's Position

- Pepco supports this recommendation, as it is consistent with the Company's current practice.

SOS Administrative Charge

Adder – Atrium Recommendation 6

Recommendation

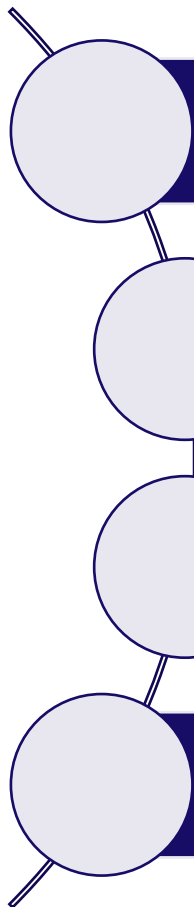
- Return Adder revenues through the Administrative Credit on a contemporaneous basis with rates set annually and including a true up component.

Pepco's Position

- Pepco supports this recommendation, as it is mostly consistent with the Company's current practice in our Maryland jurisdiction.

SOS Administrative Charge

Pepco's Additional Proposals



1 Consider removing the adder, refer to slide 4.

2 Incorporate actuals through the end of the calendar year, helping to reduce volatility resulting from the existing lag.

3 Affirm Pepco's ability to recover CREF* related O&M costs through the SOS Administrative Charge

4 Continue annual reporting of Administrative Costs.

2

SOS Procurement Process

Separate RPS REC Procurement

Pepco is proposing that RPS be removed from the SOS full requirements product and become the responsibility of the utility

- This would also allow the utility to use the RECs procured through the PPA to meet DC RPS goals.
- Pepco would purchase RECs to meet DC RPS goals and would be able to purchase them through brokers, potentially reducing the cost of RPS.
 - RPS would be purchased in the current market as opposed to suppliers 3-year forward-looking.
- This would be similar to the Delaware SOS full requirements product.
- The change would require updates to the Regulations, RFP, and WFRSA

Under the current PPA construct, Pepco would provide estimates of how many RECs will be generated through the PPA and those RECs would be allocated on a load ratio share to wholesale suppliers reducing Tier 1 obligations

Separate Capacity Procurement

Pepco was asked to evaluate removal of separation of capacity from the SOS product

- Pepco is not aware of a means to procure capacity as a separate product other than through generation and capacity off-take agreements
- Pepco looks to suppliers and other parties for suggestions on how capacity could be procured outside the SOS procurement auction

Changes to Duration of SOS Procurement

Pepco does not have any proposed changes to the duration of SOS Procurement

- A 3-year Residential and Small Commercial product protects customers from any significant impacts from changes to SOS contract prices.
- PHI's Atlantic City Electric jurisdiction also uses a 3-year Basic Generation Service ("BGS") product for Residential and Small Commercial customers.

Changes to the Timing of the Auction

Pepco is open to changing the auction dates for Tranche 1 and Tranche 2

- The FTR/ARR auction is held at the end of February/early March, which requires the Tranche 2 auction results to be verified and updated within PJM

Pepco DC would need to take into account PHI's other jurisdictional SOS and BGS auction timelines

- A change in the SOS auction schedule would subsequently require a change in the timing of the annual SOS Retail Rates Filing and any other filings related to SOS

Auction Combination w/ Other Jurisdictions

Pepco does not believe the SOS Auctions should be combined with other jurisdictions due to different Commissions.

This would require each jurisdiction to potentially alter their SOS processes and requirements to meet the needs of the other jurisdictions.

Modifications to SOS Rate Design

Current Methodology	
	Auction Awards
	Weighted Average Awarded Supply Cost
	Administrative Charge
	Annual True-Up
	Customer SOS Rate

Cost Reflective

- Rates are based on actual awarded supply contracts.

Procurement Alignment

- Retail rates directly reflect accepted bid blocks and volumes.

Customer Protection

- Provides stability and reduces exposure to market volatility.

Transparency & Accountability

- The methodology is auditable, easy to understand, and supported by annual reconciliation

Pepco's Position: No modification is being proposed currently.* The current SOS rate design preserves auction outcomes while balancing cost accuracy, customer stability, transparency, and financial neutrality.

SOS Rate Communication

KEEP

IMPROVE

ELIMINATE

CURRENT COMMUNICATION CHANNELS

RECOMMENDED DIRECTION



IMPROVE

Newsletter

Add SOS rate change information previously provided through the bill insert



KEEP

Seasonal Rate Change Emails

Continue targeted seasonal communications



ELIMINATE

Bill Inserts

Retire this stand-alone communication



KEEP

Rate Change Letter

Continue direct outreach for applicable Large Commercial customers



KEEP

Fact Sheets

Retain as a concise reference resource



IMPROVE

Bill Messages

Add a no-cost message directing customers to Pepco.com



KEEP

Media Outreach

Continue customer education on supply costs and bill impacts



Result: fewer duplicative communications, with SOS updates consolidated in the newsletter and supported by a website-directed bill message.

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Other SOS Process Changes

Power Purchase Agreements (PPAs)

As recommended in Pepco's SOS Filing on July 29th, 2026, Pepco recommends that the Commission delay the start of the PPAs until June 1, 2028.

- Pepco would like to treat the PPA as a financial transaction during this delivery year to reduce the risk to customers from purchases on the spot market.
 - This could be impactful since Pepco would need to purchase spot market for the period of June 1, 2027 until delivery, which is currently December 31, 2027.
 - Load acquired through SOS would be reduced during the first full year of PPA delivery.
 - Pepco suggests this treatment for the pending PPAs that were filed with the DC Commission on August 12, 2026.

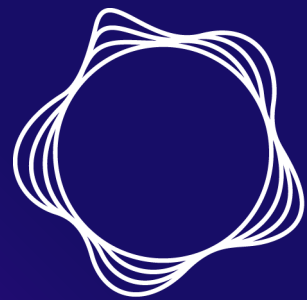
Power Purchase Agreements (PPAs)

Pepco filed 2 additional PPAs, representing 15% of SOS load, with the DC Commission on Wednesday, August 12th, and if approved, 20% of DC SOS load through PPAs.

- Pepco believes it would be beneficial to have the approved PPA and pending PPAs to come online before issuing another Request for Proposal.
- This would give all parties time to evaluate the impact of the PPAs and adjust the strategy as needed



Thank you



pepco[®]

AN EXELON COMPANY

CERTIFICATE OF SERVICE

I hereby certify a copy of Potomac Electric Power Company's Working Group Meeting Minutes was served this September 4, 2026 on all parties in Formal Case No. 1017 by electronic mail.

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/s/ Dennis P. Jamouneau
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September 16, 2026

By Electronic Filing

Brinda Westbrook-Sedgwick
Commission Secretary
D.C. Public Service Commission
1325 G Street, N.W., Suite 800
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Re: Formal Case No. 1017

In the Matter of the Development and Designation of Standard Offer Service in the District of Columbia

Dear Ms. Westbrook-Sedgwick:

Attached please find the Standard Offer Service (SOS) Working Group minutes from the September 3, 2026 meeting.

If you have any questions, please contact me at ffrancis@aoba-metro.org or call my cell at (301) 518-9700. Thank you for your attention in this matter.

Sincerely,

A handwritten signature in blue ink that reads "Frann G. Francis". The signature is written in a cursive, flowing style.

Frann G. Francis, Esq.

cc: All parties of record

Minutes for September 3, 2026 FC 1017 Standard Offer Service (SOS) Meeting

I. Introduction

Commission Staff began the meeting with an introduction and stakeholders introduced themselves. Staff also asked anyone to draft the meeting minutes. AOBA agreed to draft the minutes. Pepco will file the meeting minutes from meeting #1.

List of Parties present: Commission Staff, Pepco, DOEE, AOBA, Constellation, RESA, Bates White

II. Substantive Issues Identified in Commission Staff Notice

The Parties discussed some of the potential changes or modifications to the current DC SOS process to gauge the interest or viability of some of the possible changes.

1. Combining the DC SOS process with other jurisdictions

There was discussion of whether there would be a benefit to adding additional jurisdictions (Maryland or other PJM members) to the DC SOS process. The challenges were noted that combining with other jurisdictions would likely disrupt the timing of the Tranches that are currently utilized. AOBA expressed concern about the impact of the Montgomery County Community Choice Aggregation and how that might adversely impact the procurement process if added to a DC procurement. Parties noted that the Maryland and DC markets, while close in proximity, have clear differences including separate Commissions, different Request for Proposals for Bidders, disparate Renewable Energy Portfolio Standard requirements and the length of the SOS contracts (two vs. three years).

Pepco is not advocating a change to combine the jurisdictions. Other Parties stated that a cost/benefit analysis would need to be undertaken before considering a change like this and because of this insufficient information would not recommend this change.

2. Potential changes to the timing of the auction

Pepco indicated that they would be open to discussing a change to the timeline but again is not recommending a change to the timeline of the current process. Pepco noted that any changes would have to synch up with the FTR and ARR auction processes and any change would impact additional timelines such as the annual SOS rate filing. Pepco noted that this was a recommendation to be considered that was issued by the Commission and not Pepco. Parties noted that again there would need to be a clear advantage shown by moving the timeline of the auction and absent that- this change would not be recommended.

3. Modifications to the SOS Rate Design

Pepco noted that the current rate design, as structured, directly reflects actual costs and the auction results, protects SOS customers, and offers transparency and accountability, and would not propose any changes.

Pepco did note that if the RPS procurement is separated from the SOS process that Pepco would evaluate the impact on SOS rate design.

4. SOS Rate Communication

Pepco provided information on the current state of SOS rate communications and noted which modes would be eliminated (Bill Inserts) and which would be enhanced (Newsletter and Bill Messages). Pepco has historically included bill inserts on the SOS rate changes twice per year.

Staff offered the opportunity to host a meeting for discussion of the communication of SOS rates for all Parties and if there would be value in that and hearing no responses, this likely would not be considered.

5. Three Potential Changes/Improvements Identified and their date impact.

Modification	Impact Date
Change to RPS Procurement Process	December 2027 SOS Auction
Modification to Adder for SOS Rates	June 2027
Return of Adder charge to all distribution customers	June 2027

Parties noted that any change would have to have clear guidelines on implementation and impacts and provide Parties with the opportunity to comment.

The change to RPS procurement would need a deeper discussion as to whether this applies only to SOS process or if the entire RPS procurement for all customers would change to be the responsibility of Pepco. Pepco noted that they would need some time to provide a presentation on the topic and Parties noted that there are legal considerations that would need to be discussed in the review of any potential changes.

6. Power Purchase Agreements and Pepco's Recommendations

Pepco noted that in its July 29th SOS filing, they recommend delaying the start of the PPA inclusion in the SOS auction process until June 1, 2028. Pepco would treat the PPA as a financial transaction. This would shield Pepco and ratepayers from some spot market price risk exposure and load reductions in year one.¹ The recommendation is that this change would not impact the procurement process and allow for a full year of supply from the PPA and would allow proper allocation for all suppliers of SOS load.

¹ The approved PPA is expected to come on-line in December 2027. Pepco's proposal would not include the PPA into SOS until June 1, 2028.

Additionally, there are two additional PPAs before the Commission for approval and Pepco would ask for similar financial treatment of these PPAs. Pepco stated that with the addition of these two PPAs (if approved), 20% of the current SOS load would be procured through these PPAs.

Conclusion of Meeting 2

Pepco shared a proposed timeline for this Working Group's report to the Commission.

September 10, 2026	Draft of Minutes from Meeting 2 circulated.
September 17, 2026	Comments from Parties on the Minutes due
October 1, 2026	Pepco submits draft report to Working Group
October 15, 2026	Comments from Parties on Report due
October 20, 2026	WG Report filed with the Commission.

CERTIFICATE OF SERVICE

I hereby certify a copy of Potomac Electric Power Company's Updated SOS Working Group Report was served this October 16, 2026 on all parties in Formal Case No. 1017 by electronic mail.

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