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April 17, 2020

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. 1156**

Dear Ms. Westbrook-Sedgwick:

In Order No. 20273, the Commission directed Potomac Electric Power Company ("Pepco"), the Office of the People's Counsel ("OPC"), and the District of Columbia Government ("DCG") (collectively, "Organizers") to convene and facilitate three meetings between January 15, 2020 and March 31, 2020 inviting all FC 1156 intervenors, stakeholders, and PowerPath DC participants to discuss Performance Incentive Mechanisms ("PIMs"). Order No. 20273 also directed the Parties and participants to file a report on the third PIMs meeting within ten days after the third PIMs meeting.

The Organizers of the PIMs meetings held on January 28th, 2020 and February 25th, 2020, hereby present their Report on the First Two PIMs meetings.

OPC and DCG have authorized Pepco to submit this letter on the Organizers behalf.

Please do not hesitate to contact me if there are additional questions.

Sincerely,

/s/ *Andrea H. Harper*

Andrea H. Harper

cc: All Parties of Record

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

<b>IN THE MATTER OF</b>	)	
	)	
<b>The Application of the Potomac Electric Power</b>	)	
<b>Company for Authority to Implement</b>	)	<b>Formal Case No. 1156</b>
<b>A Multiyear Rate Plan for Electric Distribution</b>	)	
<b>Service in the District of Columbia</b>	)	

**JOINT REPORT ON THE FIRST TWO MEETINGS OF THE FORMAL CASE NO. 1156**  
**PARTIES AND POWERPATH DC PARTICIPANTS TO DISCUSS PERFORMANCE**  
**INCENTIVE MECHANISMS IN RESPONSE TO COMMISSION ORDER NO. 20273**

Potomac Electric Power Company (“Pepco”), the Office of the People’s Counsel (“OPC”), and the District of Columbia Government (“DCG”) (collectively, “Organizers”) and the participants of the Performance Incentive Mechanisms (“PIMs”) meetings held on January 28, 2020 and February 25, 2020, hereby submit their joint Report on the First Two PIMs Meetings (“Report”). This Report describes discussions between participating stakeholders during the first two PIM meetings. Stakeholders who participated in one or both meetings include the Organizers (Pepco, OPC, and DCG/ District Department of Energy and the Environment (DOEE)), Intervenors in Formal Case No. 1156 (AOBA, BWLDC, IBEW Local 1900, US General Services Administration, and Washington Gas<sup>1</sup>) PowerPath DC participants, and other interested organizations (AARP, DC Climate Action, DC Sustainable Energy Utility, Grid 2.0, New Columbia Solar, Oracle Opower, IMT, and Smart Electric Power Alliance).

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<sup>1</sup> Counsel for Washington Gas notes that it took no position on the goals or PIMS discussed at the meeting.

## **I. Background**

In Order No. 20273, the Public Service Commission of the District of Columbia (“Commission”) directed the Organizers to convene and facilitate three meetings between January 15, 2020 and March 31, 2020 inviting all Formal Case No. 1156 intervenors, stakeholders, and PowerPath DC<sup>2</sup> participants to discuss PIMs. Order No. 20273 also directed the Organizers and participants to file a report on the third PIMs meeting within ten days after the third PIMs meeting (“10-Day Report”).

The Organizers facilitated the first two of the three meetings on January 28, 2020 and February 25, 2020. A list of participants in meetings 1 and 2 is attached.<sup>3</sup> During those meetings, the Parties and participants discussed goals and objectives of PIMs and focused on PIMs as well as tracking metrics that may be considered as part of Pepco’s requested Multiyear Rate Plan (“MRP”).

On March 19, 2020, the Organizers provided notice to the Commission that, due to the COVID-19 crisis, they postponed the third and final PIMs meeting (and accompanying 10-Day Report), until such time as the Parties and other participants are able to safely conduct an in-person meeting. The Parties intended the third meeting to focus on PIMs that may be appropriate for proposal in a future rate case. In addition, the Parties also proposed to submit a report to the Commission that describes and summarizes the discussions that took place in the first two PIMs meeting held on January 28, 2020 and February 25, 2020. Therefore, the Parties and participants to those first two PIMs meetings hereby respectfully submit this report.

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<sup>2</sup> Formal Case No. 1130.

<sup>3</sup> The Organizers note that this list may not reflect all of stakeholders that joined on the phone.

## **II. PIMs Meeting #1**

On January 28th, 2020, OPC facilitated PIMs Meeting #1. The discussion was focused on each participant's desired energy related goals and objectives for the District. Participants discussed that these goals and objectives would form the basis of discussions in future PIMs meetings.

1. Affordability,
2. Support achievement of the District's climate change and energy efficiency mandates, including the achievement of carbon neutrality by 2050,
3. Compliance with the District's RPS standard (100% by 2032), including increasing solar deployment to 10% by 2041,
4. Development of an interactive and well-planned electric distribution grid to achieve grid optimization,
5. Creation of customer value by empowering and engaging customers
6. Non-discriminatory access to the electric distribution grid (with respect to both customers and third parties),
7. Reliability of the electric distribution grid (both District-wide and at a neighborhood level),
8. Resilience of the electric distribution grid (both District-wide and at a neighborhood level, including both physical and cyber resilience), and
9. Support for sustainable workforce and economic development in the District of Columbia.

The participants also generally agreed that considerations of equity, cost, nondiscrimination, and customer education permeate all the goals listed above, however, the

parties did not agree that PIMs were needed or appropriate for meeting any of the energy goals. Additionally, the Stakeholders agreed that it is important for the Commission to consider not only what is to be achieved by each PIM or tracking metric, but also how such performance will be achieved and the costs and benefits to ratepayers.

### **III. PIMs Meeting #2**

On February 25, 2020, Pepco facilitated PIMs Meeting #2. Pepco began the meeting by presenting the details of the specific PIMs it proposed in its MRP application along with an explanation of how Pepco believes its proposed PIMs support the achievement of the policy objectives identified in the first PIMs meeting. The DCG then presented additional potential PIMs and tracking metrics along with an explanation of how DCG believes these potential PIMs support achievement of the policy objectives identified in the first meeting. GRID2.0 then presented their analysis of lessons-learned during the development of PIMs in other states and outlined the extended negotiation processes which they believe were prudently followed to incorporate the complexity and interconnectivity of PIMs and their metrics, acknowledging that almost all measures can have impact on multiple policy goals. Grid2.0 also presented their proposal for tracking metrics related to peak demand reduction.

During the remainder of the meeting, the participants discussed potential PIMs and/or tracking metrics that could be considered in the context of the current rate case, as well as outcomes that may be achieved by PIMs in general. This portion of the meeting included a robust discussion about how well-designed PIMs could drive the modernization of the energy delivery system as well as concern from several stakeholders that PIMs should be based upon quantifiable and measurable utility performance that exceeds its existing obligations and

commitments. However, the participants did not reach consensus or unanimous agreement on specific PIMs or tracking metrics that they believe the Commission should approve in the context of this proceeding, including those PIMs proposed by Pepco in its MRP application nor did they agree that PIMs should be adopted in this proceeding at all. The following list contains outcomes that Stakeholders identified to focus on when considering metrics for potential District PIMs that may or may not have associated financial incentives:

### **1. Reliability**

Participants discussed whether or not PIMs should be proposed for reliability, with concerns raised by some participants about whether it is appropriate to provide financial incentives for the performance of activities already mandated by the Commission. Stakeholders did not reach a consensus regarding any PIMs under the topic of reliability.

### **2. Distributed Energy Resources (“DER”) Interconnection**

Participants also discussed potential PIMs to incentivize increased interconnection of DER, including timelines for Pepco to issue approvals to install and authorizations to operate. Stakeholders also discussed hosting capacity and grid planning issues. No consensus on such PIMs was reached.

### **3. Peak Demand Reduction**

On the topic of peak demand reduction, participants discussed potential PIMs that would be measurable and directly attributable to the utility (i.e. time-varying rates, non-wires alternatives, etc.). No consensus was reached on specific PIMs to reduce peak demand.

#### **4. Greenhouse Gas (“GHG”) Reductions**

Participants also discussed GHG reductions, and how to track GHG reductions that are directly attributed to actions by Pepco. No consensus on PIMs to achieve GHG reductions was reached..

#### **5. Customer Service**

Participants discussed customer service PIMs. Some participants raised concerns about: (1) developing metrics that would demonstrate actual ratepayer benefits; and (2) implementing financial incentives for activities that are already required by the Commission. No consensus on customer service PIMs was reached.

#### **6. Resilience**

Resilience metrics were discussed, although no consensus was reached.

#### **7. Two-Way Data Flow**

PIMs in the areas of two-way data flow and tracking were discussed, but no consensus on such PIMs was reached.

#### **8. Affordability**

Participants discussed affordability, although no specific PIMs received consensus.

### **IV. Conclusion and Next Steps**

During the first and second PIMs meetings, the participants agreed that the three PIMs meetings that the Commission directed<sup>4</sup> the Parties to conduct need not be the only time that the Parties and participants meet to discuss PIMs. As one participant said, “this is a marathon—not

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<sup>4</sup> *The Application of the Potomac Electric Power Company for Authority to Implement Formal Case No. 1156 A Multiyear Rate Plan for Electric Distribution Service in the District of Columbia*, Formal Case No. 1156, Order No. 20273 at ¶106 (Dec. 20, 2019) (“Order No. 20273”).

a sprint!” The stakeholders will participate in the third PIMs meeting hosted by DCG, as required by Order No. 20273, as soon as practical and any additional PIMs meetings as scheduled to continue discussing PIMs or other performance metrics that can align Pepco’s performance with the District’s energy and other goals and incentivize the utility to achieve performance results above and beyond existing commitments and obligations that achieve cost based benefits for ratepayers.

As for this Report, the points described herein represent some, but not all of the issues, that the participants discussed during the meetings and highlight those issues that stakeholders were able to reach general consensus on during the first two PIMs meetings as set forth on page 3.. Unfortunately, two meetings may not be enough to give all ideas that were presented and discussed by the Stakeholders at the meetings their due consideration. While the parties to Formal Case No. 1156 proceeding have had an opportunity to submit in testimony their thoughts on Pepco’s proposed PIMs and PIMs to be considered in the current case, participants that are not Parties have obviously not submitted testimony. The participants to the PIM Meetings respectfully request that the Commission provide a deadline for and accept into the record comments from any participant in the first two PIMs meetings that is not a Party to Formal Case No. 1156, so that these participants also have an opportunity to provide their own specific views on Pepco’s proposed PIMs, and their organization’s desired outcomes, proposed metrics, potential PIMs, and supporting justification.<sup>5</sup>

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<sup>5</sup> Justification of desired outcomes, potential metrics, or proposed PIMs should address the Commission’s principles of Alternative Forms of Ratemaking, as described in Order No. 20273 at 103.

**Attachment A:**

List of Stakeholders in Attendance at PIMs Meetings #1 and #2

<b>Meeting #1:</b>	<b>Meeting #2:</b>
AARP	AOBA
AOBA	DC Climate Action
DC Climate Action	DC Government
DC Government	DC Sustainable Energy Utility
DOEE	DOEE
OPC	Grid 2.0
Grid 2.0	IBEW Local 1900
New Columbia Solar	Institute for Market Transformation
Oracle Opower	New Columbia Solar
Pepco	OPC
Smart Electric Power Alliance	Pepco
US General Services Administration	Smart Electric Power Alliance
Washington Gas	Washington Gas
IBEW Local 1900	
LiUNA	

## CERTIFICATE OF SERVICE

I hereby certify that a copy of Potomac Electric Power Company's Letter re Joint Report on First Two PIMs Meetings has been served this April 17, 2020 on:

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