

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

NOTICE OF FINAL TARIFFFORMAL CASE NO. 1085, IN THE MATTER OF THE INVESTIGATION OF A PURCHASE OF RECEIVABLES PROGRAM IN THE DISTRICT OF COLUMBIA

1. The Public Service Commission of the District of Columbia (Commission) hereby gives notice, pursuant to Sections 34-802 and 2-505 of the District of Columbia Official Code,¹ and pursuant to Order No. 17052 directing the Potomac Electric Power Company (Pepco or the Company) to implement a Purchase of Receivables (POR) program in the District of Columbia,² of its final tariff action approving Pepco's tariff filing implementing the POR Supplier Discount Rates.³ The Commission issued a Notice of Proposed Tariff (NOPT) published in the *D.C. Register* on May 1, 2015⁴ and, following an updated filing from Pepco,⁵ issued a NOPT published in the *D.C. Register* on October 23, 2015,⁶ inviting comments on Pepco's proposed tariff. No comments were filed in response to either NOPT.

2. In its initial Application, Pepco sought to modify and provide additional language to the Company's Electric Supplier Coordination Tariff. The tariff filing updated language of the Supplier Tariff Schedule 3, which described in detail the components and derivation of the POR Supplier Discount Rates, including the proposed Discount Factors (Attachment A).⁷

3. The sole change in Pepco's updated tariff filing was reflected in First Revised Page No. 42, paragraph 6, stating: "Pepco tracks negative discount rates and amounts by customer class for use in offsetting positive discount rates in the future for the applicable customer classes." Overall, Pepco revised the following tariff pages:

¹ D.C. Official Code §§ 34-802 (2001) and 2-505 (2001).

² *Formal Case No. 1085, In the Matter of the Investigation of a Purchase of Receivables Program in the District of Columbia (Formal Case No. 1085)*, Order No. 17052, issued January 18, 2013.

³ *Formal Case No. 1085*, POR Supplier Discount Rate Tariff Application, filed March 11, 2015 (Application).

⁴ 62 *D.C. Reg.* 005572-005574 (2015).

⁵ *Formal Case No. 1085*, Update to POR Supplier Discount Rate Tariff Application, filed September 11, 2015 (Application).

⁶ 62 *D.C. Reg.* 013954-013955 (2015).

⁷ Application at 4.

Electricity Supplier Coordination Tariff, P.S.C. of D.C. No.1
Third Revised Page No. i
Third Revised Page No. ii
Third Revised Page No. iii
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and Original Page No. 42

4. Pepco stated in its Application that the Discount Rate calculations for Residential R, Residential R-TM, Small Commercial and Large Commercial customers for the period October 2013 through December 2014 result in negative discounts. Pepco explains that this is primarily due to the Write-offs being smaller than the Late Payment Revenues, including Market Priced customers. Pepco's tariff proposes to apply a discount rate on the receivables associated with Residential customers of 0.0000% on Schedule R, 0.8081% for Residential customers on Schedule AE, 5.2686% for Residential customers on Schedule RAD, 5.6553% for Residential customers on Schedule RAD-AE, and 0.0000% for Residential customers on Schedule R-TM. Pepco proposes to apply a discount rate of 0.0000% on receivables associated with Small Commercial customers, Schedules GS-LV ND, T, SL, TS and TN, and 0.0000% on the receivables associated with Large Commercial customers, Schedules GS-LV, GS-3A, GT-LV, GT-3A, GT-3B and RT, and finally, 0.0419% for Market Priced Customers, Schedules GSLVND, GS-LV, GS-3A, GT-LV, GT-3A, T, SL, and TS.

5. In addition to the above tariff modifications, Pepco provided information in Attachment B through Attachment G of its Application detailing how the Discount Rates are derived using the POR data for the period October 2013 through December 2014. Pepco states that Attachment B is a summary showing the results of the Write-Offs, including Reinstatements, and Late Payment Revenues expressed as a percentage of Third Party Supplier Revenues for Residential Customers served under Schedules R, AE, RAD, RAD-AE and RTM, and Non-Residential Customers. Small Commercial Non-Residential Customers are served under Schedules GS-LV-ND, T, SL, TS and TN; Large Commercial customers are served under Schedules GS-LY, GS-3A, GT-LY, GT-3A, GT-3B and RT; and Market Priced Service customers are served under Schedules GS-LY-ND, GS-LY, GS-3A, GT-LY, GT-3A, T, SL and TS. In Order No. 16916,⁸ the Commission approved a Risk Component to be included in the Discount Rate. In the same Order, the Commission allowed for a Cash Working Capital adjustment. Pursuant to the Commission's directive that both components be set to zero and that they may not be changed without the Commission's written authorization, Pepco set the Risk Factor and the Cash Working Capital component to zero. Pepco stated that the Program Development and Operation Cost component and the Interest and Reconciliation Factors are added to arrive at the Discount Rates for each of the eight rate classes described above.

⁸ *Formal Case No. 1085*, Order No. 16916, issued September 20, 2012.

6. In Attachment C, Pepco listed by month from October 2013 through December 2014, and by customer type the Electric Revenues Billed, less POR Discounts, the Net Electric Revenues Billed, and the Write-Offs, net of Reinstatements. Pepco states that there is a timing difference of about six months between billing the customer and writing off the account as uncollectible. Pepco's policy for uncollectibles is to write off delinquent accounts after 120 days. Pepco states that interest is calculated based on the cumulative Over/ (Under) Collection at 8.03% per Formal Case No. 1087 from October 7, 2013 through April 15, 2014, and at 7.65% per Formal Case No. 1103 from April 16, 2014 through December 31, 2014.

7. In Attachment D, Pepco provided the detailed calculation by customer type for the Reconciliation and Interest Factor. It states that the Reconciliation factor is derived by adding the Amortization of Program Cost to the POR Discounts less Write-Offs and the net Over/ (Under) Collection is divided by the Electric Revenues billed for October 2013 through December 2014. Pepco stated that the Interest Factor is derived by dividing the Interest from Attachment C by the Electric Revenues billed for January 2014 through December 2014.

8. In Attachment E, Pepco displayed the derivation of the Program Development and Operation Cost Component. Pepco represents that the Program Development and Operation Cost is amortized over three years and earns interest at the Company's most recent authorized distribution system rate of return, currently at 7.65%. Pepco stated that the Annual Amortization Cost by Customer Type is divided by the number of Choice Accounts to derive an Annual Cost per Customer and the Average Annual Customer kWh Usage by Type is multiplied by the Supply Rate for that type to calculate the Annual Supply Revenue per Customer. Pepco stated that the Program Development and Operation Cost Component percent is derived by dividing the Annual Cost per Customer by the Annual Supply Revenue per Customer.

9. In Attachment F, Pepco provided the detailed calculation for the Program Development and Operation Cost by contractor labor hour and contractor rate per hour, and in Attachment G, Pepco provided the detail of the three year amortization for the Program Development and Operation Cost.

10. The Commission issued separate NOPTs published in the *D.C. Register* on May 1, 2015 and October 23, 2015, respectively, giving notice of the Commission's intent to act upon Pepco's proposed tariff application. No comments were filed in response to either NOPT. The Commission at its regularly scheduled open meeting held on December 9, 2015, took final action approving Pepco's POR tariff filing. Pepco's POR tariff filing shall become effective upon publication of this Notice of Final Tariff in the *D.C. Register*.