

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

ORDER

November 8, 2018

**FORMAL CASE NO. 1149, IN THE MATTER OF THE INVESTIGATION INTO THE
STRUCTURE AND APPLICATION OF AN EXPERIMENTAL RATE CLASS FOR
BOTH SENIOR CITIZENS AND DISABLED RESIDENTS IN THE DISTRICT OF
COLUMBIA, Order No. 19741**

I. INTRODUCTION

1. By this Order, the Public Service Commission of the District of Columbia (“Commission”) accepts the recommendations contained in the Final Technical Conference (“TC”) Report (“Final Report”), filed on April 9, 2018, and establishes a new experimental electricity rate class credit for both senior citizens and disabled residents within the District of Columbia.¹ The experimental rate credit shall be initially restricted to those residents who receive the D.C. Homestead Deduction and Senior Citizen/Disabled Property Tax reduction, and are Potomac Electric Power Company (“Pepco”) customers not receiving the Residential Aid Discount (“RAD”). Additionally, Commission Staff is directed to convene another Technical Conference, reporting back to the Commission within six months from the date of this Order, to focus specifically on options for expanding the population of eligible participants to renters, for year 2 of the experimental rate. Further, Pepco is directed to file within 60 days of the date of this Order a more detailed implementation cost estimate and timetable, annual administrative cost estimate, and a proposed tariff rider.

II. BACKGROUND

2. On July 25, 2017, the Commission issued its decision, Order No. 18846, in the Pepco’s recent distribution base rate case and, among other things, announced its intention to “open a new proceeding to discuss the parameters around creating a new experimental rate class for both senior citizens and disabled residents within the District.”² The Commission scheduled the First Technical Conference concerning this matter for September 29, 2017. Due to the filing of several applications for reconsideration that impacted the experimental rate class for both senior citizens and disabled residents, the First Technical Conference scheduled for September 29, 2017, was canceled. The Commission issued its final order on the various Applications for Reconsideration on October 6, 2017, affirming Order No. 18846, and subsequently rescheduled

¹ *Formal Case No. 1149, In the Matter of the Investigation into the Structure and Application of an Experimental Rate Class for Both Senior Citizens and Disabled Residents in the District of Columbia* (“Formal Case No. 1149”), Technical Conference Final Report, filed April 9, 2018 (“Final Report”).

² *Formal Case No. 1139, In the Matter of the Application of Potomac Electric Power Company for Authority to Increase Existing Retail Rates and Charges for Electric Distribution Service* (“Formal Case No. 1139”), Order No. 18846, ¶ 463, rel. July 25, 2017.

the First Technical Conference regarding the experimental rate class to December 19, 2017, to provide time to ensure appropriate participation.³

3. On October 19, 2017, the Commission issued Order No. 19146, opening *Formal Case No. 1149* to “investigate the structure and application of an experimental rate class for both senior citizens and disabled residents in the District of Columbia.”⁴ The Commission restated the three key questions to be addressed in the Technical Conference as: (1) the potential size of the new customer class; (2) exactly how the new customer class will be defined; and (3) what will be the cost of providing a discount on electricity distribution rates to the new customer class. In considering answers to these and other questions, the Commission stated that “[o]ne key to success, pointed out by community comments, is that eligibility should be as simple, trouble-free, and as automatic as possible.”⁵ Additionally, the Commission restated that “[t]he impact of belonging to this new customer class, in terms of the lower Pepco rate it affords, should be communicated in easy-to-understand terms and the dollar value of the discount should be shown as a separate line item on customers’ bills.”⁶ Finally, the Commission stated that it has “ensured adequate funding for this rate class, on an interim basis, by setting aside ‘roughly \$6 to \$7 million of the CBRC [Customer Base Rate Credit], which will be retained for the future special customer class for seniors/disabled citizens.’”⁷

4. Commission Staff convened the first Technical Conference on December 19, 2017. Technical Conference Participants included the Office of the People’s Counsel (“OPC”), AARP Legal Counsel for the Elderly (“LCE”), the Apartment and Office Building Association of Metropolitan Washington (“AOBA”), the District Government (Office of the Attorney General (“OAG”), the District of Columbia Department of Energy and Environment (“DOEE”), District of Columbia Department on Disability Services (“DDS”), and District of Columbia Office of the Chief Financial Officer (“OCFO”), Potomac Electric Power Company (“Pepco”), National Consumer Law Center (“NCLC”), and Washington Gas Light Company (“WGL”). Due to the need to gather necessary information related to developing an experimental rate for a unique group of residential customers, the Technical Conference was extended over three meetings from December 19, 2017, to March 19, 2018. The meeting minutes regarding the three meetings are publicly available on the Commission’s eDocket system under *Formal Case No. 1149*.⁸ On April

³ See *Formal Case No. 1139*, Order No. 19130, rel. October 6, 2017; and *Formal Case No. 1149*, Order No. 19146, ¶ 3, rel. October 19, 2017 (“Order No. 19146”).

⁴ *Formal Case No. 1149*, Order No. 19146, ¶¶ 7,8.

⁵ *Formal Case No. 1149*, Order No. 19146, ¶ 4, quoting *Formal Case No. 1139*, Order No. 18846, ¶ 463. (Citation omitted).

⁶ *Formal Case No. 1149*, Order No. 19146, ¶ 4, quoting *Formal Case No. 1139*, Order No. 18846, ¶ 463, citing *Formal Case No. 1120, In the Matter of the Investigation into the Structure and Application of Low Income Assistance for Electricity Customers in the District of Columbia*, Order No. 18059, ¶ 25, rel. December 15, 2015.

⁷ *Formal Case No. 1149*, Order No. 19146, ¶ 5, quoting *Formal Case No. 1139*, Order No. 18846, ¶ 472, rel. July 25, 2017.

⁸ *Formal Case No. 1149*, First Technical Conference Meeting Minutes, filed December 27, 2017; *Formal Case No. 1149*, Second Technical Conference Meeting Minutes, filed February 2, 2018; *Formal Case No. 1149*, Second

9, 2019, pursuant to Commission Order No. 19146, Commission Staff on behalf of the Technical Conference Participants submitted the Final Report.

5. On May 21, 2018, the Commission, by Public Notice, requested comments and replies on the Final Report within 30 and 45 days, respectively.⁹ No comments were filed.

III. FINAL TECHNICAL CONFERENCE REPORT

6. The Technical Conference process was chaired by Commission Staff and operated through the consensus of the Participants. Staff prepared the Post-Technical Conference Reports, pursuant to Order No. 19146, which summarized the discussion and any agreements reached. Staff circulated each draft Report to the parties for comment before filing it with the Commission. Due to the need to gather necessary information related to developing an experimental rate for a unique group of residential customers, the Technical Conference was extended over three meetings from December 19, 2017, to March 19, 2018.¹⁰

7. As explained in the Final Report, “[a] significant aspect of the Technical Conference’s activities centered on how to identify the target population of senior citizens and disabled residents with incomes above those of Residential Aid Discount (“RAD”) customers.”¹¹ Further, the Final Report states, “Pepco, DOEE, OCFO, OPC and AOBA, among others, worked with Staff to identify the initial proposed population of senior citizens, defined as those 65 years and older, and disabled residents for participation in the experimental rate class. Parties discussed the potential means of identifying the target population, different discount methods and amounts, and future operational issues ranging from re-certification to program expansion during the Technical Conference meetings, with the analysis and discussion incorporated into each Technical Conference Report.”¹²

8. Technical Conference Participants, with the assistance of the OCFO, “identif[ied] the public database that lists residents who received the D.C. Homestead Deduction and Senior Citizen/Disabled Property Tax reduction, which is the same database identified by the Commission

Technical Conference Update, filed March 9, 2018; and *Formal Case No. 1149*, Third Technical Conference Meeting Minutes, filed March 27, 2018.

⁹ *Formal Case No. 1149*, Public Notice, rel. May 21, 2018.

¹⁰ *Formal Case No. 1149*, Final Report, ¶ 6.

¹¹ *Formal Case No. 1149*, Final Report, ¶ 7.

¹² *Formal Case No. 1149*, First Technical Conference Meeting Minutes, filed December 27, 2017; *Formal Case No. 1149*, Second Technical Conference Meeting Minutes, filed February 2, 2018; *Formal Case No. 1149*, Second Technical Conference Update, filed March 9, 2018; and *Formal Case No. 1149*, Third Technical Conference Meeting Minutes, filed March 27, 2018.

in Order No. 18846.”¹³ Using this database allows the experimental rate credit to be implemented through streamlined enrollment.¹⁴

9. The Final Report states:

To qualify for the Homestead Deduction, a resident must own her home, be a senior citizen or disabled, and have a household income of less than \$128,950 in fiscal year 2017. The raw data on the Homestead Deduction, pulled in August 2017, identified 19,509 recipients but this included residents in master metered buildings and residents who were also enrolled in the RAD program. After scrubbing the data, Pepco, DOEE and Staff identified that 15,099 of Pepco’s customers who received the Homestead Deduction qualify for this pilot program.¹⁵

10. The Final Report describes the limitations of this approach stating that:

First, the population by its nature excludes renters who might otherwise qualify. Second, the population has a relatively high-income threshold of \$128,950 per household, irrespective of size, compared to a RAD income threshold of \$39,416 for a two-person household, with higher threshold income levels tied to the number of people in a household. To estimate the magnitude of the renters’ problem, TC Participants sought to identify publicly accessible data on eligible renters but were unsuccessful. To expand the program to include renters would most likely require a new income certification system for renters. Regarding the high-income threshold issue, TC Participants recognized that absent an intrusive income certification system, like that required to receive LIHEAP benefits, the threshold used for the Homestead Deduction was the only readily available threshold above the RAD/LIHEAP level.¹⁶

11. TC Participants, “[d]espite these shortcomings . . . propose that the experimental senior citizen and disabled rate class be initially restricted to those residents who received the Homestead Deduction, are Pepco customers, and are not RAD customers.”¹⁷ The Final Report supports an annual enrollment process where Staff and Pepco would compare the Homestead

¹³ *Formal Case No. 1149*, Final Report, ¶ 9.

¹⁴ *Formal Case No. 1149*, Final Report, ¶ 9.

¹⁵ *Formal Case No. 1149*, Final Report, ¶ 10.

¹⁶ *Formal Case No. 1149*, Final Report, ¶ 11.

¹⁷ *Formal Case No. 1149*, Final Report, ¶ 12.

Deduction database to Pepco's customer list and qualifying customers "would be automatically enrolled in the experimental rate class and receive a credit on their Pepco bills."¹⁸

12. The Final Report recommends "that the Commission strongly consider a fixed credit because it will be easy for the target population to understand."¹⁹ The Final Report presents comparable income data between RAD customers and those eligible under the D.C. Homestead Deduction and Senior Citizen/Disabled Property Tax reduction and recommends "that the Commission approve a substantially lower annual experimental credit level than the approximate \$337 in annual credits received by RAD customers" presented as "a fixed monthly credit shown as a separate line item on the customer's bill."²⁰ The possible credits amounts, the annual costs given the target population, and the years to exhausting the \$6 million in CBRC funding identified in Order No. 18846 are set out in the following table:

Fixed Monthly Credit Amount	\$10.00	\$8.00	\$7.50	\$5.00
Annual Cost for Target Population	\$1,811,880	\$1,449,504	\$1,358,910	\$905,940
Years to Exhaust \$6 Million in CBRC Funds	3.3	4.1	4.4	6.6

Additionally, the Final Report states that "[t]hough the final cost to implement the program will depend upon the final structure of the program that the Commission chooses, Pepco initially estimates that the initial implementation of the senior citizen and disabled rate program will cost less than \$300,000" and "proposes, with the support of TC Participants, that [Pepco] file a more detailed implementation cost estimate and implementation timetable, annual administrative cost estimate, and a proposed tariff rider, thirty days after the Commission approves a specific program."²¹

13. The Final Report notes that there should be customer education efforts and customer notice. As part of the customer notice there would be "an 'opt-out' approach" by which customers would "be notified if they are qualified to get the discount and that they will be placed in an experimental rate class and receive the discount in the near future"; however, "if customers do not want to receive the discount, they can notify Pepco on an individual basis."²²

¹⁸ *Formal Case No. 1149*, Final Report, ¶ 13.

¹⁹ *Formal Case No. 1149*, Final Report, ¶ 14.

²⁰ *Formal Case No. 1149*, Final Report, ¶ 16. ("Based on information from the OCFO, the median income of senior citizen homeowners in the District who make under \$120,000 is approximately \$50,000 per year. Whereas, DOEE reported that the average income for RAD households is approximately \$12,000 per year.") *Formal Case No. 1149*, Final Report, ¶ 15.

²¹ *Formal Case No. 1149*, Final Report, ¶ 19.

²² *Formal Case No. 1149*, Final Report, ¶ 19.

14. Finally, regarding future program development, the Final Report states:

TC Participants remain concerned about the exclusion of renters from the experimental rate. TC Participants recommend that the Commission convene another Technical Conference within six months to focus specifically on options for expanding the population of eligible participants to renters, for year 2 of the experimental rate. Renters in the target population are likely to be those members most in need of assistance, with incomes below those of homeowners who receive the Homestead Deduction.²³

Additionally, TC Participants recognize that the CBRC funding set aside for this experimental rate is finite. TC Participants recommend that the Commission initiate a review of the program no sooner than 12 months after the rate begins. The review would assess if this experimental rate should be continued (before [Customer Base Rate Credit] funding is exhausted) and, if so, how it should be funded following the exhaustion of CBRC funding.²⁴

IV. DISCUSSION

15. The Commission accepts the Final Report as filed and commends the Technical Conference Participants for their contributions. The Commission recognizes that designing a new electricity discount program for senior citizens and disabled residents in the District is a challenge. We are pleased that we have received a single proposal that addresses the directives set out in Order No. 19146 and minimizes the administrative hurdles for recipients who are homeowners.

16. Having reviewed the Final Report, the Commission accepts the recommendation to develop a new experimental electricity rate class for both senior citizens and disabled residents of the District of Columbia. The Commission also accepts the recommendations that the experimental rate for senior and disabled residents be initially restricted to those residents who received the D.C. Homestead Deduction and Senior Citizen/Disabled Property Tax reduction, and are Pepco customers not receiving RAD. The annual enrollment process outlined in the Final Report minimizes the administrative burden on recipients and appears viable. The Commission accepts the recommendation that the experimental senior and disabled rate be a fixed monthly credit, which is simple for customers to understand. Further, the Commission establishes the credit amount to be set at 50% of the fixed monthly customer charge for Residential Service – Schedule R, which is currently \$15.09.²⁵ At current rates the credit would equal \$7.50 a month. The Commission finds this credit amount to be a reasonable credit for qualified customers.

²³ Formal Case No. 1149, Final Report, ¶ 20.

²⁴ Formal Case No. 1149, Final Report, ¶ 21.

²⁵ See Formal Case No. 1150, *In the Matter of the Application of Potomac Electric Power Company for Authority to Increase Existing Retail Rates and Charges for Electric Distribution Service*, Potomac Electric Power

17. The Commission accepts the recommendation that Pepco file, within 60 days after the Commission approves the program, a more detailed implementation cost estimate and timetable, annual administrative cost estimate, recertification process, and a proposed tariff rider. Pepco is directed to coordinate with the TC Participants regarding the implementation timetable, as well as a customer education plan and education materials. Such materials should also include Pepco's initial notification to the qualified customers regarding their incoming discounts on electricity bills. Pepco should file copies of any final customer education materials with the Commission and serve a copy on OPC at least fourteen (14) days before dissemination to its District of Columbia customers.

18. The Commission agrees with TC Participants about their concern regarding the exclusion of renters from the experimental rate credit. Therefore, the Commission directs Staff to convene another Technical Conference(s) focusing specifically on options for expanding the population of eligible participants to renters who are senior citizens and disabled citizens, for year 2 of the experimental rate credit. Renters in the target population are likely to be those members most in need of assistance, with incomes below those of homeowners who receive the Homestead Deduction. Further, the Commission encourages the Technical Conference to consider other enrollment avenues beyond existing government programs that might facilitate the enrollment of renters. Staff is to report back to the Commission within six months of the date of this Order with the outcome of the Technical Conference discussions.

19. Finally, the Commission directs Pepco to file a notice with the Commission when there are 24 months of funds remaining in the CBRC allocated to support this experimental senior citizen and disabled rate credit. This information will enable the Commission sufficient time to initiate a review of the program, as recommended in the Final Report. The review will assess whether this experimental rate should be continued (before CBRC funding is exhausted) and, if so, how it should be funded following the exhaustion of CBRC funding.

THEREFORE, IT IS ORDERED THAT:

20. The recommendations of the Final Technical Conference Report for the creation of a new experimental electricity rate class for both senior citizens and disabled residents within the District of Columbia is **ACCEPTED**;

21. The experimental rate fixed bill credit amount shall be set at 50% of the fixed monthly customer charge for Residential Service – Schedule R, which at current rates would equal \$7.50 a month;

22. The experimental rate credit shall be initially restricted to those residents who receive the D.C. Homestead Deduction and Senior Citizen/Disabled Property Tax reduction and are Potomac Electric Power Company customers not receiving the Residential Aid Discount;

23. The Potomac Electric Power Company is **DIRECTED** to file within 60 days of the date of this Order a detailed implementation cost estimate and timetable, annual administrative cost estimate, and a proposed tariff rider;

24. The Potomac Electric Power Company is **DIRECTED** to file copies of any final customer education materials with the Commission and serve a copy with the Office of the People's Counsel at least fourteen (14) days before dissemination to its District of Columbia customers;

25. Commission Staff is **DIRECTED** to convene another Technical Conference, focusing specifically on options for expanding the population of eligible participants to renters who are senior citizens and disabled residents, for year 2 of the experimental rate, and report back to the Commission within six months from the date of this Order; and

26. The Potomac Electric Power Company is **DIRECTED** to file with the Commission a notice when there are 24 months of funds remaining in the Customer Base Rate Credit allocated to support this experimental senior citizen and disabled rate, consistent with the discussions in paragraph 19.

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, flowing style.

CHIEF CLERK:

**BRINDA WESTBROOK-SEDGWICK
COMMISSION SECRETARY**