

OPC Secures Major Victories on Behalf of Consumers in Undergrounding Proceeding

The Office of the People’s Counsel for the District of Columbia (“OPC” or “Office”) is pleased to announce its most recent victories on behalf of D.C. consumers in the undergrounding proceedings before the Public Service Commission of the District of Columbia (“Commission” or “PSC”). On November 24, 2014, the Commission issued Order No. 17714 in Formal Case No. 1121—that is, the regulatory proceeding established by the Commission (pursuant to the Electric Company Infrastructure Improvement Financing Act of 2014 (“Undergrounding Law”)) to consider Potomac Electric Power Company’s (“Pepco”) Application for a Financing Order (“Finance Order Application” or “Application”). In it, the Commission ruled favorably on the 3 issues OPC identified regarding Pepco’s Finance Order Application—namely, that (1) in light of the potentially significant consumer benefits that could be derived from multiple bond issuances, the Commission should require the District to explain and justify its proposal to issue all of the bonds in a single issuance so that the Commission can make an informed decision as to whether this proposal is just and reasonable; (2) Pepco’s 7.5-basis-point Servicing Fee is not just and reasonable; and (3) Pepco’s proposed allocation of the District Department of Transportation Underground Electric Company Infrastructure Improvement Charge (“DDOT Charge”), which is the surcharge that will be used to recover all Commission-approved costs associated with the bond issuance(s), is consistent with the Undergrounding Law.

Specifically, with respect to the three issues identified by the Office, the Commission directed the District to issue the bonds in a single issuance as soon as reasonably possible, barring a material change in market conditions; however, the PSC conditioned the decision for a single issuance on it being subject to ongoing analysis by the District and the Commission’s financial advisor and subject to change based on market conditions. Additionally, the Commission ruled that Pepco had not shown its proposed Servicing Fee of 7.5 basis points was just and reasonable; consequently, the PSC reduced Pepco’s Servicing Fee to 5.0 basis points and its Successor Servicing Fee to 6.0 basis points. Further, similar to its ruling in Order No. 17697 in Formal Case No. 1116 (the Commission proceeding established to consider Pepco and DDOT’s joint Triennial Application) regarding Pepco’s proposed Underground Project Charge (*i.e.*, the surcharge Pepco will use to recover its Commission-approved undergrounding costs), the Commission ruled that the methodology used by Pepco to develop the DDOT Charge comports with the requirements of the Undergrounding Law. This ruling is an extraordinarily huge victory for D.C. consumers because the Apartment and Office Building Association of Metropolitan Washington and the United States General Services Administration had argued the DDOT Charge should be calculated in a manner that would produce a combined year-one monthly bill impact for consumers of \$3.79 (\$.89 for the Underground Project Charge and \$2.90 for the DDOT Charge), which, as the PSC correctly found, “greatly exceeds the Task Force Report’s projected cost of \$1.50 for Year 1 and also exceeds the Task Force’s estimated \$3.25 impact in Year 7.” Lastly, the Commission authorizes the District to issue \$375 million in securitized debt bonds (the proceeds from which are to be used to fund DDOT’s Commission-

approved construction costs); requires Pepco to make at least annual true-up filings to ensure the revenue derived from the DDOT Charge is equal to the amounts necessary to service the bond debt; and approves the Service Agreement between Pepco and the District.

OPC is pleased to see such a positive result after a long and arduous process, with OPC expending countless hours to ensure that consumers receive reliable service at the least cost. This will go a long way in ensuring D.C. consumers will no longer experience the extended power outages that have plagued our city for decades. The shovels are almost in the ground; OPC will continue to be vigilant in protecting the interests of D.C. consumers.