

**PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA
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PRESS RELEASE

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PEPCO Proposes Raising SOS Generation Rates

Potomac Electric Power Company (PEPCO) today filed with the District of Columbia Public Service Commission (DC PSC) a proposal that may result in higher electricity bills in the District beginning June 1, 2006. PEPCO is proposing higher generation rates to pay for new power supply contracts for its Standard Offer Service (SOS) customers in the District – those who have not chosen an alternative generation supplier.

Based on today's filing, beginning with the June 2006 bills, PEPCO anticipates that residential customers will see an annual average increase of 12 percent in their bills (about \$8 per month). Small commercial customers' bills would increase, on average, by about 10 percent. In order to minimize power costs, PEPCO has procured its new power supply through a competitive solicitation under the direction of the PSC. According to PEPCO, seven suppliers won the right to supply a portion of its 2006-2007 SOS needs under the solicitations.

Electric generation and transmission rates for customers who participate in PEPCO's Residential Aid Discount ("RAD") program are capped until February 2007; hence their generation and transmission rates will not change on June 1, 2006. Furthermore, for RAD customers, distribution service rates will remain capped until August 2009.

For non-RAD customers, PEPCO's proposal may result in higher generation rates, which account for roughly 65% of total bill, and PEPCO's distribution service rates will remain capped through August 2007.

After this filing, parties will have until March 10th to file comments according to the Commission's wholesale SOS rules. If no comments are filed, the retail rates are deemed approved. If comments are filed, reply comments are due on March 15th. The Commission will issue an order thereafter.

While the fixed price of electric supply procured in this most recent competitive solicitation is higher than previous solicitation, the actual impact on residential customers has been minimized because the majority of SOS customers' needs were locked in via two- and three-year contracts from 2004-2005 solicitation.

As a result of the PSC actions to dampen price impacts, the District's residents will experience a smaller bill increase as compared to many nearby states. In Delaware, for example, residential customers will see a bill increase of 59 percent, and in parts of Maryland consumers are expected to see a bill increase of over 70 percent. In Massachusetts, New Hampshire, Connecticut and New York, customer bills for some utilities are expected to go up 28, 27, 23, and 30 percent respectively.

The prices offered in this year's solicitation are, in large part, a reflection of an increase in the costs of fuels (primarily natural gas) to produce electricity, which was exacerbated by the affects of Hurricanes Katrina and Rita.

“While PEPCO's filing unfortunately represents a potential increase in electric bills, by directing PEPCO to enter into longer term contracts, we have helped reduce consumers' exposure to volatile market conditions,” said PSC Chairperson Agnes A. Yates. She noted that D.C.'s utilities offer discounted rates for low-income consumers as well as bill-payment plans. In addition, low-income citizens may also be eligible for home heating assistance, weatherization, and energy conservation benefits offered by the D.C. Energy Office.

One immediate way to minimize the impact of these costs on customer electricity bills is to conserve energy. If you would like more information on standard offer service, customer choice or energy conservation programs, please visit the Commission website: www.dcpsc.org