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**PUBLIC SERVICE COMMISSION**

June 27, 2018

In the Matter of the Application of Potomac \*  
Electric Power Company for Adjustments to \* Case No. 9418 – Phase II  
its Retail Rates for the Distribution of \*  
Electric Energy \*

\* \* \* \* \*

**NOTICE OF OPPORTUNITY TO COMMENT**

On April 26, 2018, Potomac Electric Power Company (“Pepco” or “Company”) filed with the Public Service Commission (“Commission”) a Private Letter Ruling (“PLR”) that Pepco had requested from the Internal Revenue Service (“IRS”) as the Company was directed to do by Order No. 88177.<sup>1</sup> In the PLR, the IRS determined that the Commission’s treatment of the IRS global settlement was a violation of the Normalization Rules. In its filing, Pepco committed to submitting information with the Commission that quantified the impact on rates and suggested a recovery method in the Phase II proceeding.

On May 29, 2018, the Company submitted its calculations of the effect on the rates using the end-of-the test period accumulated deferred federal income tax (“ADFIT”) balance compared to the 13-month average ADFIT method for the intercompany tax settlement proceeds directed by the Commission in Order No. 88236.<sup>2</sup> Pepco calculated the effect on rates would be \$1,747,009, excluding carrying costs. The Company indicated that it had created a regulatory asset to record the difference between rates using the two methods as it was permitted to do

<sup>1</sup> Order on Petitions for Rehearing, Case No. 9418 (May 4, 2017).

<sup>2</sup> Order on Request for Clarification of Order No. 88177 Regarding Potomac Electric Power Company’s Treatment of IRS Tax Settlement, Case No. 9418 (June 2, 2017).

under Order No. 88236. Pepco seeks to recover the regulatory asset plus the carrying costs in the amount of \$151,122. The Company proposes to recover the regulatory asset plus the carrying costs as a one-time bill charge designed similar to that which is proposed for the Tax Cuts and Job Act of 2017 one-time bill credit in Case No. 9472.

Pepco represented that the Commission's Staff, the Office of People's Counsel ("OPC"), and the Apartment and Office Building Association of Greater Washington ("AOBA") had reviewed the calculations. It said OPC and AOBA had tentatively agreed with the calculations, subject to further review; Staff had not yet taken a position. The Company also stated that it shared its proposed recovery methodology with Staff, OPC, and AOBA; OPC and AOBA tentatively agreed with the methodology, subject to further review, but Staff had not yet taken a position.

Parties may file comments on the Request no later than July 23, 2018. Comments shall be addressed to Terry J. Romine, Executive Secretary, Maryland Public Service Commission, William Donald Schaefer Tower, 6 St. Paul Street, 16<sup>th</sup> Floor, Baltimore, Maryland 21202, and reference "Case No. 9418-Phase II."

By Direction of the Commission,

*/s/ Terry J. Romine*

Terry J. Romine  
Executive Secretary