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Maryland PSC Denies Substantial Portion of Pepco Rate Request

(BALTIMORE, MD-October 20, 2017) – The Maryland Public Service Commission has denied a substantial portion of the Potomac Electric Power Company's request to increase its electric distribution rates by \$68.6 million, instead granting a revenue requirement of **\$32.4 million**. Pepco provides electricity to 566,000 customers in Prince George's and Montgomery counties in Maryland.

Pepco's proposal would have resulted in increases to the average total bill of \$7.37 a month for the typical residential customer. Instead, the average residential monthly bill is expected to increase by **\$3.86** per month, or **less than 3 percent**. The fixed monthly charge portion of residential customers bills would increase a modest 20 cents from the current \$7.60 to \$7.80 (lower than the statewide average of \$8.27).

The largest portion of the increase results from Pepco's spending on reliability improvements. Over the past four years, Pepco has invested \$908.6 million in its distribution system to improve system performance and reliability. Pepco ratepayers have seen positive results, experiencing a 22 percent improvement in the frequency of outages and a 35 percent improvement in the duration of outages from 2012 to 2016. The Commission stated, "We are required to balance the Company's recovery of its expenses and capital investments with the requirement that its rates are 'just and reasonable.' To this end, we will continue to hold Pepco accountable for meeting its reliability commitments while providing service that is affordable to its customers."

The Commission denied the Company's request for a return on equity (ROE) of 10.10%, instead lowering the Company's ROE from 9.55% to 9.5%, which the Commission asserts "is both adequate and appropriate for Pepco, considering the low level of risk associated with its electric distribution service in Maryland and the current capital market environment."

The Commission also denied a portion of Pepco's request to recover costs for an employee incentive program that rewarded staff for achieving service reliability goals, noting that the company did not meet the service reliability benchmark related to outage frequency that it committed to in the 2015 merger of its parent company, PHI Holdings, Inc., with Exelon Corporation (Case No. [9361](#)). As a consequence, the Commission reduced Pepco's revenue request by **\$410,000**.

The Commission denied an \$18 million request related to a proposed change in the method of income tax accounting and allocation for system assets installed before 1981.

The Commission adjusted the manner in which ratepayers will benefit from synergies resulting from the Exelon-PHI merger. Although this will result in a one-time rate increase in this case, it should result in significant savings to ratepayers over the next several years.

The Commission approved a modified version of Pepco's streetlight tariff, which will change the current scaled, fixed charge rate structure for LED streetlights to a lower, flat rate structure that the company says will encourage future conversions to the more energy efficient LED streetlights. The Commission took the further step of equalizing the maintenance costs for LED streetlights and the less efficient high pressure sodium (HPS) streetlights to bring Pepco's LED rate structure in line with the Commission's energy efficiency policies and objectives. Montgomery County supported the tariff revisions, noting that it is in the process of converting nearly 28,000 streetlights from HPS to LED.

The new rates will go into effect October 20, 2017.

The complete details for Order No. [88432](#), in Case No. [9443](#), are available on the Commission's website, www.psc.state.md.us.

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About the Public Service Commission:

The Maryland Public Service Commission regulates electric and gas utilities, telephone companies (land lines), certain water and sewer companies, passenger motor vehicle carriers for hire (sedans, limousines, buses, Uber, Lyft), taxicab companies (in Baltimore City and County, Cumberland and Hagerstown) and bay pilot rates.

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