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For Immediate Release

Maryland PSC Approves Partial Pepco Rate Request

(BALTIMORE, MD-November 15, 2016) – 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 \$126.8 million, granting instead a revenue increase of \$52.5 million. Pepco’s proposal would have resulted in increases to the average residential monthly bill of \$15.80. Instead, the average residential monthly bill is expected to increase \$6.96 (or 4.76%).

The Commission notes that Pepco’s request included recovery of \$97.2 million related to its capital investment over the past six years in Advanced Metering Infrastructure (AMI or ‘smart meters’). The Commission received testimony on the benefits of smart meters, including the technology’s ability to lower energy bills, improve customer service and relieve peak-time pressure on Pepco’s transmission and distribution systems. While parties to the proceeding agreed that Pepco’s AMI investments are cost beneficial, the Commission noted that Pepco should continue to develop ways to increase the types and amounts of direct monetary benefits that customers can receive from its AMI program.

In addition to AMI, the Commission approved recovery of Pepco’s ongoing reliability and safety-related investments made since its last rate case in July 2014. These investments have resulted in significant reliability improvements as the Company now meets or exceeds its State reliability requirements. In 2015, Pepco customers experienced an improvement of 46% in the frequency of power outages and 43% in the duration of outages when compared to 2011 performance.

In its order, the Commission acknowledges the burdens that increased rates place on ratepayers, particularly low-income customers and senior citizens. “We have strived to limit the rate impact in this case while allowing the company to invest in safety and reliability and continue to modernize its distributions systems for the benefit of its customers,” the order states.

The Commission denied Pepco's request to extend its Grid Resiliency Program surcharge, which will remove that surcharge from customer bills. The request amounted to nearly \$32 million over two years. The surcharge was implemented in 2014 as a temporary measure to recover costs related to urgently needed system reliability and safety improvements identified after the 2012 "Derecho" storm.

The Commission also denied the Company's request to increase its return on equity (ROE) from 9.62% to 10.60%. Instead, the Commission slightly reduced the Company's ROE to 9.55%, reasoning that economic conditions are now better than they were in 2014, interest rates are lower, and the merger makes Pepco a less risky company than it was before.

The new rates will go into effect November 15, 2016. In April 2017, residential customers will receive an additional \$50 bill credit that Pepco committed to as part of the merger of its parent company, Pepco Holdings, Inc., with Exelon Corporation. In addition, the Commission recently approved rates for Standard Offer Service – the electric supply portion of customers' bills – that will reduce rates for residential customers by an average of \$103 a year beginning in June 2017.

The complete details for Order No. [87884](#), in Case No. [9418](#), 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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