

ORIGINAL

FC 945-E 1

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA  
450 FIFTH STREET, N.W., WASHINGTON, D.C. 20001

ORDER

October 27, 1995

Formal Case No. 945, In the Matter of the Investigation Into  
Electric Services, Market Competition and Regulatory Policies,  
Order No. 10720

By this Order, pursuant to D.C. Code §§ 43-603, -607, and -615 (1990 Repl.) and 15 D.C.M.R. §§ 101.3, 101.4, and 101.7 (January 1991), the Public Service Commission of the District of Columbia (Commission) hereby gives notice of its intent to obtain information pursuant to the D.C. Code and the D.C.M.R. in the above-referenced matter.

On March 29, 1995, the Federal Energy Regulatory Commission (FERC) proposed regulations that, if adopted, would result in sweeping changes in the wholesale electric industry. The purpose of the proposed regulations is to foster the development of a competitive marketplace in the electric industry. Although the regulations proposed by FERC are geared towards the wholesale sale of electricity, the impact that the adoption of the rules would have on retail electric sales should not be overlooked.

To that end, the Commission has decided to initiate an investigation to obtain information about the changes which are occurring, or may be expected to occur, in the provision of electricity. District of Columbia electricity rates remain among the lowest on the East Coast. In order to continue this achievement, it is incumbent upon the Commission to review and to re-evaluate the traditional manner in which the electric industry is regulated in the District of Columbia. Increasing competition among sellers of electricity will result in increasing choices for buyers. This cause and effect relationship will have an impact upon many interrelated facets of electricity production and use such as: the cost of electricity to various categories of consumers; reliability of service; long range, integrated resource planning; economic development; environmental protection; and traditional regulatory concepts regarding exclusive franchises, the utility's obligation to serve customers and rate base/rate of return regulation.

Given the fact that District of Columbia ratepayers have some of the lowest electric rates on the East Coast, the Commission recognizes that, if this fact is to remain true, the Commission must be prepared to take steps to allow a greater reliance on competition and customer choice. These steps may increase

efficiency and reduce overall costs, while fulfilling the Commission's statutory obligation to provide safe, reliable and least-cost service. The Commission is unable to take those steps without undertaking a proceeding to explore the impact of FERC policies, the industry's competitive dynamics, and any policy matters which should be considered by the Commission in this investigation. The Commission is of the view that before any position with regard to the advisability of permitting competition in the electric industry is developed, there must be analysis of the issues surrounding this complex matter.

The District of Columbia is in a somewhat unique situation compared to the fifty states. First, ratepayers in the District of Columbia are currently served by one electric utility. Second, unlike many states, the District has only two (2) major classes of customers, commercial and residential. Moreover, the commercial customer class consists primarily of large office buildings or government office space. Because of the District's unique situation, the Commission is extremely interested in how increased competition will impact the District. Will increased competition bring with it more providers of electrical service for all District of Columbia residents, or will increased competition result in an electric utility that services fewer commercial customers, thereby driving the price upward to residential customers who will continue to lack true choices in the marketplace?

In the instant proceeding, the Commission seeks comments on the economic, technological, institutional, and legal forces causing change in the electric utility industry. The Commission is seeking information about how these forces have affected, and will continue to affect, the traditional obligations of the electric utility industry, the ability of the industry to respond to these forces, and the economic welfare of the District of Columbia. In addition, the Commission seeks comments on what the Commission's role should be in establishing, monitoring and enforcing ground rules that encourage wholesale and/or retail competition. The Commission further seeks comments as to what transitional problems may occur that should be addressed by the Commission. Finally, the Commission seeks comments on how increased competition affects low-income and elderly residential ratepayers.

The Commission invites all interested persons to file comments on all aspects of the possibilities for restructuring the electric industry. Interested persons are invited to file comments on the issues and questions contained in Appendix A. In addition, the Commission welcomes comments on any related issues of interest that are not mentioned in Appendix A or the proposal of any additional issues which may be designed by the Commission. Interested parties may file additional proposed issues

and comments regarding the Commission's proposed issues with the Commission Secretary on or before December 1, 1995.

A prehearing conference will be held on December 15, 1995, to discuss the issues proposed by the Commission in Appendix A of this order as well as any other issues proposed by any interested party. Any interested party may present issues at the December 15th prehearing conference. The hearing will be held in Room 812 at 10:00 a.m. at the Commission's offices.

Interested persons are invited to file comments on other issues that are not addressed in Appendix A not later than December 1, 1995. Written comments are to be filed ninety (90) days after the Commission issues an order following the prehearing conference. Reply written comments shall be filed by not later than forty-five (45) days after the date initial comments are filed.

All comments exceeding twenty (20) pages in length must be accompanied by a concise summary and table of contents. In addition to filing written comments, utilities and interested persons are requested to provide the Commission with an electronic copy of the file in the manner set out in Appendix B.

**THEREFORE, IT IS ORDERED THAT:**

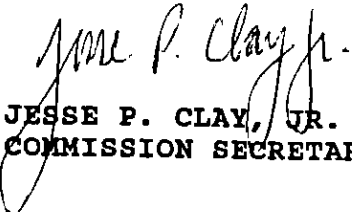
1. The Commission hereby commences an inquiry into electric services, market competition, and regulatory policies;
2. The Commission Secretary shall cause a "Public Notice" to be published in the District of Columbia Register;
3. Interested persons are invited to file comments on other issues that are not addressed in Appendix A not later than December 1, 1995.
4. The prehearing conference will be held on December 15, 1995 at 10:00 a.m. at the Commission.
5. Written comments are to be filed ninety (90) days after the Commission issues an order following the prehearing conference;
6. Reply Comments are to be filed in forty-five (45) days after initial comments; and

7. Instructions for electronic filing of comments are contained in Appendix B.

A TRUE COPY:

BY DIRECTION OF THE COMMISSION:

CHIEF CLERK

  
JESSE P. CLAY, JR.  
COMMISSION SECRETARY

APPENDIX A - LIST OF ISSUES

1) Will the District of Columbia be forced to restructure its electric industry regulation because of competitive developments occurring at the federal level or in Maryland and Virginia?

2) Are there reasons to hold retail wheeling in abeyance so that the wholesale market can develop? If so, should the Commission take any measures to advance competition at the wholesale level? If so, what are they?

(a) A concern expressed regarding retail wheeling is, if it were implemented, that it would result in leaving expensive capacity to be borne by native-load ratepayers in the form of excessively escalating rates. Do you see this as a concern for District of Columbia ratepayers?

3) Are barriers to entry for entities like independent power producers artificially suppressed by D.C. regulations or legislation?

4) What would be the impact of retail wheeling in the District of Columbia on various classes of electric ratepayers?

5) What would be the impact of wholesale wheeling in the District of Columbia on various classes of electric ratepayers?

6) What specific steps, if any, do you recommend that the Commission take to encourage retail wheeling?

7) What specific steps if any, do you recommend that the Commission take to encourage wholesale wheeling; for example, what bidding policies should be considered?

8) What impact would unbundling of services, including disaggregating generation, transmission, distribution, and customer service, have on the District of Columbia?

(a) Should there be unbundling for billing purposes only or should it be more far reaching?

9) What level of capacity is desired under wholesale and retail competition and how should the Commission provide for achieving this level?

10) How much investment in the District's electric industry would be stranded if retail wheeling were allowed?

(a) How should stranded investment costs be allocated?

(b) How should stranded investment costs be calculated and collected?

(c) Would a surcharge on rates for transmission and distribution service be an acceptable mechanism for collecting stranded investment costs?

12) The District Public Service Commission has been reducing and targeting its Demand Side Management (DSM) programs, yet DSM programs remain, especially in the commercial area. Should DSM be encouraged under wholesale competition, and if so, how should it be encouraged? Under retail competition?

13) Is it possible to guarantee universal electric service in a more competitive environment? How?

(a) To what extent should the costs of "universal access" be covered by a fund?

(b) Which costs and charges should a fund cover to ensure universal access?

14) Under competitive scenarios, can the Pennsylvania - New Jersey - Maryland power pool (PJM) remain impartial in its dispatch function?

(a) Is there a need for a system redesign, whereby all producers and consumers contribute to a pool's operation?

(b) Should all producers which claim a right to transport over the PJM network bear a capacity obligation, or some other obligation to PJM? How would this obligation change current PJM policies and operations?

15) What is the appropriate role for incentive regulation within a restructured industry?

(a) Which particular segments of a restructured industry should be considered for incentive regulation?

16) Are there environmental issues to be considered, including assignment of cost responsibility for past and future pollution control investments, under greater competition?

17) What consumer protection issues, other than those enumerated above, should be considered by the Commission under wholesale and retail competitive scenarios, including protection for lower income consumers?

APPENDIX B

INSTRUCTIONS FOR ELECTRONIC FILING

For data submitted on 3.5 inch diskettes, please adhere to the following guidelines:

1. Each disk should be labeled or accompanied by a document identifying: a) The company's or party's name; b) The formal case name and docket number; c) The file name(s); and d) A description of the contents of the file. Please note, files contained on the diskette should be in the same sequence as the hard copy of the document.
2. If more than one (1) diskette is needed to contain the document(s), the diskettes should be sequentially numbered in the same order as the material appears in the hard copy.
3. All information containing spread sheets should be in a Lotus compatible format.

# Public Service Commission of the District of Columbia

450 5TH STREET, N.W.  
WASHINGTON, D.C. 20001  
(202) 626-5100



IN REPLY REFER TO

DATE: October 27, 1995

## COMMISSION DOCUMENT RECEIPT VERIFICATION

FORMAL CASE NO. 945 REFERENCE NO. 1

NAME OF COMPANY: POTOMAC ELECTRIC POWER COMPANY

NUMBER OF COPIES ATTACHED: 1 CERTIFIED  
19 NON-CERTIFIED  
20 TOTAL  
===

XX COMMISSION ERRATUM NO. 10720  
\_\_\_\_ NOTICE OF PROPOSED RULEMAKING  
\_\_\_\_ NOTICE OF FINAL RULEMAKING  
\_\_\_\_ NOTICE OF COMMUNITY HEARING(S)  
\_\_\_\_ PUBLIC NOTICE  
\_\_\_\_ NOTICE OF AGENCY FUND REQUIREMENTS  
\_\_\_\_ DECISION

TITLE OF CASE: IN THE MATTER OF THE INVESTIGATION INTO ELECTRIC SERVICES, MARKET COMPETITION AND REGULATORY POLICIES.

SIGNATURE

*Paul A. Aronoff*

OFFICIAL TITLE

*Assoc. Gen. Counsel*

DATE

*Oct. 30*

, 19 *95*

Please sign and return this form upon receipt of this document.

Thank you,

*Jesse P. Clay, Jr.*  
Jesse P. Clay, Jr.  
Commission Secretary

TIME CALLED: 4:45 P.M. PERSON NOTIFIED: LISA

1995 OCT 31 11:51:08  
PUBLIC SERVICE COMMISSION  
COMMUNICATIONS SECTION