

945 E- 687

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA
1333 H STREET, N.W., 2nd FLOOR, WEST TOWER
WASHINGTON, D.C. 20005

ORDER AND NOTICE OF REQUEST FOR PUBLIC COMMENT

September 19, 2001

FORMAL CASE NO. 945, IN THE MATTER OF THE INVESTIGATION INTO
ELECTRIC SERVICE COMPETITION AND REGULATION PRACTICES,
ORDER NO. 12159

I. INTRODUCTION

1. On December 30, 1999, the Public Service Commission of the District of Columbia ("Commission") approved the Phase I settlement in Formal Case No. 945.¹ In compliance, the Potomac Electric Power Company ("PEPCO") filed with the Commission, on May 8, 2001, an "Application of PEPCO for Approval of Divestiture Plan" whereby PEPCO would provide its District of Columbia customers with monetary benefits in the total amount of \$196.4 million,² including the issuance of a divestiture sharing credit in the amount of \$50.1 million.³

II. PROCEDURAL HISTORY

2. In Order No. 11576,⁴ the Commission approved the Phase I settlement agreement,⁵ which provided that PEPCO would distribute to its District of Columbia customers, through a divestiture sharing plan, the pre-tax amount of the net proceeds

¹ Formal Case No. 945, In the Matter of the Investigation into Electric Service and Regulation Practices, Order No. 11576 (December 30, 1999).

² \$146.3 million will be utilized to reimburse PEPCO for past demand side management costs. The remaining balance of \$50.1 million would be distributed to residential and non-residential customers as a one-time credit.

³ Application of PEPCO for Approval of Divestiture Plan (May 8, 2001).

⁴ Formal Case No. 945, In the Matter of the Investigation into Electric Service and Regulation Practices, Order No. 11576 (December 30, 1999).

⁵ Under the Phase I Settlement, PEPCO agreed to sell at auction its plants, facilities, and equipment used in the generation of electricity and other rate base assets not required in the provision of electric transmission and distribution services, subject to PEPCO's right to exclude from such sale the certain generating plants in the District of Columbia. PEPCO also agreed, subject to certain conditions, to include in the sale its rights and obligations under then-existing, purchased power arrangements. *Id.*

received from the sale of assets to the extent that such proceeds exceed the net book value of the assets.⁶ The Commission further indicated that, following the sale of the assets,⁷ it would determine the appropriate level of divestiture sharing and that it would authorize any such amount before implementation.⁸

3. PEPCO submitted its proposed divestiture sharing plan on May 8, 2001, pursuant to a Commission directive at an April 26, 2001 status conference.⁹ In its plan, PEPCO requested that the Commission approve a divestiture sharing plan that provides PEPCO's customers with monetary benefits in the total amount of \$196.4 million, including the issuance of a divestiture sharing credit.¹⁰ In its application, PEPCO proposes that \$50.1 million be distributed to residential and non-residential customers as a one-time credit, to be provided to customers immediately as a bill credit.¹¹ Residential customers would receive a credit of \$73.00 per household on the proposed distribution date of June 1, 2001, non-residential customers would receive a credit of 0.378 cents per kWh used during the twelve months ending March 31, 2001,¹² and the distribution of proceeds to master-metered apartments ("MMA") would be similar to the proposal for non-residential customers.¹³

4. Before acting on PEPCO's proposed plan, the Commission considered OPC's motions¹⁴ to defer action on PEPCO's request to distribute the one-time credit to

⁶ Id. at 41.

⁷ See Formal Case 945. In the Matter of the Investigation into Electric Services and Regulation Practices, Order No. 11845 at 31-32 (December 5, 2000). The Commission, in Order No. 11845, approved the recovery from the proceeds of the sale of assets of any unamortized DSM balances for expenditures accrued prior to July 1993.

⁸ Id. at 40-41.

⁹ Application of PEPCO for Approval of Divestiture Plan (May 8, 2001).

¹⁰ Id.

¹¹ Id. at 7-10.

¹² Id. at 10-11.

¹³ Id. at 9-10. For non-residential customers, PEPCO proposes a credit of 0.378 cents per kWh used during the twelve months ending March 31, 2001. The proposed distribution of the divestiture savings to MMA customer is similar to the distribution method to non-residential customers' but the proposed average credit for each MMA customer is 0.837 cents.

¹⁴ See Formal Case No. 991. In the Matter of the Investigation into Explosions Occurring in or Around the Underground Distribution System of the Potomac Electric Power Company, Order No. 11691 issued May 17, 2000; Formal Case No. 991. In the Matter of the Investigation into Explosions Occurring in or Around the Underground Distribution System of the Potomac Electric Power Company, Order No. 11716 issued June 16, 2000; Formal Case No. 991, In the Matter of the Investigation into Explosions Occurring in or Around the Underground Distribution System of the Potomac Electric Power Company, Order No. 12036 issued June 26, 2001. Renewed Motion of OPC to Defer Distribution of the Net Proceeds of PEPCO's Divestiture Sale in Light of Continuing "Manhole Explosions" Associated with PEPCO's Transmission & Distribution System filed August 9, 2001.

District consumers. We denied these motions, stating in Order No. 12036, that the distribution of any proceeds from the sale of PEPCO's generation assets would not be the "last chance" opportunity for the Commission to decide to what extent PEPCO should be able to recover its remediation costs.¹⁵ The issue of whether PEPCO or the District ratepayers should bear remediation costs is not ripe until such time as PEPCO seeks recovery of those costs.¹⁶

5. On August 24, 2001,¹⁷ PEPCO provided information pursuant to a Commission staff data request seeking information on residential electricity consumption regarding electricity consumption between commercial and residential customers, the correlation between income levels and electricity consumption, and average customer usage information by zip code.¹⁸

III. CONCLUSION

6. The Commission believes that ratepayers should be a primary beneficiary from the sale of PEPCO's generation assets.¹⁹ For that reason, among others, we approved the Phase I settlement agreement.²⁰ Apart from OPC's motions,²¹ the Commission has not received any objections to PEPCO's proposed distribution of the \$50.1 million in savings. The Commission, at the time it approved the sale of assets, stated that ratepayers and shareholders should share equitably in the proceeds from the sale of PEPCO's generation assets. Therefore, we find that distribution of the proceeds to District ratepayers at this time is appropriate and in the public interest. Accordingly, we approve PEPCO's proposed distribution method to residential, MMA and non-residential customers. The residential credit should be distributed on a per household basis. The amount of divestiture sharing credit to be provided to each residential customer shall be calculated by PEPCO by dividing the amount of the Residential Sharing by the total number of residential customers served by PEPCO in the District, as shown on the books

¹⁵ Formal Case No. 991. In the Matter of the Investigation into Explosions Occurring in or Around the Underground Distribution System of the Potomac Electric Company. Order No. 12036 at 17-18.

¹⁶ Id.

¹⁷ PEPCO's response to Commission's Staff Data Request of August 3, 2001 (August 24, 2001).

¹⁸ PEPCO's response to Commission's Staff Data Request of August 3, 2001 at Responses to Questions Nos. 6-8.

¹⁹ Formal Case No. 945. In the Matter of the Investigation into Electric Service and Regulation Practices. Order No. 11576 (December 30, 1999).

²⁰ Id.

²¹ *See* Renewed Motion of OPC to Defer Distribution of the Net Proceeds of PEPCO's Divestiture Sale in Light of Continuing "Manhole Explosions" Associated with PEPCO's Transmission & Distribution System filed August 9, 2001.

and records of PEPCO as of the close of business on the record date.²² The credit shall be the same for each residential customer and made applicable to all residential customers of record as of September 19, 2001.²³ For distribution of credits to MMA and non-residential customers, the actual kWhs for the 12-month period ending March 31, 2001, should be used to calculate credit for each customer as proposed in PEPCO's Application.²⁴

7. Parties are also requested to file comments on whether a further adjudication process is recommended to disburse additional or revised amounts, if any, beyond the initial level of \$50.1 million proposed by PEPCO. Parties should also comment on whether any additional proceeds to residential customers should be distributed on a per household, per kWh or other basis. Parties are requested to include in their comments whether provisions for carrying costs should be made pertaining to this initial and any subsequent disbursement.

THEREFORE, IT IS ORDERED THAT:

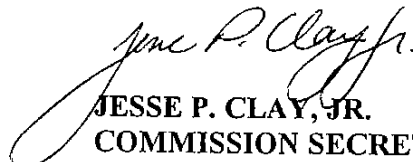
8. PEPCO is directed to distribute \$50.1 million (i.e., its proposed divestiture sharing credit) to residential, MMA and non-residential customers at the earliest administratively feasible time.

9. Interested parties shall have until September 26, 2001, to file comments and until October 3, 2001, to file reply comments on whether a Phase II proceeding is needed for additional credit distribution.

A TRUE COPY:

BY THE DIRECTION OF THE COMMISSION

CHIEF CLERK


JESSE P. CLAY, JR.
COMMISSION SECRETARY

²² See Application of PEPCO for Approval of Divestiture Plan (May 8, 2001) at 8. PEPCO has estimated that the amount of Residential Sharing Credit will be approximately \$73 per residential customer.

²³ The Public Service Commission of our neighboring state, Maryland, on May 23, 2001, approved the distribution of the Competitive Transition Credit in the amount of \$188.6 million to commercial customers beginning on June 1, 2001 and to residential customers beginning on July 1, 2001. Credit and refund amounts were to be determined on a kWh basis and interest was to accrue on the amortized balance of refund monies at PEPCO's authorized rate of return in Maryland. The credit approved in Maryland was applicable to all PEPCO customers in Maryland of record as of May 22, 2001, and the usage period utilized was a 12-month period ending March 31, 2001. See Case No. 8796, In the Matter of the Potomac Electric Power Company's Proposed: (a) Stranded Costs Qualification Mechanism; (b) Price Protection Mechanism; and (c) Unbundled Rates. Letter Order issued May 23, 2001 by the Maryland Public Service Commission.

²⁴ See PEPCO's Application at 9-11.