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PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

RECEIVED

NOTICE OF PROPOSED RULEMAKING

2010 MAY -7 A 9:25

DISTRICT OF COLUMBIA
PUBLIC SERVICE COMMISSION

FORMAL CASE NO. 1056, IN THE MATTER OF THE APPLICATION OF POTOMAC ELECTRIC POWER COMPANY FOR AUTHORIZATION TO ESTABLISH A DEMAND SIDE MANAGEMENT SURCHARGE AND AN ADVANCE METERING INFRASTRUCTURE SURCHARGE AND TO ESTABLISH A DSM COLLABORATIVE AND AN AMI ADVISORY GROUP

1. The Public Service Commission of the District of Columbia ("Commission") hereby gives notice, pursuant to Section 2-505 of the District of Columbia Official Code,¹ of its intent to act upon the Application of the Potomac Electric Power Company ("Pepco" or "Company")² in not less than 30 days from the date of publication of this Notice of Proposed Rulemaking ("NOPR") in the *D.C. Register*.

2. On April 1, 2010, Pepco filed its proposed Dynamic Pricing Rate Design and Dynamic Pricing Plan with new tariff pages, including a new Dynamic Pricing Rider DP.³ In its proposal, the Company is seeking Commission approval of the following items: (1) Pepco's proposed dynamic pricing tariff designs; (2) the Company's applicability of its proposed dynamic pricing tariffs; (3) Pepco's currently proposed phase-in timeline for implementing dynamic pricing; and (4) the establishment of a District of Columbia dynamic pricing customer education working group to assist in the development of necessary customer communications.⁴

3. The Company states that its proposed plan is to introduce dynamic pricing to its Standard Offer Service ("SOS") District of Columbia customers on a phased-in basis with an initial group of 5,000 residential customers placed on the rate beginning in 2012 after Advanced Metering Infrastructure ("AMI") metering installation in the District of Columbia has been substantially completed, which is expected to be completed by year-end 2011.⁵ According to the Company, all eligible SOS residential customers will have the opportunity to be billed under dynamic pricing beginning in 2013, and dynamic pricing for non-residential SOS customers will

¹ D. C. Code, § 2-505 (2001).

² *Formal Case No. 1056, In the Matter of the Application of the Potomac Electric Power Company for Authorization to Establish a Demand Side Management Surcharge and an Advance Metering Infrastructure Surcharge and to Establish a DSM Collaborative and an AMI Advisory Group ("F.C. 1056")*, the Potomac Electric Power Company Dynamic Pricing Rate Design and Dynamic Pricing Plan for AMI in the District Of Columbia, filed April 1, 2010 ("Pepco's Dynamic Pricing Plan and Tariffs").

³ *F.C. 1056*, Pepco's Dynamic Pricing Plan and Tariffs.

⁴ *Id.* at 3.

⁵ *Id.* at 5.

be phased-in with an initial group of 2,000 customers beginning in 2013.⁶ The Company states that all non-residential SOS customers will have the opportunity to be billed under dynamic pricing rates in 2014.⁷ Pepco mentions that its gradual phase-in of dynamic rates is intended to ensure that the necessary billing systems revisions operate smoothly and that required customer communications are carefully tested and refined.⁸ The Company proposes that a critical peak rebate version of dynamic pricing be initially offered on a default basis to eligible SOS customers to ensure the rapid penetration of the rate structure.⁹ Pepco proposes that, when dynamic pricing becomes available for a customer, it will permit each SOS customer to select an alternative rate either a critical peak pricing rate or reversion back to the pre-existing non-dynamic SOS rate.¹⁰ Pepco states that its dynamic pricing rate design and dynamic pricing plan proposals were formulated from the experience gained from the District of Columbia's award-winning PowerCentsDC smart meter pilot program.¹¹

4. The Company states the proposed Dynamic Pricing program is comprised of two separate dynamic price offerings, the Critical Peak Pricing option ("CPP") and the Critical Peak Rebate option ("CPR").¹² Pepco submits that both options are designed to give customers strong incentives to reduce consumption during the times when the cost of producing electricity is the highest.¹³ The Company states that its proposed Dynamic Pricing Rider "DP" will apply to all District of Columbia customers served under those schedules that receive SOS and have AMI meters and that it modifies the SOS Generation portion of the customer's bill.¹⁴ According to Pepco, customers placed on Rider "DP" will be offered three billing options: CPP, CPR, or if the customer is unwilling to participate in Dynamic Pricing, flat SOS pricing.¹⁵ The Company asserts that under CPP, the SOS Generation Service portion of the customer's bill is modified by pricing all kilowatt-hours consumed during the Critical Peak Period designated by the Company at the prices stated in the option CPP Critical Peak Price table, instead of the normally applicable SOS rate.¹⁶ Pepco submits that for all other hours, the generation component is priced at the applicable Rider SOS rate reduced by the dollar value per kWh amount shown in the Adjustment

⁶ *Id.* at 5.

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.* at 12.

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.* at 13.

column of the price table.¹⁷ The Company states that under CPR, the SOS Generation Service portion of the customer's bill is modified by a credit calculated by applying the price shown in the CPR table to the difference between actual kWh consumption and a Customer Base Line ("CBL") level of consumption during the Critical Peak Period designated by the Company.¹⁸ Pepco submits that there will be no penalty if the customer's usage is above the CBL.¹⁹ Finally, the Company states that the CBL will be calculated as the hourly average of each individual customer's use during similar high cost hours for the three days with the highest use during the prior 30-day period.²⁰

5. Accordingly, Pepco seeks authority to revise and put into service the following tariff pages contained in its April 1, 2010 tariff filing:

POTOMAC ELECTRIC POWER COMPANY, P.S.C. of D.C. No. 1

Original Page No. XX.1

Original Page No. XX.2

Original Page No. XX.3

6. The Application is on file with the Commission and may be reviewed at the Office of the Commission Secretary, 1333 H Street, N.W., Second Floor, West Tower, Washington, D.C. 20005, between the hours of 9:00 a.m. and 5:30 p.m., Monday through Friday or may be viewed on the Commission's website at www.dcpsec.org. Copies of the tariff pages are also available upon request, at a per-page reproduction cost.

7. All persons interested in commenting on Pepco's proposed Dynamic Pricing Rate Design and Dynamic Pricing Plan may submit written comments and reply comments no later than thirty (30) and forty-five (45) days, respectively, after publication of this NOPR in the *D.C. Register*, to Dorothy Wideman, Commission Secretary, at the above address. After the comment period has expired, the Commission will take final action on Pepco's Application.

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ *Id.*