

Utility ordered to justify millions of dollars in infrastructure work

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Federal agency rules Pepco must release more info before raising rates

By [Steve Bohnel](#) Follow [@Steve_Bohnel](#) August 10, 2021 | 8:00 am August 10, 2021

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An Exelon Company

The Federal Energy Regulatory Commission ruled last month that Pepco and Baltimore Gas and Electric must further justify costs to consolidate some of their infrastructure, before raising rates for Maryland residents.

The commission ruled that the costs “may be unjust, unreasonable, unduly discriminatory or preferential, or otherwise lawful.”

In an interview, David Lapp, the People’s Counsel of Maryland, an advocate for residential utility customers, said Pepco was looking at increasing its rates by about \$4 million to \$5 million over a single year, to help consolidate transmission system control facilities across the Washington, D.C., region.

The average utility increase would be a little under \$4.80 per year for the 878,000 customers in Washington, D.C., and Maryland.

Ben Armstrong, a spokesman for Pepco, said Baltimore Gas and Electric owns the one transmission system control facility in Maryland. He declined to disclose its exact location “due to the sensitivity of the operations conducted at the facility.”

Transmission system control facilities help collect data from electric systems and regulate the power that flows through them.

Lapp said 60% of residential utility bills are under the jurisdiction of the Federal Energy Regulatory Commission, which regulates the transmission and wholesale of electricity and natural gas nationwide. A state public service commission oversees the rest.

Last month’s ruling means Exelon — the parent company of Pepco and Baltimore Gas and Electric — must provide further information to the People’s Counsel and the Federal Energy Regulatory Commission about why such rate increases are needed for the work. That includes more detail about employees doing work on transmission lines and other accounting practices involved with the acquisition of certain control facilities.

The decision signals that further information is needed before Pepco can increase rates for its customers in Maryland and Washington, D.C., including about 330,000 customers in Montgomery County.

“These costs are ultimately borne by Maryland ratepayers ... and we’re trying to prevent any extra costs and overcosts from trickling down to Maryland jurisdictions,” Lapp said.

The commission has asked the People’s Counsel and Pepco to reach a settlement before the case proceeds. Lapp said that process, which can include discovery and negotiations about the proposed costs, could take several months.

If the parties can’t reach an agreement, then an evidentiary hearing would be held, Lapp said.

Armstrong said he hopes Pepco and the People’s Counsel can reach an agreement.

“We look forward to continuing discussions with all parties as we further review our filings and the efficiencies the consolidation of the transmission control rooms, and certain functions, will provide for our companies and our customers,” Armstrong wrote in an email.

The commission’s decision is a second noteworthy decision by a ruling body for Maryland utility ratepayers in recent months.

Previously, the [Maryland Public Service Commission](#) ruled that Pepco was asking for too much money for other improvements, like streetlight replacements, infrastructure for backup power at substations and 69kV transmission systems.

Pepco wanted \$110 million for those improvements. The commission voted 3-2 to reject that request, but allowed \$52.2 million in increases — more than the \$32.7 million cap the People's Counsel recommended.

The ruling led to an increase in monthly rates of about \$5.20 by the end of a three-year period.

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