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Divided Public Service Commission Gives Pepco \$52.2 Million Rate Increase Over Three Years

BALTIMORE – In a split decision this week, the Maryland Public Service Commission approved Potomac Electric Power Company's (Pepco) multi-year rate plan, setting the stage for rate increases for typical Maryland Pepco residential customers of \$5.20 per month after two years. Two of the five commissioners dissented, stating that they would have denied Pepco's multi-year proposal altogether.

The Commission's order approved \$52 million, much of which is new revenue for Pepco's capital spending projects. The Office of People's Counsel had argued that if the plan is accepted, any rate increase should be no more than \$32.7 million.

"We are disappointed the Commission gave Pepco a rate increase of almost \$20 million more than it should have, although the Commission properly rejected Pepco's exorbitant wish for a substantially greater increase," said People's Counsel David S. Lapp.

The Commission approved Pepco's plan to offset any rate increases for the first year of its plan, shifting those costs to later years to support pandemic recovery.

The Commission denied accelerated recovery of several high-price distribution substation projects, totaling more than \$56 million. The Commission denied Pepco’s streetlighting proposal—which would have converted all company-owned streetlights to LED lighting with so-called “smart nodes” for communications services. The Commission stated that Pepco could resubmit its proposal in a different case.

The case revealed significant problems with Pepco’s forecasting of costs and was riddled with transparency issues, as several commissioners noted in concurring and dissenting opinions.

“The proceeding was plagued by a lack of transparency and forecasting issues, as several commissioners observed,” Lapp noted. “The two dissenting commissioners were correct on the issues they separately raised—Pepco’s plan failed to meet the legal standard for protecting customers, and it was not supported by sufficient evidence. The Commission should take note and reject any further multi-year rate filings, at least until there are rules that ensure sufficient transparency and a public process for distribution system planning.”

The Maryland Office of People’s Counsel is an independent state agency that represents Maryland’s residential consumers of electric, natural gas, telecommunications, private water and certain transportation matters before the Public Service Commission, federal regulatory agencies, and the courts.

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