



MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

MARC ELRICH
COUNCILMEMBER AT-LARGE

Testimony of Councilmember Marc Elrich (At-large) before the Public Service Commission in Pepco Rate Increase Case No. 9443

August 30, 2017

I come here as an at-large Montgomery County Councilmember, representing the interests of ratepayers and consumers all over this County.

Please, do not grant Pepco a rate increase.

Pepco is requesting a \$67,093,000 increase in its Maryland distribution rates and an authorized rate of return on equity of 10.10%. This is the second rate increase application by Pepco since it was acquired by Exelon. The impact of this request is more than \$7.00 per month for a typical residential customer.

It is well known that for many years, Pepco neglected its infrastructure. All of us experienced what are known as “blue sky” outages - no storms, no weather events and the power would go out. When the issue of outages reached its peak, we discovered that Pepco was at the lowest quartile in terms of reliability of service. Pepco’s poor performance is largely a self-inflicted wound due to its historical record of refusing to make adequate infrastructure investments in repairs and improvements.

The merger was supposed to keep rates down and improve quality, and while there has been improvement, there is still a long way to go. There are fewer outages and Pepco is doing more by replacing some infrastructure and improving vegetation management, though not necessarily the quality of their vegetation. But Pepco is still not at the minimum level of reliability metrics regarding frequency of outages, SAIFI, as required by this Commission. Had Pepco made the proper and timely investments, this problem could have been addressed years ago, but the PSC refused to hold Pepco accountable – I was stunned by the revelation at one of those first large public hearings regarding Pepco’s reliability that the Commissioners themselves were unaware of Pepco’s atrocious reliability metrics.

This request for a rate increase would continue to reward Pepco for its past imprudent behavior, which this Commission first condemned back in 2011,

almost six years ago! In essence consumers are paying for these improvements twice – first in rates from years past, and now in current rates where we're being asked to pay for things that Pepco should have addressed with money from previous rate increases. Consumers should not be essentially fined for the past imprudent decisions of this company by having their rates consistently raised.

Pepco's electric service customers have paid a premium for service that has not hit first quartile performance despite the Exelon merger. The Commission has continued to grant Pepco rate increases of millions of dollars - paid by rate payers - rewarding the company's investors, but its customers have not received the full benefits of any of their increased bills, and we still do not have a first class electrical system. This merger was touted as lowering costs, but the evidence of the last two years is that it is raising costs. This is occurring, unfortunately, just as I and other opponents of the merger believed it would. Rate increases continue, substandard service continues, and improvements, if any, will come from heavy exactions from consumers.

It is the PSC's responsibility to hold Pepco accountable to clear and measurable reliability metrics. Customer rates must be just and reasonable, with a guarantee of customer rate stabilization.

First quartile levels of reliability **must** be reached and the PSC should put Pepco under a strict deadline to do so. That should be a requirement before any additional rate increase is granted. If these requirements are not met, then there is no justification for any rate increase or any greater rate of return since consumers of Pepco's electric distribution service continue to experience unacceptable levels of service reliability and ever increasing rates.

Utilities exist to provide a reliable, stable, and reasonably priced source of electricity for all of their customers. The Commission needs to hold Pepco accountable to that mission. For years, the PSC failed to hold Pepco accountable. Pepco needs to focus on long-term service viability and price stability and stop trying to increase the rate of return for investors.

There should be no more rate increases until Pepco/Exelon meets required reliability metrics and expends the funds necessary for infrastructure maintenance and improvement.

You need to say: Enough Is Enough.

The Commission must deny Pepco's latest rate request in its entirety and insist that Pepco deliver top first quartile reliability to its customers now.