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June 5, 2020

By Electronic Filing

Ms. Brinda Westbrook-Sedgwick
Commission Secretary
Public Service Commission of the District of Columbia
1325 G Street, NW, Suite 800
Washington, DC 20005

RE: PEPPOR 2020-01

Dear Secretary Westbrook-Sedgwick:

Enclosed for filing in the above-referenced docket, please find the Comments of the Retail Energy Supply Association.

Please feel free to contact me should you have any questions regarding this filing.

Respectfully Submitted,



Eric J. Wallace

cc: Service List

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF THE DISTRICT OF COLUMBIA**

IN THE MATTER OF:

Purchase of Receivables

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PEPPOR 2020-01

COMMENTS OF THE RETAIL ENERGY SUPPLY ASSOCIATION

I. Introduction

The Retail Energy Supply Association (“RESA”),¹ by counsel, submits these comments in response to the Commission’s Notice of Proposed Tariff (“Notice”), published in the D.C. Register on May 8, 2020. The Notice seeks comments on Pepco’s proposed revisions to its Purchase of Receivables (“POR”) tariff and Supplier Discount Rate.² The Notice provided for comments from interested persons within 30 days of publication in the D.C Register. As explained below, RESA opposes Pepco’s request to exclude late payment revenues from the POR discount rate calculation effective June 1, 2021 and requests that the Commission reaffirm its prior precedent on this issue by rejecting Pepco’s request.

II. Comments

1. The Commission Should Reject Pepco’s Request to Exclude Late Payment Revenues from the POR Discount Rate for the Third Time.

Pepco’s request to exclude late payment revenues from the POR discount rate is not a new one. This is at least the third time that Pepco has argued to exclude late

¹ The comments expressed in this filing represent the position of the Retail Energy Supply Association (RESA) as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of more than twenty retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value-added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at www.resausa.org.

² PEPPOR 2020-01, Pepco Purchase of Receivables Tariff Filing, filed April 15, 2020 (“Proposed Tariff”).

payment revenues from the POR discount rate. Each time Pepco made this argument, the Commission rejected it.³ Pepco’s natural gas utility counterpart, Washington Gas Light Company (“WGL”), argued to exclude late payment revenues from the POR discount rate for natural gas receivables when the Commission was considering implementation of POR for natural gas suppliers and their customers.⁴ Consistent with the precedent for the Pepco POR program, the Commission rejected WGL’s arguments.⁵ This issue is also well settled in Maryland, where Pepco’s affiliates operate similar POR programs and late payment revenues *are* included in the POR discount rate calculations.⁶ Accordingly, RESA requests that the Commission reaffirm its precedent on this issue and again reject Pepco’s request to exclude late payment revenues from the POR discount rate.

2. Pepco has not requested to include a Cash Working Capital adjustment in its computation of the POR discount rate.

At the outset of Pepco’s POR program, the Commission held that Pepco must include late payment revenues in its computation of the POR discount rate. Alternatively, the Commission held that Pepco could request to include a cash working capital

³ Formal Case No. 1085, In the Matter of an Investigation of a Purchase of Receivables Program in the District of Columbia, Order No. 16916 at 10 (Sept. 20, 2012); Formal Case No. 1085, Order No. 17052 at 18 (Jan. 18, 2013).

⁴ See Formal Case No. 1140, In the Matter of the Investigation into the Establishment of a Purchase of Receivables Program for Natural Gas Suppliers and Their Customers In the District of Columbia, Order No. 18798, ¶ 17 (June 15, 2017).

⁵ See Order No. 18798, ¶¶ 45-46 (“Therefore, the Commission reaffirms its prior decisions on this matter and directs WGL to include late payment revenues collected as a result of the POR program into the discount rate.”).

⁶ See COMAR 20.53.05.06 (“Utility Purchased Receivables or Prorated Payments”); Maryland Public Service Commission, Letter Order, In re: COMAR 20.53 Compliance Filing (June 10, 2010) (directing Pepco/MD to file its proposed tariff implementing POR by July 1, 2010); Letter Order, In re: COMAR 20.53 Compliance Filing, ML#s 116829 and 117665 (Oct. 7, 2009) (approving Delmarva/MD’s POR implementation date of December 7, 2009); Letter Order, In re: Administrative Docket Rulemaking No. 17 Compliance Plan of Baltimore Gas and Electric Company (BGE) – Supplement 414 to P.S.C. Md. E-6, ML# 116827 (Oct. 7, 2009) (approving BGE’s POR implementation date of April 1, 2010); Letter Order, In re: the Potomac Edison Company d/b/a Allegheny Power’s Compliance Plan to Implement COMAR 20.53.05.03, 20.53.05.05, 20.53.05.06, 20.53.06.06, and 20.53.07.10, ML#s 116824 and 117609 (Oct. 5, 2009).

adjustment in its POR discount rate computation.⁷ Pepco has not done so. Further, in the present iteration of Pepco's request that late payment revenues be excluded from the POR discount rate, Pepco did not address the Commission's holding on the subject in Order No. 16916:

The Commission believes that late payment fees should offset the cost of collecting receivables. Although as indicated by Pepco, to the extent that suppliers are paid up front, late payment fees should not be retained by Pepco. To offset Pepco's timing difference associated with payment of receivables and collection of payment from customers, a cash working capital adjustment would be more appropriate in the computation of the Discount Rate ... The Commission, therefore, directs Pepco to include late payment revenues in its computation of the Discount Rate. If and when Pepco decides to include a cash working capital adjustment in its computation of the Discount Rate, it must inform and request the approval of the Commission by filing a revised POR program plan including the Cash Working Capital computation, using its most recent lead lag study.⁸

Until Pepco files a request to include a cash working capital adjustment in its computation of the POR discount rate, and such request is approved by the Commission, Pepco should continue to include late payment revenues in its POR discount computation, consistent with the Commission's directive in Order No. 16916.

3. Excluding Late Payment Revenues from the POR Discount Rate Will Increase Costs for Suppliers and Their Customers.

In addition to the substantive precedent discussed above, Pepco's proposal should be rejected as a matter of policy. RESA's members are retail electricity and natural gas suppliers operating in the District and in many other jurisdictions around the country. As licensed retail electricity suppliers, RESA's members pay Pepco the applicable discount

⁷ Order No. 16916 at 10.

⁸ Order No. 16916 at 10.

rate when Pepco purchases their electricity supply receivables through the POR program. Accordingly, Pepco's POR discount rate directly affects the revenues RESA's members receive for their electricity sales to District customers.

Pepco's request to exclude late payment revenues would increase the POR discount rate, reducing the amount of supplier revenues for receivables purchased by Pepco. An increase in the discount rate is effectively an increased cost to suppliers, which will in turn increase costs for shopping customers as suppliers must recover their costs through the prices they charge. Increasing costs for suppliers and their customers will undermine the Commission's policy goal for implementation of the POR program: promoting competition.⁹

Moreover, the recent COVID-19 Public Health Emergency could have a significant impact on Pepco's future POR discount rates. Effective March 17, 2020, the D.C. Council passed the COVID-19 Response Emergency Amendment Act of 2020, D.C. Act 23-247, prohibiting disconnection of electric service for non-payment during a public health emergency or for 15 days after.¹⁰ It is uncertain when the District Public Health Emergency will end or to what degree the economic impacts of COVID-19 will affect Pepco's POR-related uncollectibles or late payment revenues for shopping customers. The uncertainty regarding key inputs to the POR discount rate calculation supports rejection of Pepco's current proposal to exclude late payment revenues from future POR discount rate calculations.

According to the Commission's posted electric supplier offers, as of the end of May 2020, there were at least six retail electric supply offerings available below the

⁹ Order No. 16916 at ¶ 25 ("In general, the primary purpose of the District POR program is to promote customer choice, thereby increasing competition and reducing commodity price of electricity.")

¹⁰ D.C. Act 23-247, § 305 (amending D.C. Code § 34-1501 *et seq.*).

\$0.0701/kWh Pepco SOS rate for residential customers.¹¹ In addition, there are other offerings available with value-added products and services. To protect and promote competition in the District, Pepco's proposal to exclude late payment revenues from the POR discount rate should be rejected.

III. Conclusion

RESA appreciates the opportunity to present these comments regarding Pepco's proposed revisions to its POR tariff and Supplier Discount Rate. For the reasons explained above, RESA requests that the Commission continue its long-standing precedent and reject Pepco's request to exclude late payment revenues from future POR discount rate calculations.

Respectfully submitted,

RETAIL ENERGY SUPPLY ASSOCIATION

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¹¹ Compare D.C. Public Service Commission, *Compare Electric Supply Offers*, available at https://dcpsc.org/PSCDC/media/PDFFiles/Electric/Compare_ElectricSuppliers_Offers.pdf with *Pepco Residential and Small Business Price to Compare (June 1, 2019 – May 31, 2020)*, available at <https://www.pepco.com/MyAccount/MyService/Pages/DC/PricetoCompare.aspx>.

Certificate of Service

I certify that a true copy of the foregoing Comments of the Retail Energy Supply Association was served this 5th day of June, 2020 on the following:

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