



## Office of the People's Counsel District of Columbia

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### **LETTER TO THE EDITOR**

As D.C. People's Counsel, I read "*Maryland Adopts Plan for Energy Efficiency*" (Saturday, July 21, 2007, D1) with sadness not only because of how this decision may affect Maryland's utility consumers (*whose interests I am not charged to represent*) but, more relevantly, for what this Maryland decision may portend for the outcome of PEPCO's companion rate case, now pending before the D.C. Public Service Commission.

Experience teaches that when Maryland sets out to do such things as deregulate its electric utilities (*at a time when D.C.'s electric rates were one of the lowest on the east coast*) or requires PEPCO's divestiture of electric generation plants or mandates retail competition in the residential market, etc., the "ill-winds" blow across state lines and sicken D.C. and its utility consumers – despite this advocate's consistent efforts to protect consumers from such policies and outcomes in the District. When Maryland "acts," PEPCO convinces D.C. it must have "synchronous policies," and D.C. must follow Maryland. This advocate submits chaos has been the result in D.C.

This time, *The Washington Post* article explained Maryland regulators not only authorized a rate increase for PEPCO, but also adopted PEPCO's anti-consumer "decoupling" proposal through which this "wires company" will be paid for "*revenues lost*" when consumers choose to consume energy efficiently in an effort to save the planet and their own pocketbooks, as well. That's right. Stated differently, when consumers wisely decide to use less energy, consumers must still pay PEPCO, for "lost revenues."

In an era when it is finally recognized it is in the national interest to encourage the efficient consumption of finite resources and when consumers have been once again reminded of how they can "do good for the planet while also doing well for their families," here come the

regulated company and a few regulators who would cause utility consumers to compensate the regulated company for “loss revenues.”

By now, a sensible consumer should be asking, *“If I have to pay more anyway to compensate PEPCO for ‘lost revenues’ because I am using energy wisely, then, why should my family conserve in the first place? What’s in it for me and my family?”*

The D.C. Office of the People’s Counsel, the only statutory party in regulatory rate proceedings, is stated on the public record before the DC PSC in PEPCO’s rate proceeding, as well as before the Committee on Public Services and Consumer Affairs of the Council of the District of Columbia, that “decoupling” is not in the public interest.

Everyone knows that since the 1980s, OPC-DC, together with the Consumer Utility Board, has been a proponent of energy efficiency and integrated resource planning. But, PEPCO’s current request to pay PEPCO because consumers are finally conserving would essentially guarantee PEPCO to recover its revenue requirement, regardless of the quality or reliability of service it provides to consumers.

Come on! It is not the role of regulation to guarantee anything to a regulated company. Thus, this Advocate cannot think of a worse idea for D.C. and its consumers.

Worse, PEPCO’s decoupling proposal would make the Company indifferent to the quality of service provided and would do nothing to encourage energy conservation.

Surprisingly, during the proceedings before the PSC-DC, PEPCO’s experts acknowledged its decoupling proposal would not provide incentives for PEPCO to encourage energy conservation, but would, at best, eliminate a disincentive to PEPCO from cooperating in other efforts to encourage conservation. What a price for consumers to pay.

Despite what “decoupling” proponents suggest, PEPCO’s decoupling proposal will do nothing to encourage energy conservation because it will not provide a meaningful price signal to consumers. Ironically, even PEPCO agrees the rate impact is too small to make consumers change their energy consumption patterns. So, other than guaranteeing more money to PEPCO, how would consumers benefit from “decoupling?” They would not!

Most important, so long as PEPCO remains the unregulated monopoly energy supplier via the SOS auction process, the Company has a powerful incentive to want high volumes of energy sold because it earns a huge profit on each kWh of SOS sales.

In closing, OPC-DC, and now, like so many newcomers to the altar of energy conservation, energy efficiency, integrated resource planning, etc., remains committed to the efficient use of energy supply. Yes, OPC-DC is on the public record that D.C. as a sovereign entity must *“step up to leadership”* and assume responsibility for its *“footprint on this planet.”* And, surely, given the Mayor’s appointment of new leadership at the District Department of the

Environment and its much anticipated internal reorganization, together with the recent legislative initiatives passed by the Council, it is clear D.C. is engaged in the issue and on its way.

But, saddling the District's electric utility consumers with the obligation to pay PEPCO a whole lot of money just because D.C. consumers are "doing the right thing" is not the answer!

Decoupling, in any format, is oppressive, regressive and otherwise, not in the best interests of D.C. consumers.

Respectfully submitted,

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