



Betty Ann Kane, Chairman
Richard E. Morgan, Commissioner
Lori Murphy Lee, Commissioner

District of Columbia

Public Service Commission

1333 H Street, N.W., Washington, DC 20005
202.626.5100 *** www.dcpssc.org

Fact Sheet

Bill Stabilization Adjustment Begins in January 2010

The District of Columbia Public Service Commission is an independent agency established by Congress in 1913 to regulate electric, natural gas, and local telephone utility companies in the District of Columbia.

Implementation of the Bill Stabilization Adjustment (“BSA”) on electric bills from the Potomac Electric Power Company (“Pepco”) begins with the January billing cycle. With the new pricing methodology, the BSA provides a modest monthly adjustment that will lower distribution rates if Pepco is receiving more revenue than the District of Columbia Public Service Commission (“Commission”) approved, or will increase distribution rates if Pepco is receiving less revenue than the Commission has approved. As a result, the impact of the BSA will change from month to month starting with bills in January 2010.



The BSA is a decoupling mechanism approved by the Commission that removes the link between electricity use and utility revenue. In so doing, the BSA eliminates the disincentive for Pepco to promote energy efficiency programs that will help customers reduce their electricity usage and drive down electricity supply costs, which are the largest portion (75% to 80%) of a bill. The previous pricing methodology created disincentives for Pepco to encourage conservation because Pepco’s revenue was generally based upon electricity consumption by ratepayers. When energy consumption decreased, Pepco’s revenue decreased.



The BSA applies only to the distribution portion of ratepayers’ electric bills. (Distribution services account for less than 20% of residential ratepayers’ bills.) Because the BSA reduces Pepco’s financial risks, pursuant to a previously issued order by the Commission, on November 1, 2009, Pepco reduced residential distribution rates, which reduces the average residential bill by approximately 45 cents (3.5%). Distribution rates for affected commercial customers declined about 1%. Distribution charges pay for the expenses Pepco incurs to deliver electricity to homes or businesses.



To obtain additional information about the BSA, please contact the Commission at 202-626-5100 or visit the Commission’s website at www.dcpssc.org and go to eDocket System. Click on “Search Current Dockets,” and enter case number 1053 in the eDocket system.

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