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District of Columbia

Public Service Commission

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Fact Sheet:

New Pepco Generation Rates Effective June 1, 2008

Higher fuel and capacity costs impact the new rates to be effective June 1, 2008

The Public Service Commission is an independent agency established by Congress in 1913 to regulate electric, natural gas, and telephone companies in the District of Columbia. The Commission is comprised of three members; a Chairperson and two Commissioners. Each member is appointed to a four-year term by the Mayor and confirmed by the DC Council.

New Pepco electric generation rates become effective with bills to be issued beginning June 1, 2008 for Pepco's Standard Offer Service (SOS) customers in the District; that is, customers who have not chosen an alternative generation supplier. Since generation rates account for nearly 80% of residential customers' bills, Pepco anticipates that residential customers will see an average annual increase in bills of 15.5% or about \$12.75 per month. Small commercial customers' annual bills will increase, on average, by approximately 11.9% (about \$24.35 per month).

To minimize costs, Pepco procures its power supply through long-term contracts that establish prices through a competitive bidding process under the supervision of the Commission and witnessed by the Office of the People's Counsel (OPC). Pepco uses three-year rolling contracts, which in the past have dampened the impact of changes in one year's electricity prices. Thus, the 2007-2008 contracts are replacing expiring contracts procured in 2004-2005. Since the time the expiring contracts were procured, fuel and capacity costs have dramatically increased. Therefore, the prices in the 2007-2008 contracts are already a good deal compared to current fuel market prices.

The increase in the generation rates will impact all residential customers, both low-income RAD and non-RAD customers. Until last year, RAD customer generation rates were protected from rate increases by rate caps; however, the caps expired in February of 2007. However, with respect to the Pepco distribution rate increase approved earlier this year, RAD customers' rates remain capped until August 2009, pursuant to a Commission-approved Pepco merger agreement.

Based on the results of the competitive bidding process, Pepco filed new generation rates with the Commission on February 12, 2008. According to section 2953.3 of the Commission's SOS rules, the rates would be deemed approved in seven days (by February 19, 2008) if no comments received. No comments were filed, thus the rates are in effect as of June 1, 2008.

The winning suppliers for the 2007-2008 solicitation are:

- Constellation Energy Commodities Group, Inc.
- Hess Corporation



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- American Electric Power Service Corporation
- Consolidated Edison Energy, Inc.

These suppliers will provide electricity for three years starting June 1, 2008.

The following list includes all of the contracts won in previous years. Seven different suppliers will serve District customers for the 2008-2009 term:

- American Electric Power Service Corporation
- BP Energy
- Constellation Energy Commodities Group, Inc.
- Consolidated Edison Energy, Inc.
- Coral Power
- DTE Energy
- Hess Corporation

Even with the increases, average monthly residential bills in the District will be about \$99 per month, which remains below average compared to residential bills in neighboring jurisdictions where generation rates are also increasing. Compared to the District, bills are expected to increase at faster rates in Maryland, Delaware, New Jersey and Virginia.

The Commission encourages consumers to mitigate the impact of rate increases by taking steps to use energy more efficiently. Consumers may contact the District Department of the Environment (DDOE) for information on energy efficiency and low-income assistance programs. DDOE's hotline number is 202. 673.6750.

For more information on SOS or energy efficiency programs, please visit the Commission website at www.dcpsc.org.

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