

# Washington, D.C. regulators to consider undergrounding Pepco distribution lines

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The Public Service Commission (PSC) of the District of Columbia on July 6 said that it will hold a series of community hearings on a joint application that seeks approval of the first biennial Underground Infrastructure Improvement Projects Plan that was filed on July 3 by the District Department of Transportation (DDOT) and Exelon's Potomac Electric Power Co. ([Pepco](#)).

Community hearings will be held on July 21, 24, and 25, to receive comments from residents and businesses in the affected communities, the PSC said in its public notice, adding that any person desiring to intervene in the proceeding may file a petition by July 28.

The joint applicants and any party to the proceeding may file an answer or oppose the granting of a petition to intervene by Aug. 4, the PSC said, adding that any person desiring to comment on the joint application may file written comments with the PSC by Sept. 13.

The PSC noted that the Electric Company Infrastructure Improvement Financing Emergency Amendment Act of 2017, amending the Electric Company Infrastructure Improvement Financing Act of 2014 (Original Act), became effective on May 17.

As noted by Pepco and the DDOT, they filed the joint application under Section 307(a) of the Emergency Amendment Act.

The PSC said in its public notice that the amendment authorizes the collection and use by the District and Pepco of certain charges to finance the undergrounding of certain electric [power lines](#) and ancillary facilities.

The amendment governs Pepco's and the DDOT's public-private partnership to bury overhead primary power lines to improve electric service reliability and reduce the impact of storm-related outages in the District, the PSC said.

The new legislation changes a portion of the funding structure for the District of Columbia Power Line Undergrounding (DC PLUG) project from bonds issued by the District and securitized by ratepayers, as authorized under the original 2014 Act, to a pay-as-you-go structure with the cost imposed on Pepco and recovered by Pepco through a tariff rider authorized under the new amended Act, the PSC said.

As noted in the joint application, in August 2012, the District mayor convened a task force, giving specific directives for analyzing "the technical feasibility, infrastructure options and reliability implications of undergrounding new or existing overhead electrical [distribution](#) facilities in the District of Columbia."

The task force issued its final report in October 2013, and in March 2014, the mayor signed the Original Act into law, directing DDOT and Pepco to bury certain overhead power lines in order to improve electric service resiliency and reliability in the District, the application said.

DDOT and Pepco in June 2014 filed the first triennial Underground Infrastructure Improvement Projects Plan, which was approved in November 2014, as clarified in January

2015. The joint application also noted that Pepco filed in August 2014 an application for issuance of a financing order, which was approved in November 2014.

DDOT, Pepco, and the District's Office of the People's Counsel (OPC) in September 2014 entered into the "2014 Stipulation," which resolved in their entirety the protests that the OPC made regarding certain technical and other aspects of system design, construction, and operation, as well as certain aspects of the proposed communications plan, the application said.

The PSC accepted the 2014 Stipulation, which required DDOT and Pepco to evaluate opportunities to place pad-mounted transformers on the feeders placed underground as part of the DC PLUG initiative.

The application further noted that DDOT and Pepco filed applications to place padmounted transformers in public space in the District, all of which were denied. As a result, in March 2016, DDOT, Pepco, and the OPC entered into the "2016 Stipulation," in which they agreed, inter alia, that the obligation of DDOT and Pepco to evaluate locations for padmounted transformers within the District is terminated unless the PSC issues an order reinstating the obligation, the application said.

DDOT and Pepco have incorporated the agreements set forth in the 2014 and 2016 stipulations by reference or explicitly into the First Biennial Plan and continue to be committed to fulfilling the applicable obligations, the application stated.

The U.S. General Services Administration (GSA) in June 2015 sent a letter to the District asserting that the surcharge under the Original Act that paid principal, interest and expenses of the securitized bond financing constitutes a tax on end-users of Pepco from which the federal government is immune, the application noted.

Pepco, the District and DDOT sought to address the GSA challenge in a manner that would allow the DC PLUG initiative to proceed under the Original Act, but ultimately concluded that the Original Act would have to be amended and, to that end, developed an alternative structure.

The application added that the District mayor in May signed the Emergency Amendment Act into law, as well as the Electric Company Infrastructure Improvement Financing Amendment Act of 2017.

As noted in the PSC's notice, the First Biennial Plan identifies six electric distribution feeders, all or parts of which are currently overhead, that DDOT and Pepco propose to place underground. As part of the feeder-selection process, Pepco ranked every overhead and combined overhead/underground feeder in the District based on a number of criteria,

including the number and duration of outages and customer minutes of interruption on each feeder for the years 2010-2016, the PSC said.

The joint application also requests approval of a charge called the Underground Project Charge (UPC) to recover costs incurred by Pepco to underground the selected feeders and other authorized costs and charges, the PSC said.

The proposed UPCs represent a total increase of about 0.5 cents per day for a typical residential customer who uses 675 kWh per month, the PSC said, adding that over a two-year period in which the charges will be in effect, the UPCs are designed to collect about \$5.6m in total revenues. In the initial two years, Pepco expects to add about \$12.5 million in electric plant in service, the PSC said.

In the joint application, Pepco included an application requesting that the PSC issue a financing order authorizing the company to assess a charge called the Underground Rider to recover charges imposed on Pepco by the District, the PSC said. The charge imposed on Pepco by the District is the DDOT Underground Electric Company Infrastructure Improvement Charge, or DDOT Charge, the PSC said.

Under the Undergrounding Act, the DDOT will use amounts paid by Pepco in respect of the DDOT Charge to fund costs associated with work done by the DDOT to underground the distribution feeders included in the First Biennial Plan, and to be used by Pepco to provide electric distribution service in the District, the PSC said.

The Underground Rider is applicable to all customers who take electric distribution service, except low-income customers served under Pepco's RAD Rider, the PSC said, adding that the proposed Underground Rider represents a total increase of about 3.5 cents per day for a typical residential customer. Over the two-year period in which the charges will be in effect, the Underground Rider is designed to collect \$60 million, or \$30 million per year, the PSC said.