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AT ISSUE

A RESOURCE FROM THE APARTMENT AND OFFICE BUILDING ASSOCIATION OF METROPOLITAN WASHINGTON

Status of Utility Rate Increase Requests

Pepco Maryland:

- PSC grants **\$10.8 million** out of initial \$55 million rate increase request (i.e., less than 20% of initial asking)
- Most Commercial customers get less than average increase
- A Phase II has been docketed to address unresolved issues including depreciation rates, service company charges, and PBR

WGL Maryland:

- PSC approves **\$20.5 million** increase out of \$33.8 million initial request.
- Medium and Large Commercial customers get **NO increase**, Small Commercial get a small increase
- Phase II docketed to address Depreciation Rates, Performance-Based Ratemaking, and Accenture Contract issues

WGL-Virginia

- Settlement Approved granting WGL only **\$4 million** of initial requested \$23 million rate increase request



- SCC decision approves **4-year rate freeze** and PBR for WGL
- Refunds to be provided for the period from February – September 2007

Pepco DC:

- Case Decided by PSC through Order Rendered 1/30/08
- Company receives approval of **\$28.3 million rate increase** out of initial \$50 million rate increase request
- Commercial customers receive less than average rate increase
- Decision of Bill Stabilization Adjustment deferred to a Phase II proceeding

WGL DC:

- **Case Settled** – Company gets **\$1.4 million** of initial \$20 million rate increase request
- Commercial customers get less than average increase
- Company agrees to **3-year stay-out**
- AOBA gets WGL to agree to **end value-of-service pricing for interruptible customers** – new fixed rates implemented

Electric Transmission Rate Increases Driven by Funding of New Power Lines During Construction

Reasons for Electric Transmission Rate Increases

- Most U.S. Electric Transmission facilities are **aging** and **not designed** to handle power flows for competitive wholesale electric markets
- Most electric utilities are now planning and undertaking large transmission investments for upgrade and expansion of their existing facilities
- FERC is allowing firms that build new transmission facilities to recover costs for those facilities as costs are incurred and **before construction is completed**
- Several New Transmission lines are planned or under construction
 - TRAILCo – Trans-Allegheny Interstate Line Company (SW Pa to NW Va)
 - Affiliate of Allegheny Energy Inc.
 - Estimated Cost \$850 Million
 - Projected Completion 2011
 - PATH – Potomac-Appalachian Transmission Highline, LLC (WVa to MD to SE Pa)
 - Joint Venture of American Electric Power (“AEP”) and Allegheny Energy Inc.
 - Estimated Cost \$1.8 Billion
 - Projected Completion 2012
 - Current PATH cost for Pepco customers -- \$0.000029 per kWh
 - Estimate rate impact after completion of line -- \$0.0007 per kWh
 - Pepco Holdings Transmission Line – designed primarily to alleviate congestion for customers on Delmarva peninsula

DC CITY COUNCIL BILL 17-492

THE CLEAN AND AFFORDABLE ENERGY ACT OF 2007

- Creates Sustainable Energy Utility (“SEU”)
- Eliminates
 - Reliable Energy Trust Fund (“RETF”)
 - Natural Gas Trust Fund (“NGTF”)
- Creates
 - Sustainable Energy Trust Fund (“SETF”)
 - Energy Assistance Trust Fund (“EATF”)
- Increases Renewable Portfolio Standards for Energy Providers
- Requires Energy Benchmarking for ALL Commercial Building with greater than 10,000 Sq Ft

Sustainable Energy Utility (“SEU”)

- SEU created by legislation **to reduce overall electricity and natural gas use** in the District
- SEU funded at not less than **\$15 million per year**
- SEU will be a **private contractor** selected to develop, coordinate, and provide programs for energy end-users in DC for purpose of promoting sustainable use of energy in the District
- SEU contractor will operate under a **5-7 year contract**
- SEU provided up to **\$100 million of bonding authority** to support investment in energy efficiency and renewable energy projects (**Costs of bonds to be paid by electric and gas utility customers through rates**)

New Trust Funds **Double Costs** for DC Consumers

- Current Funding through rates
 - RETF - \$0.00111/kWh, \$10.8 million per year
 - NGTF - \$0.001/Therm, \$1.6 million per year
 - **Total = \$12.4 million** per year

- New Trust Funds
 - Sustainable Energy Trust Fund (“SETF “)
 - **Electric:** \$.002 per kWh, \$22.5 million per year
 - **Gas:** \$.005 per therm, \$1.5 million per year
 - **Total = \$29.9 million** per year

- Utility customers will also bear costs of bonds that could add another \$10 million per year to there utility charges

Renewable Portfolio Standards

- Standards require minimum percentages of solar energy and other renewables in the supply portfolios of electric service providers

- DC Standards Increased: *(Required Percentages)*

Year	<u>Renewables</u>		<u>Solar</u>	
	<u>Current</u>	<u>Proposed</u>	<u>Current</u>	<u>Proposed</u>
2011	3.5%	4.0%	0.038%	0.040%
2012	4.0%	5.0%	0.066%	0.070%
2013	4.5%	6.5%	0.083%	0.100%
2014	5.0%	8.0%	0.104%	0.130%
2015	5.5%	9.5%	0.122%	0.170%
2016	6.0%	11.5%	0.157%	0.210%
2017	6.5%	13.5%	0.192%	0.250%
2018	7.0%	15.5%	0.233%	0.300%
2019	7.5%	17.5%	0.281%	0.350%
2020	8.5%	20.0%	0.329%	0.400%
2021	9.5%	20.0%	0.386%	0.400%
2022	11.0%	20.0%	0.386%	0.400%

- Proposed DC REPS Standards Increase Renewable requirements from 11% by 2022 to **20% by 2020**

Proposed DC Commercial Building Energy Benchmarking Requirements

- **All privately-owned buildings** shall be **benchmarked annually** using ENERGY STAR Portfolio Manager benchmarking tool as designated by following schedule; provided, that
 - a. building has 10,000 square feet of gross floor area and is
 - b. of a building type for which ENERGY STAR tools are available.
- Benchmark and ENERGY STAR statements of energy performance for each building shall be **made available to general public** within 60 days after they are generated.
- Benchmarking requirements phased in starting with largest buildings
 1. Over 200,000 square feet Beginning in **2010** and thereafter;
 2. Over 150,000 square feet Beginning in **2011** and thereafter;
 3. Over 100,000 square feet Beginning in **2012** and thereafter;
 4. Over 50,000 square feet Beginning in **2013** and thereafter;
 5. Over 10,000 square feet Beginning in **2014** and thereafter.

Maryland “Strategic Energy Plan” General Findings and Recommendations

- Maryland cannot solve problems of growing electric supply requirements and rapidly rising electric rates overnight
- Maryland needs to invest in new generation while requiring increased reliance on solar and other renewable energy sources
- Maryland should create a Strategic Energy Investment Fund to

finance energy efficiency, promote renewable energy, and stimulate Maryland's clean energy industry (***Funding should be derived from sale of carbon emission allowances***)

- **Utilities** should be required to reduce energy consumption and peak demands by implementing energy efficiency programs
- Maryland needs to do a better job of planning

Maryland “Strategic Energy Plan” Selected Specific Recommendations

• Reduce Electricity Consumption:

- Enact legislation requiring utilities to implement performance-based programs to reduce electricity consumption and peak demand
- Require utilities to establish a transparent competitive process to hire program implementation contractors
- Require disclosure of energy consumption data at time of sale
- Devote additional resources to better building code enforcement
- Decouple Utility Profits from Sales Volume


• Increase Maryland's Electricity Supplies

- Encourage long-term contracts for New Generation
- Strengthen renewable portfolio requirements
- Evaluate creation of a Maryland Power Authority to construct or purchase generating capacity
- Promote Regional Transmission and Electricity Planning

- Establish a Maryland Energy Information Service

AOBA Utility Committee

AOBA has an active Utility Committee that is kept up to date on the rapidly changing energy and utility markets. Participants receive information helpful in understanding changes in energy and utility markets, and provide input to AOBA regarding their energy and utility service problems and concerns. In addition, participants are provided information essential to budgeting energy costs and preparing their properties for, and coping with, the deregulated energy environment.

AOBA's next Utility Committee meeting will be held on **Wednesday, April 16, 2008** in the AOBA offices at 1050 17th Street, N.W., Washington, D.C. A continental breakfast will be served at 8:30 a.m. and the meeting will begin at 8:45 a.m. and conclude by 10 a.m. If you would like an opportunity to participate on the committee or to appear on the agenda, please call the AOBA offices at  (202) 296-3390 .

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