



A PHI Company

Distribution Rates To Decrease; Bill Stabilization Adjustment Begins November 1, 2009

Distribution rates for residential and commercial customers (other than Rate Classes SL, TN and T customers) will decrease effective with energy used on and after **November 1, 2009**. Residential distribution rates will decrease about 3.5 percent. Distribution rates for the affected commercial customers will decline about 1 percent.

The District of Columbia Public Service Commission (PSC) approved the decrease as the initial step in implementing the Bill Stabilization Adjustment (BSA). The BSA is a monthly adjustment that is separate from the initial rate decrease referred to above and will lower rates if Pepco is receiving more revenue than the PSC has approved, and will increase rates if Pepco is receiving less revenue than the PSC has approved.

The BSA applies only to the distribution portion of your electric bill, which makes up about 20 to 25 percent of the total monthly bill. Distribution charges pay for the expenses Pepco incurs to deliver electricity to your home or business. The PSC approves the amount of revenues Pepco receives for this distribution service.

The BSA will be applied to bills starting in **January 2010**. It will be included in the distribution charge and not shown as a separate line item.

The BSA removes the link between electricity use and utility revenue. Until now the more electricity customers used, the more revenues Pepco received. This previous rate structure created a disincentive for the utility to encourage customers to conserve energy since it lowered Pepco's revenues. The BSA allows Pepco to promote energy efficiency programs that will help customers reduce their energy use and drive down electricity supply costs, which are the largest portion (75 to 80 percent) of your bill.

If you have any questions regarding charges on your bill, please call Pepco at 202-833-7500.