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Maryland Public Service Commission Substantially Reduces Pepco's Multi-Year Rate Plan Reconciliation Request

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(BALTIMORE, MD) – The Maryland Public Service Commission has denied much of the Potomac Electric Power Company's (Pepco) request for a \$30.6 million true-up of the final year of its first three-year rate plan. The Commission's order today instead grants the company \$13.36 million. In a filing on July 29, 2024, the utility had asked to recover spending it says it under collected in rates in 2023. (This case is separate from Pepco's current base rate case, which it filed in October 2025.)

In allowing for this adjustment, the Commission is mindful of the burdens that increased electric rates place on customers, especially residential ratepayers. These concerns were noted by the Maryland General Assembly as well, when the legislature enacted the Next Generation Energy Act, which, among other things, allows utilities to continue to propose multi-year rate plans and other alternative forms of ratemaking for recovery of costs associated with providing utility services, but prohibits bill-increasing reconciliations in future multi-year rate plan cases.

"There is no denying that a bill increase of the magnitude proposed by Pepco risks increased utility unaffordability by many customers and does not align with supporting the economy of the State," said Kumar P. Barve, chair of the Commission. "While the estimated monthly bill impact resulting from this decision does not fully mitigate the utility affordability risks faced by residential customers, it does at least – to some degree -- buffer the impact."

Today's order will result in a net monthly bill impact of 64 cents for the average residential electric customer, from April 1, 2026 to March 31, 2027. The Commission noted that approval of Pepco's \$30.6 million reconciliation request - an amount approximately twice the company's approved budget for rate year three and nearly the same amount as requested by Pepco in its original case - would not be a just and reasonable rate in the context of the multi-year plan construct. In its order, the Commission pointed out that "multi-year ratemaking does not allow for unbounded and run-away cost recovery when the utility overruns its budget projections, which the company has clearly done."

In October 2020, Pepco became the second utility to apply for a rate increase using a multi-year plan under a pilot ratemaking mechanism approved by the Commission in February of that year. The Commission, at the time, noted that it would allow for a reconciliation. This is the second permitted reconciliation after the end of the three-year rate-effective period.

The Commission noted that “Approving Pepco’s full reconciliation request on a base foundation of questionable forecasting, followed up by substantial overruns of its approved budgets, would reward the utility’s performance rather than encourage a more disciplined approach to managing for results that benefit both the utility and its customers.”

In late December, the Commission denied much of the multi-year plan reconciliation sought by Pepco’s sister utility, Baltimore Gas and Electric. Instead of the \$152.3 million BGE requested, the Commission granted only \$77.2 million, also citing the company’s overspend of its budget.

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[Order No. 92264 in Case No. [9655](#)]

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About the Public Service Commission:

The Maryland Public Service Commission regulates electric and gas utilities and suppliers, telephone companies (land lines), private water and sewer companies, passenger motor vehicle carriers for hire, taxicab companies in some jurisdictions and bay pilot rates. The Commission implements the energy policy of the State and also regulates the siting of energy generating facilities and high-voltage transmission lines.

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