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Residential Pilot to Test "Smart Metering" for Pepco's DC Customers
Advanced Technology, Innovative Rates Could Help Reduce Customer Bills

In an industry first, Pepco's residential electricity consumers in the District of Columbia will test advanced metering technology with innovative pricing options that could assist them in curbing their monthly bills by better controlling their power consumption, under a proposal filed with District regulators.

The pilot program known as SmartPowerDC™ will be the first in the electric utility industry to test the response of residential customers to three different innovative pricing options under one program. Each of these pricing options will enable customers to save on their bills by reducing electricity use on days and hours when wholesale electricity prices are high and by shifting their energy use to other times when electricity prices are lower. Information provided through new "smart" meters and in text messages to "smart" thermostats will alert customers to peak prices.

"In this time of rising energy prices, we hope to demonstrate through SmartPowerDC that giving customers greater control in reducing electricity consumption could not only help to reduce individual bills, but ultimately could have a dampening effect on electricity prices during peak demand periods if the technology is implemented widely," said Mike Sullivan, Vice President of Customer Care at Pepco Holdings, Inc., the corporate parent of Pepco.

A proposed rate tariff and meter application was filed by Pepco earlier this month with the D.C. Public Service Commission on behalf of Smart Meter Pilot Program, Inc., a nonprofit company comprised of Pepco, the D.C. Office of the People's Counsel, the D.C. Consumer Utility Board, the International Brotherhood of Electrical Workers Local 1900 and the PSC itself.

(more)

The project will be independently evaluated and the findings will be shared with policymakers for use in future decision-making on innovative electric pricing, demand response and other issues in the District of Columbia. "More broadly, the results could help to determine what the electric utility of the future will look like and the types of pricing and demand response services that utilities provide customers," said Richard E. Morgan, a D.C. Commissioner and Chairman of the Smart Meter Pilot Program.

The two-year pilot project, conceived by OPC and funded by $2 million from Pepco in a settlement agreement, will be limited to 2,250 District residents selected at random from all eight city wards and invited to participate once the PSC approves the new experimental rates. "We look forward to what we can learn from this project and how the information can be used to benefit DC consumers," said Elizabeth A. Noel, D.C. People's Counsel.

Participants will receive a free "smart meter" installation for their residence, which will measure the customer's electricity use at 15 minute intervals and transmit usage data to Pepco each day through a wireless communications link. Each month customers will be sent a detailed billing report on their electric consumption.

About half the participants will also receive a "smart thermostat" that will reduce central air conditioner compressor use in response to a radio signal during high priced periods. The thermostat will provide customer messages such as real time electricity price signals and a daily running total of the customer's bill and, when programmed, will automatically control the use of air conditioners or central heating systems during all hours.

Additional billing detail will enable customers to learn which of their electricity uses are most expensive and when those uses occur, creating potential savings opportunities through voluntary adjustment of energy use patterns. The "smart" meter will further benefit customers by permitting Pepco to detect individual customer outages and voltage levels remotely. Pepco will also be able to gather customer consumption data remotely, thereby helping to ensure the accuracy and timing of meter reads as well as the collection of critical load research information.

SmartPowerDC builds on earlier industry "smart" meter studies, but will be the first to test the advanced metering with three different pricing options: Hourly Pricing, Critical Peak Pricing and Critical Peak Rebate. Each of these pricing options will enable customers to reduce their electricity costs by shifting energy use away from high priced periods.

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See Attachment

Attachment

Pricing Options:

Under **Hourly Pricing**, electricity prices will vary hourly. The prices will be set a day ahead, based on prices in the "day ahead" wholesale market operated by PJM Interconnection, the regional power grid. Prices will be available on the project's Web site or through a toll-free number and be displayed in real-time on "smart" thermostats. Based on recent wholesale market trends, hourly prices are expected to exceed conventional power supply prices only about a third of the time within a year, with lower prices the remainder of the time.

With **Critical Peak Pricing**, critical peak prices will be in effect for four hours on critical peak days, of which there are about 15 each year. Critical peak hours also will be a factor and number about 60 a year. Customers would be notified of these the day before and through either an automated phone call, an email, text page or "smart" thermostat notification. Prices during the critical hours each year will be substantially higher than conventional rates but will be offset by lower prices during the remaining 8,700 hours of the year.

Under **Critical Peak Rebate**, customers will continue to pay the same generation charges as the Standard Offer Service charged by Pepco. During critical peak events, however, customers can earn rebates by reducing their consumption below what they would normally have used during those times.

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