Government of the District of Columbia
Office of the Chief Financial Officer

Glen Lee
Chief Financial Officer

MEMORANDUM

TO:	**The Honorable Phil Mendelson** **Chairman, Council of the District of Columbia**
FROM:	**Glen Lee** **Chief Financial Officer**
DATE:	**November 4, 2026**
SUBJECT:	**Fiscal Impact Statement – Guiding Renewable Interconnection and Distribution (GRID) Amendment Act of 2026**
REFERENCE:	**Bill 26-602, Draft Introduction as provided to the Office of Revenue Analysis on October 26, 2026**

Conclusion

Funds are not sufficient in the fiscal year 2027 through fiscal year 2030 budget and financial plan to implement the bill. The Public Service Commission (PSC) funds its expenses through an assessment on rate payers in an amount set equal to PSC's budgeted expenses. PSC will need to hire additional staff to support the bill's implementation. This will cost $2.2 million in fiscal year 2027 and $8.2 million over the four-year financial plan period. The appropriations authority for these additional expenses must be included in a future budget.

The bill's implementation is also projected to reduce Department of General Services (DGS) energy costs by approximately $1.6 million annually beginning in fiscal year 2028. DGS will also experience an increase in costs of $60,000 annually to account for its allocation of the increased PSC administrative costs assessment. The Department of Energy and Environment (DOEE) plays a significant role in the bill's implementation, but the agency does not require additional budgeted resources.

Background

PSC is charged with regulating utility operators and protecting customers in the District. DOEE also plays a large role in assessing utilities' impacts on District residents and providing opportunities for residents to reduce their utility costs. The bill creates new programs and procedures to enhance the

ability of residents and businesses to connect to the electric grid, make individual choices about how they access power, transition from gas to electric, and lower their utility bills.

The bill increases the number of PSC commissioners from three to five and establishes specific expertise requirements for two of the commissioners. Following the bill's effective date, at least one of the commissioners must have experience in electric grid modernization, renewable energy, and environmental policy. One of the other commissioners must have experience in consumer protection. The Mayor must nominate the commissioner with experience in electric grid modernization, renewable energy, and environmental policy within sixty days of the bill's effective date. Subsequent to that nomination and also within sixty days, the Mayor must nominate the commissioner with expertise in consumer protection. The bill also amends the residency requirements for all commissioners so historic residency in the District is not required, but must establish residency within 180 days of confirmation to the PSC and remain a resident throughout their tenure on the PSC.

The District has rules[1] for small solar energy generators that produce twenty megawatts of energy or less, are not subject to PJM[2] interconnection requirements, and operate in parallel with the electric distribution system. A small solar generator must apply to Pepco to connect to the electric distribution system in the District. The small solar generator is reviewed as a level one through level four interconnection request depending on the specifications, location, and connection point of the interconnection. The bill requires the PSC to update small generator interconnection rules based on model procedures issued by the Interstate Renewable Energy Council (IREC), though the bill authorizes PSC to propose alternative procedures to facilitate faster interconnections. The rules should address reporting, monitoring, evaluation, and enforcement rules for small generators. The rules should also include a cost-sharing provision that assigns interconnection customers a pro rata share of distribution system upgrade costs related to interconnections. The rules should be approved by PSC in consultation with DOEE and the Office of the People's Counsel (OPC). The rules should ensure the electric company is transparent about why a facility is elevated to a higher level of interconnection review. The PSC rules should require Pepco to construct and install any necessary interconnection infrastructure within three months of receiving a District inspection certificate from the interconnection customer. The rules must also include limits on costs assessed to interconnection customers by Pepco. PSC must require that any costs greater than 25 percent over Pepco's initial cost estimate to the customer must be borne by Pepco. If any costs are not invoiced to the customer within sixty days after the completion of the interconnection, Pepco must bear those costs. Pepco should also publish a list of common interconnection costs and upgrades. The PSC must update the rules within eight months of the bill's effective date and every three years thereafter. The bill requires PSC to annually audit Pepco's compliance with small generator interconnection rules and discuss the audit results with DOEE and OPC.

The bill requires PSC to establish an interconnection ombudsperson office with expertise in distributed energy resources and small solar generator interconnections. The ombudsperson should track interconnection complaints and disputes, resolve disputes, review Pepco interconnection policies to reduce complaints and costs, and prepare related reports.

[1] District of Columbia Small Generator Interconnection Rules, effective November 7, 2025 (15 DCMR 4000 *et. seq.*).
[2] PJM Interconnection LLC is the regional transmission organization whose grid supplies electricity to the District along with all or parts of thirteen other states.

The bill establishes parameters around the use of portable distributed generation devices and directs DOEE to work with the Department of Licensing and Consumer Protection (DLCP) and other relevant stakeholders to recommend safety standards for devices. The bill exempts portable generation devices from interconnection and net metering requirements unless the device owner enters a voluntary agreement to comply with those requirements. The bill prohibits the electric company from requiring a portable generation device user to get approval prior to installation, pay any fees, or install additional controls on the device. The bill prohibits a landlord from prohibiting the installation of a portable generation device by a tenant, but they can impose reasonable restrictions and hold the tenant responsible for any damages caused by installing or operating the device. If a tenant is subject to ratio billing, they may not install a portable generation device without permission of the landlord. The bill authorizes the District's Sustainable Energy Utility[3] (SEU) to offer a rebate for the purchase of a portable generation device.

The bill requires PSC to issue rules or an order that establishes a tariff to govern the interconnection, compensation, and technical requirements for microgrids. The directive from PSC should be informed by microgrid best practices, assess methods for integrating microgrids into the District's distribution system, and allow Pepco to utilize a microgrid for demand response.

The bill requires DOEE and Pepco to design and file with the PSC a Virtual Power Plant Program (Program) within six months of the bill's applicability. PSC should establish the Program within one year of the bill's applicability, based on the DOEE and Pepco filing. The Program should pay participants that deploy distributed energy resources into the electric grid to benefit the grid or ratepayers. The Program's participants can enroll and be compensated for battery storage devices, smart thermostats, electric vehicles, and other distributed energy resources. The electric company's payments under the Program should be based on avoided costs resulting from the activities of Program participants, such as avoiding use of certain energy using appliances during peak demand times. The electric company should compensate participants for peak load reduction, emergency services, and the avoidance of system upgrades. PSC should approve a Program based on its ability to lower energy costs, support a reliable electric grid, and other public benefits.

The bill requires DOEE to submit an updated design for the Program within eighteen months of the bill's applicability and PSC must establish the updated program within two years of the bill's effective date. The updated Program should provide a payment structure for efforts that support the efficient operations of the electrical grid. The first round of payment levels should be set for five years. The regulations should set a minimum and maximum number of events for which the electric utility can utilize Program participants and participation in the Program should cover five percent of the District's peak load. The electric company should allow third party administrators and aggregators to participate in the Program. The regulations should authorize the use of device-level capabilities to measure deployment or discharges.

The bill requires an electric utility to file annual public grid utilization metrics. These metrics must include the ratio of system peak load to total grid capacity, the ratio of electric load delivered to potential deliverable electric load, the percentage of lost kilowatt hours due to distribution, an analysis of constrained circuits on the system, and an evaluation of the performance of the distribution system during peak times.

[3] Clean and Affordable Energy Act of 2008, effective October 22, 2008 (D.C. Law 17-250; D.C. Official Code § 8-1773.01(19)).

The bill authorizes PSC to cap any regulated electricity or gas utility's return on equity (ROE) and requires a utility to submit alternative rate proposals when filing for new utility rates. Within six months of the bill's applicability date and annually thereafter, PSC should issue an order capping any regulated utility's return on equity at the 10-year treasury bond rate plus 2 percent or an alternative benchmark that produces comparable savings. The bill establishes that the burden is on a utility company to show that the established return on equity is insufficient to attract the capital necessary to improve the utility's systems and infrastructure.

The bill requires DOEE work with Pepco and SEU to develop and file program requirements for a building electrification incentive program with PSC within six months of the bill's applicability date. The PSC should issue an order to establish the program for commercial and industrial customers within nineteen months of the bill's effective date. PSC's order should require targets expressed as greenhouse gas emissions reductions, incentives for heat pump installations, expected program costs, and that Pepco file an implementation plan within three months of the PSC order. PSC and DOEE should work together to develop greenhouse gas emission reduction and cost-benefit ratios for the program. The agencies must require Pepco to prepare and implement a multi-year building electrification plan that achieves greenhouse gas emissions reduction goals and minimizes impacts on ratepayers. The plan should target the conversion and replacement of building appliances and equipment that utilize fossil fuels.

The bill requires Pepco to file, and make available to customers, one or more time-of-use tariffs that provide discounted rates for electricity use during off-peak hours on an opt-in basis. PSC should issue a written decision on the filing within 180 days of receiving it. Pepco should file an annual report beginning one year after filing for the time-of-use tariff to show the potential to avoid capital projects due to time-of-use rates and other demand-related programs and the feasibility of implementing the time-of-use rates and opt-out program. Pepco should file time-of-use tariffs within six months of the bill's effective date.

The bill authorizes PSC to delay the effective date of a new or changed rate for up to seventeen months. If the PSC does not suspend a rate or issue a final order, or the suspension expires, then the rates proposed by the utility will go into effect on the date specified in the rate filing. The bill also requires a utility provider to submit a second, budget constrained rate proposal with each rate filing. The budget constrained proposal should not increase the utility's revenues by more than the average annual consumer price index over the prior three years.

The bill requires Pepco to participate in a regional transmission organization[4] (RTO) and to report to PSC and post publicly by February 1st and August 1st annually about any votes cast by Pepco, or any affiliates, at meetings of the RTO during the preceding six months.

The bill requires DOEE to work with OPC and the gas company to design and file with PSC a Gas Distribution Service Line Replacement Alternatives Program (Gas Alternatives Program) that financially incentivizes customers to forgo a gas service line replacement in favor of turning off gas distribution and replacing gas-related activities with an alternative. DOEE should make this filing within six months of the bill's effective date and PSC should issue an order on the filing within nine months of receiving it. The incentive should be less than the cost of replacing the service line and the Gas Alternatives Program should offer an enhanced benefit for customers who participate in utility

[4] Regional transmission organizations operate electricity transmission systems, or grids, across a defined geographic area.

benefit programs. The gas company should ensure that all gas customers benefit from the capital project savings. Two years after the Gas Alternatives Program's launch and annually thereafter, PSC should report to Council on the participation, costs, and non-participant impacts of the Gas Alternatives Program. Additionally, the bill requires DOEE to develop a pilot program to implement gas alternatives on a neighborhood level in one or more neighborhoods in the District. DOEE should implement this pilot within eighteen months of the bill's applicability.

The bill requires any electric or gas company, when applying for new rates, to separately file a detailed accounting of planned capital expenditures to be considered as part of the PSC's rate decision. The bill enumerates everything that should be included in the capital project descriptions including at least one non-capital expenditure alternative to the proposed project. The bill places the burden on the utility company to tie the proposed capital projects back to the proposed rates.

The bill also directs PSC to triennially audit utility companies beginning with the end of the fiscal year of the bill's effective date. The audit should include market information, quality of services and customer satisfaction, and utility financial information. PSC should share the audit information with DOEE and Council.

The bill amends how PSC evaluates rate filings from utility companies by prohibiting the use of forecast test years by utilities to set rates for eighteen months. PSC should not approve a rate filing that forecasts its operational needs and customer usage over that period until PSC evaluates whether forecast test years, historic test years, or a hybrid model is in the best interest of ratepayers. PSC should also work with DOEE and the OPC to ensure that a reasonable and just rate filing balances the interests of consumers and utility investors by considering the overall economic impact on residential ratepayers. An electric company should include in a rate filing an economic impact analysis of the proposed rates on residential ratepayers, including a breakdown of the impact on single-family and multi-family customers. The bill authorizes PSC to work with DOEE and OPC and to hire subject matter experts to assess an electric company's rate filing and economic impact analysis.

When new buildings are constructed, existing buildings are renovated, or electric vehicle infrastructure is installed, the consumers need to work with Pepco to connect those buildings or infrastructure to the electrical grid. The process is commonly referred to as energization. The bill directs Pepco to provide new service or upgrades in a timely manner; improve its planning, engineering, and construction to support timely support for customers; ensure it has sufficient transformers, switchgear, and other necessary equipment; and hire sufficient staff to respond to customers' energization needs. The bill requires PSC to set target time periods for Pepco to energize customers, to establish an expedited process for customers to file complaints at the PSC with energization issues, and to require Pepco to submit an annual Grid Access Report to PSC. The Grid Access Report should include Pepco's timelines for energization, how that differs from the PSC mandated timelines, energization costs, obstacles to energization, and how Pepco addresses those obstacles. Pepco's rate filings should indicate how Pepco's processes and staffing levels will meet Pepco's energization goals.

The bill also expands PSC's regulatory oversight to include additional controls and consumer protections over non-standard service electricity and natural gas operators. Non-standard service providers, or third-party providers, are any utility providers that are not the District's default providers and contract directly with consumers.

The bill requires PSC to set a price cap for non-standard service providers of electricity and natural gas at no more than 110 percent of the price of the standard offer service. PSC may allow a market participant to exceed the electricity price cap if the provider sources electricity from tier one or two renewable sources and it exceeds the amounts required under the renewable portfolio standard[5] or if it is in the public's interest and the provider meets the bill's enumerated factors for consideration in granting an exception. The bill also authorizes PSC to set a price cap that exceeds 110 percent for a supplier that procures renewable energy supply within 270 days of the bill's applicability. A contract between a consumer and market provider that exceeds the price cap is deemed null and void. A contract can remain in place for sixty days after the cap establishment if its noncompliance is caused by a change in the standard offer service rates.

PSC must approve or support a platform for non-standard service electricity and natural gas providers to publish the standard terms of their contracts with consumers so that consumers can compare the contracts among different market participants. The bill prohibits a market participant from charging early termination fees or penalties to any consumer that terminates a contract before the term is up.

The bill imposes a new reporting requirement on third-party electricity suppliers and natural gas suppliers regarding the customers within each provider's portfolio. The participants must detail the number of rates they offer, the number of customers in each rate, the usage[6] under each rate, the number of customers behind on their bills, the number of customers that switched to and from each rate, and the number of customers with different contract lengths under each rate. After all confidential information is redacted, PSC should make the reports publicly available.

PSC must issue rules to implement the bill's provisions related to third-party electricity and natural gas providers within 270 days of the bill's effective date.

Financial Plan Impact

Funds are not sufficient in the fiscal year 2027 through fiscal year 2030 budget and financial plan to implement the bill. The bill's changes will require additional administrative oversight from PSC and DOEE while some changes will impact the rates paid by all ratepayers, including the District government. PSC will need to hire additional staff to support the bill's implementation at a cost of approximately $2.2 million in fiscal year 2027 and $8.2 million over the four-year financial plan period. DOEE does not require additional budgeted resources. The bill's implementation could reduce Department of General Services (DGS) energy costs by approximately $1.6 million annually beginning in fiscal year 2028.

The bill expands the number of PSC commissioners from three to five. As currently staffed, each commissioner has an executive assistant and a policy advisor. The PSC will need to add six additional employees, including the new commissioners, to implement the bill. These staff will cost approximately $1.1 million in fiscal year 2027 and $4.7 million over the four-year financial plan period. The bill also establishes an ombudsperson's office within PSC to support small solar

[5] Renewable Energy Portfolio Standard Act of 2004, effective April 12, 2005 (D.C. Law 15-340; D.C. Official Code § 34-1432).
[6] Usage should be measured as the volume of kilowatt hours for electricity providers and volume of therms for gas providers.

generators and interconnection concerns. This office will require two staff that cost $264,000 in fiscal year 2027 and $1.1 million over the four-year financial plan period.

The bill requires PSC to update and impose new rules, assess new information from utility companies, audit compliance, evaluate and approve new programs, and coordinate with DOEE, OPC, and other relevant stakeholders in these efforts. PSC will need to update and establish rules around small solar generation interconnections, microgrids, and energization. PSC will need to evaluate and approve new programs such as Virtual Power Plants and the Gas Alternatives Program. PSC will also need to assess new data from utilities, like budget-constrained rate filings and economic impact analyses, and to perform various audits around compliance with interconnection rules and capital expenditures. PSC will also be reviewing and imposing return on equity caps for regulated utilities and price caps for third-party providers. These expansions of PSC's regulatory responsibilities require three additional attorneys at a cost of $549,000 in fiscal year 2027 and $2.2 million over the four-year financial plan period. PSC also requires $250,000 in one-time non-personnel funding to support training, technology, and space reconfigurations for these attorneys and other staff required for the bill's implementation.

The fiscal year 2027 budget included one additional financial analyst to support the bill's provisions for price caps for third-party suppliers.

PSC operations are funded through assessments imposed on utility operators. However, the District's budget must account for the new staff and other costs at PSC resulting from the bill's implementation. After costs are approved in the District's budget, PSC will send an assessment to utility providers, typically near the end of the fiscal year, to cover the agency's administrative costs. The increased assessment is passed by the utilities to ratepayers, which will increase rates based on how PSC allocates to each utility provider.[7]

Several of the bill's provisions will impact customer rates and utility company revenues, but not all can be quantified with the data available or without further information about how a program will be delivered. Two of the provisions are designed to limit a utility company's return on equity, which will directly cap the rates that can be charged to customers, including the District government.[8] First, the bill caps the allowable return on equity for distribution for electric and gas utility providers at the 10-year Treasury rate plus two percent or a rate that generates equivalent savings. Currently, Pepco and Washington Gas receive a return on equity of 9.5 percent and 9.65 percent, respectively. On October 26, 2026, the 10-year Treasury rate was 5.0 percent; therefore, the proposed return on equity would be 7.0 percent under the bill's limits. The lower return on equity will lower the utility providers rate of return, reducing rates for all customers by approximately $42 million for electricity customers and $10 million for gas customers. The District government's share of these savings is approximately $1.3 million for electricity and $226,000 for gas. Second, the bill requires the electric utility to participate in an RTO. The federal government provides a 0.5 percent incentive for transmission for electric utilities to participate in RTOs and participation in RTOs is standard for an electric utility. If a jurisdiction requires participation, it can request that the Federal Energy Regulatory Commission withdraw the 0.5 percent incentive, which FERC has done for other

[7] A $2.2 million cost across hundreds of thousands of ratepayers

[8] For the purposes of this analysis, the Office of Revenue Analysis (ORA) used the most recent Pepco rate filing that was approved by PSC on November 26, 2024, but was vacated and is currently scheduled for an evidentiary hearing in December 2026 (Case 1176). For Washington Gas, ORA used the PSC tariff order issued on November 20, 2025 covering gas rates for calendar year 2026 (Case 1180).

jurisdictions. DOEE estimates that FERC withdrawing the incentive will save all customers approximately $1.5 million, of which the District government's share is approximately $62,000. Overall, these provisions will reduce the District's electricity bill by approximately $1.4 million annually and the District's gas bill by $226,000 annually. PSC will likely only be able to cap ROE and adjust rates at the time of a rate filing. If, at the time the bill becomes applicable, a utility is in the middle of an approved rate cycle, PSC will wait until the next rate filing which could be a year or two after the bill's applicability depending on whether a utility is operating under a one-year or multi-year rate cycle. The bill's provision that prohibits the use of forecast test years for eighteen months will likely limit a multiyear rate filing over that period.[9] Because of this uncertainty, annual savings are assumed to begin in fiscal year 2028. It is also possible that a utility sees an increase in debt borrowing costs or adjusts its debt-to-equity ratio in a way that reduces some of the potential savings. The allocation of new PSC administrative costs to the District's energy usage will also offset some of these savings by approximately $60,000 annually.

The bill's provisions that implement time-of-use tariffs, building electrification program incentives, third-party provider rate caps, and virtual power plants will have unknown impacts on customer rates. These programs and incentives will need to be designed and approved by PSC, and those designs will inform how rates will be impacted for customers. Additionally, some of the bill's programs and incentives, such as the Gas Alternative Program, require the utility provider to offset incentives with cost savings created by the program or incentive. If these programs operate as intended, there would be a minimal impact on customer rates.

The bill requires DOEE to lead on several program designs and provide support to PSC on the evaluation of audits and other rules or filings. The bill directs DOEE to design the Virtual Power Plant Program, the Gas Alternatives Program, the building electrification program, and recommend safety standards for portable distributed generation devices. DOEE should also develop a neighborhood pilot for the Gas Alternatives Program. DOEE manages the SEU contract that is required to implement incentive for portable distributed generation devices, but the bill does not require SEU to offer incentives. DOEE will also support PSC by reviewing interconnection and overall utility audit results and working with PSC to assess economic impact analyses submitted by utilities as part of their rate filings. DOEE has extensive expertise on current staff around the bill's utility regulation changes and new programs and does not require additional budgeted resources to implement the bill's provisions.

OPC and DLCP provide mostly advisory or consultative roles under the bill's provisions and do not require additional budgeted resources to support the bill's implementation.

The table on the following page summarizes the impact of the bill's implementation.

[9] A utility can still file for a multiyear rate plan, but multi-year plans are most commonly associated with forecast test years rather than using historical test years.

Bill 26-602, Guiding Renewable Interconnections and Distribution (GRID) Amendment Act of 2026 Implementation Impacts Fiscal Year 2027 – Fiscal Year 2030 ($ thousands)					
	FY 2027	**FY 2028**	**FY 2029**	**FY 2030**	**Total**
PSC Staff					
Commissioner Expansion	$1,128	$1,152	$1,176	$1,199	$4656
Ombudsperson Office	$264	$270	$276	$281	$1,091
Attorneys	$549[a]	$545	$556	$567	$2,217
PSC Staff Subtotal	$1,941	$1,967	$2,008	$2,047	$7,964
Non-personnel Costs	$250	$0	$0	$0	$250
Total Costs	**$2,191**	**$1,967**	**$2,008**	**$2,047**	**$8,214**
DGS Costs/Savings[b]	**$60[c]**	**($1,564)**	**($1,564)**	**($1,564)**	**($4,632)**

Table Notes

[a] The attorney compensation includes $15,000 in one-time compensation in fiscal year 2027.

[b] The DGS savings are assumed to begin in fiscal year 2028, but the actual realization of those savings depends on PSC actions and the status of rate cycles at the time the bill becomes applicable.

[c] PSC will need to increase its assessment to fund staff costs, and the District will be charged its share for those increased costs prior to experiencing any savings.