

Pepco: 'Overall, restoration went well'

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Md. regulator proposes penalties tied to performance

Pepco executives are defending the utility company's response to three thunderstorms that knocked out power to hundreds of thousands of customers for as long as five consecutive days.

"I'm not too disappointed with how we responded," Pepco Senior Vice President of Operations Michael Sullivan told Maryland's utility watchdog at a hearing Tuesday.

But the Maryland Public Service Commission, tired of Pepco's power outages -- the most in the state for the past several years -- is demanding that the power company improve the reliability of its service or face penalties.

"It's not going to be business as usual going forward," said PSC Commissioner Lawrence Brenner, calling the ramped-up regulations a "wake-up call."

Commissioners reminded Pepco executives that after the July 25 storm, 240,000 of Pepco's 302,000 Montgomery County customers were without power.

"You have a perception across your territory that the system is not reliable," said PSC Chairman Douglas Nazarian. "Is this just global warming run amok or how is it that in the course of two weeks you have three sets of outages that are -- one, approaching the scale of Hurricane Isabel and [another], greater than the 50-inch snowstorm?"

David Velazquez, Pepco's executive vice president, said, "Some [customers'] perceptions aren't grounded in facts.

"I think, overall, restoration went well," he said. "There's always lessons learned and areas for improvement."

Nazarian responded: "That perception is grounded in experience. ... Is your response that they are wrong? What are we supposed to tell those people?"

Pepco has had the most outages of any Maryland utility since 2005, according to an annual report cited by Bill Gausman, Pepco's senior vice president of asset management.

The duration of outages has been dropping since 2006, Gausman stated, but the company still ranks below average.

Velazquez called Pepco's system "robust" and said improving reliability is an ongoing process. "Trees grow and things happen," he said.

Thomas Graham, president of Pepco's Maryland-D.C. region, said customers have become too demanding.

"Their expectations have changed," he said. "They are becoming more intolerable to major events."

The entire panel of Pepco representatives repeatedly blamed the thunderstorm outages on the "thick canopy of trees" covering Pepco's service area -- which includes Prince George's and Montgomery counties, as well as Northwest D.C.

Nazarian noted neighboring utilities suffered the same thunderstorms but not nearly the same number of outages.

"I wish I could explain the way weather works, but I can't," Velazquez said. "It just depends on the path of damage."

Nancy Floreen, president of the Montgomery County Council, which has been critical of Pepco's performance in restoring power, said she was "extremely disappointed" by the company's answers Tuesday.

"This is a big deal. And they have no straight answers, they didn't come with any details. This is not acceptable."

Pepco executives said they would work with the PSC to establish a system for improved reliability, but winced at the mention of penalties.

"A penalty won't encourage us to do better," Graham said.

Gausman said the company implemented a plan in 2005 to help Pepco improve its reliability. Five years later, its customers still suffer more power outages than any others in the region.

Gausman said "it's impractical to think we can solve all of the [outage] problems within a year."

Brenner proposed the company's shareholders absorb the cost of speeding up improvements in reliability.

"Where you -- or any of your employees, for that matter -- fall short, we're going to have consequences," Brenner said. "This isn't all going to fall on the backs of ratepayers."

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