

## Montgomery officials scold Pepco

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Pepco has lavished its shareholders with dividends while shortchanging spending on maintenance, according to Montgomery County officials, who on Monday subjected company executives to a [post-thundersnow](#) scolding that at times took on the demeanor of a prosecution.

The vast outages after the recent storm demonstrate how the basic agreement between Pepco and the public has crumbled, said County Council member Roger Berliner (D-Bethesda-Potomac), himself an energy lawyer.

"While Pepco has its monopoly, and its shareholders have earned what I believe to be an inappropriate return, our residents have not gotten their end of the bargain," Berliner said. "We have a public utility that allowed its system to degrade over many years to the point where the service, on sunny days, is the worst in the state, worst in the region, and has been in the lowest quartile in the nation for years."

Council member Hans Riemer (D-At Large) said the company has been generous with shareholders and executives at the [expense of residents](#), some of whom were left in the cold and dark for days after the [Jan. 26 storm](#). "The dividends of the company have continued to rise, while the service has continued to decline," Riemer said.

Citing figures compiled by his staff from Pepco filings, Riemer said Pepco Holdings paid more than \$1 billion in dividends to shareholders from 2005 through 2009.

By Riemer's calculations, the company spent much less - about \$271 million - on transmission and distribution maintenance.

In the same five years, Riemer added, the company spent \$57 million on compensation for its top executives.

Pepco officials said dividend numbers cited by Riemer were far too expansive because they were based on figures from Pepco's entire holding company. The figures for Pepco Holdings include Atlantic City Electric and Delmarva Power, not just the Pepco utility that serves 778,000 customers in Maryland and the District, company executives said.

The dividend figure for Pepco alone for the past five years is \$180 million, according to company spokesman Clay Anderson. That figure represents the dividend Pepco paid to its holding company from 2006 through 2010, Anderson said.

"Over this period, Pepco's dividend was 33 percent of net income. The other 67 percent was reinvested in the electric system," Anderson said.

He said the company made \$1.4 billion in capital improvements and spent \$1.5 billion on operating and maintenance expenses in that five-year period.

Moreover, executives said, paying dividends helps attract the investors who help fund needed improvements.

Company representatives, lined up at a table before the council dais, repeatedly said they are making progress on a five-year plan to improve the reliability of the utilities power delivery. For instance, executives said, the company has cut back trees along 900 miles of wire in the first months of the plan.

Dave Velazquez, the executive vice president for power delivery at Pepco Holdings, apologized for the "inconvenience and hardship" of the recent outages, in which more than 220,000 Pepco customers lost power, 136,000 of them in Montgomery.

"We're not where we need to be," Velazquez said. "It's important to know we have a plan, and we are working on executing that plan."

One council member, Nancy Floreen, said she is not convinced. She said there had been promises from company executives over the course of many years. "We've had this conversation," Floreen said. "It's a 'Groundhog Day' experience, isn't it?"

The council also heard from a representative of the American Public Power Association, who cited an alternative model: community -owned utilities. Council members were divided over whether pursuing such a model is feasible, because officials said Pepco would have to be compensated with vast sums in a takeover.

On Tuesday at the County Administration Building, the Prince George's County Council will hold a 10:30 a.m. hearing into Pepco's response to Jan. 26 storm that paralyzed the region. And in Annapolis at the capitol building, the House of Delegates Economic Matters Committee will preside over an inquiry at 2:30 p.m. Tuesday into the electric companies response to customer outages and other disruptions during the recent snow storms.