

Pepco CEO: Top performance some years away

By: [Rachel Baye](#) | Examiner Staff Writer | 06/20/11 8:05 PM

The head of Pepco's parent company told the Montgomery County Council he doesn't expect the electric utility to be a top performer in the next several years.

"I'm not even shooting for average," Pepco Holdings Inc. CEO Joe Rigby told council members over lunch Monday, explaining that he doesn't think Pepco can realistically become a "top-performing" electric utility in the next two to three years.

"I don't understand how you as a company, you as the CEO, can settle for anything less than top-performing reliability," said Councilman Roger Berliner, D-Bethesda.

Pepco Holdings' profits		
Year	Operating income	Net income
2006	\$596 million	\$248 million
2007	\$660 million	\$334 million
2008	\$549 million	\$300 million
2009	\$648 million	\$235 million
2010	\$624 million	\$32 million
Source: 2010 company annual report		

But Rigby explained that he has lower expectations than Berliner does.

When Councilman Phil Andrews, D-Gaithersburg/Rockville, asked what results the public should expect from Pepco's efforts to improve reliability after storms, Rigby said he is aiming for outages no longer than two days.

"I don't want to say that [two-day outages are] ever acceptable, but ... people can process that," he said.

Pepco has been ranked in the lowest quarter of electric utility companies nationally for the past five years in terms of reliability on clear days.

A county-commissioned study published in February found that 10,430 of the 10,895 residents surveyed -- more than 95 percent -- had experienced at least one power outage longer than five hours during the previous year. Those outages cost customer as much as \$114.6 million, the study said.

At Monday's meeting, Rigby attributed the company's operational shortfalls to its financial struggles over the past several years. But Councilman Craig Rice, D-Germantown, wanted to know why performance hasn't improved along with Pepco's finances.

"The true test is putting your money where your mouth is," Rice said.

Rigby also said Pepco "didn't really understand what the expectations were."

Thomas Graham, Pepco's regional president, said the company is making strides to improve its service, including increasing call center staff and hiring an ombudsman to report problems directly to Pepco's top executives.

The company is working on a five-year plan that includes improving technology and trimming trees, Executive Vice President David Velazquez said.

However, Councilman Marc Elrich, D-at large, said he is exploring the costs of a publicly-owned alternative to Pepco.

The county study was submitted as evidence in a Maryland Public Service Commission investigation into Pepco's reliability.

Although Pepco agreed with most of the study's recommendations, company officials disagreed with many of its findings, Graham said.

In testimony to the PSC, Pepco officials disagreed with the study's claims that the company has not invested adequately in infrastructure and suffered from a lack of planning.

They also blamed a lack of reliability partly on customers' unwillingness to pay more for their service.

Pepco Holdings posted operating income of \$624 million and net income of \$32 million in 2010. The company's annual profits plunged more than \$200 million last year, largely because of costs related to the sale of its power generation business. But the company, which owns several utilities besides Pepco, reported \$62 million in earnings from continuing operations in the first quarter of 2011, more than double the \$28 million it posted a year earlier.