

Testimony of the Greater Farmland Civic Association Before the Public Services Commission (PSC), Case No. 9311 Regarding Pepco's Request for a Rate Increase, Delivered May 9, 2013

Good evening, my name is Toby Levin. I am here today representing the Greater Farmland Civic Association, Inc., which represents the 970 homes in the Hickory Woods, Old Farm, Tilden Woods, and Walnut Woods neighborhoods located in Rockville, Maryland. The Association's Board has approved this testimony. We appreciate the opportunity to appear before you today.

On behalf of our communities, we are calling on you to deny Pepco's request for a \$60.8 million rate increase and a new grid resiliency charge on customers to accelerate investment in infrastructure improvements for the following reasons:

- Over many years, Pepco has failed to maintain and improve our electrical transmission infrastructure, instead patching old transformers, tying up jumbled power lines and conducting sporadic tree trimming efforts. This practice has left our community with an unreliable power source, creating periods of several hours to many days while we scramble to make do with no electricity¹ in winter and summer² all the while providing greater compensation to Pepco's officers, directors and shareholders. During the 2012 Derecho, for example, homes in our community experienced up to 8 to 10 days with no power. We also experienced a very flawed system for reporting outages, and many of our residents had to relocate to hotels or other locations.
- Pepco spends ratepayer money to advertise its services, pay high executive salaries, lobby and contribute to campaigns for state legislators and the Governor and to increase shareholder profits rather than using this money to reinvest, upgrade and maintain our electrical infrastructure. The modernization of our power supply should be Pepco's first priority and the basis for future rate and salary increases. Our wooden telephone poles and jumbled wires resemble the equipment one would find in a 1960's time warp.
- Compared to other utility services nationally, Pepco continues to be rated among the lowest electric utilities in reliability and customer service. When the Florida Power and Light crews arrived to repair our power lines downed by the 2012 Derecho, crews reported to our residents that they were not surprised by Pepco's poor performance, as Pepco's poor record of reliability was well known throughout the industry.
- Although Pepco continues to promote its tree trimming efforts as the panacea for the area's power problems, we know that trees are not the primary cause because our residents have experienced "blue sky outages"³ — loss of electricity when weather is not a factor. A 2010 *Washington Post* report found that in 2009 "by far, Pepco equipment failures, not trees, caused the most sustained power interruptions"⁴. Although Pepco executives have publicly stated in the past that most outages were "tree-related," the *Washington Post* reported that company records for 2009 showed that equipment failures — not trees — were an even bigger source of blackouts, accounting for 44 percent. In fact, Pepco's internal records blamed trees for just 24 percent of outages.¹
- Although the PSC levied a fine of \$1,000,000 on Pepco in December 2011 for its poor level of services over a number of years, this fine was miniscule when compared to the earnings of Pepco's parent, Pepco Holdings. According to company filings in 2011, the

¹ <http://www.washingtonpost.com/wp-dyn/content/article/2010/12/04/AR2010120403887.html>

parent company earned \$1,000,000 in about a day and a half; and in 2010, Pepco Holdings paid out more than \$240 million in dividends.² In the future, the PSC should significantly increase fines imposed on Pepco if they are to have any meaningful impact on Pepco's performance.

- Since Pepco has a monopoly in the delivery of power to our community, our residents have no choice but to rely on the PSC to ensure Pepco accountability and performance. In our community, we have come to feel as though we live in a "third world country" called Montgomery County when it comes to electrical power. It is patently absurd to live in a community where we are constantly worried about losing power, throwing away food and scrambling for generators to help keep some semblance of daily life possible when our power fails. It is critical that the PSC, as well as the State Assembly and the Governor, hold Pepco accountable and force them to fix an outdated, antiquated and entirely unacceptable power grid.
- In addition, Pepco must improve restoration prioritization for those who have medical conditions for whom a power outage could be life threatening. For example, some of our residents have family or friends residing in the nearby Hebrew Home of Greater Washington, which experienced significant delays in restoring services during the 2012 Derecho.
- Although Pepco's performance seems to have improved in preparation and response to our most recent winter storms, the PSC must closely monitor Pepco's practices over a longer period of time before granting a rate increase to ensure that its investments deliver reliable electrical services to its customers. Our area was fortunate not to experience the brunt of those recent storms, including Hurricane Sandy, so our experience may not be predictive of future power events. As noted above, we believe continued infrastructure improvements are needed to address a decade of poor performance, and our community will continue to demand this of the PSC and our State leadership.
- Finally, we support the PSC's decision in its February 27, 2013, Order 85385, in response to Case 9298,³ to strengthen the Commission's reliability standards and to hold Pepco and the other utilities more accountable, including adding restoration performance after major storms to the reliability standards and considering "performance based ratemaking" to tie Pepco's financial returns to its performance.

This is a good first step, but granting Pepco its most recent rate request before the PSC has conducted its studies and received documentation of Pepco's reliability improvements, as required by the PSC's recent order, is premature and removes the financial incentive necessary to make Pepco invest in much needed improvements. Our residents will no longer simply watch Pepco obtain rate increases without demonstrating its investment in the infrastructure and improved reliability over an extended period of time – not just one winter season.

On behalf of the Greater Farmland Civic Association, we thank you for this opportunity to provide comment. Contact: info@GreaterFarmland.org

² http://articles.washingtonpost.com/2011-12-21/local/35287638_1_pepco-officials-pepco-holdings-reliability

³ http://webapp.psc.state.md.us/Intranet/sitesearch/Whats_new/Derecho%20Order_Case%20No%20%209298.pdf