BEFORE THE

COMMITTEE ON
PUBLIC SERVICES AND CONSUMER AFFAIRS
of the
COUNCIL OF THE DISTRICT OF COLUMBIA

PUBLIC OVERSIGHT ROUNDTABLE
on the
"AN EXAMINATION OF POWER OUTAGES
IN THE DISTRICT OF COLUMBIA"

TESTIMONY
of
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I. INTRODUCTION

Good afternoon Chairperson Alexander and members of the Committee on Public Services and Consumer Affairs. I am Brenda K. Pennington, Esq. I serve as the Interim People's Counsel for the District of Columbia.[1]

Thank you for inviting the Office of the People's Counsel ("OPC" or "Office") to appear before the Committee today to examine PEPCO's Reliability and Restoration Efforts Following the January 26, 2011 Snowstorm. Sadly, it has been less than five months since I last testified before this Committee regarding the Potomac Electric Power Company's ("PEPCO" or the "Company") poor reliability

[1] D.C. Code § 34-804 (2010).

and quality of service.[2] Very little has changed since then. Outages including the one triggered by the January 26 snow storm continue to take place and PEPCO continues to struggle to keep the lights on while casting blame on everything but itself, including customers' expectations. What has changed is PEPCO's retreat from its previous claim that its distribution system is robust.

As I stated on September 30, 2010, PEPCO has no control over the weather. However, PEPCO does control (1) its preparedness and response to outages regardless of the event's size, (2) its communication with the public and, (3) most importantly, the health and vitality of its distribution system. The Office has continually raised concerns about the reliability of PEPCO's distribution system before the Commission and this Committee over the past several years. OPC's concerns have not changed. An unreliable system and poor quality of service have plagued District consumers for years and continue to evade resolution.

District consumers have seen the cost of electric distribution service increase over the past two years. Therefore, it is reasonable for consumers to expect improved reliability. Unfortunately, this has not been the case; **consumers are not receiving what they pay for.**

My testimony discusses activity that has occurred since we last appeared before this Committee in September of 2010.

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[2] *See*, September 30, 2010 Testimony of Brenda K. Pennington, Interim People's Counsel and July 14, 2010 Testimony of Brenda K. Pennington, Interim People's Counsel.

II. RELIABILITY ENCOMPASSES MORE THAN MAJOR STORM EVENTS.

While major storm-related outages, such as the recent snowstorm and the August and July storms in 2010, are a serious issue, the reliability of PEPCO's distribution system encompasses more than major storm events. As the Committee is aware, for at least the past four reporting years, PEPCO has consistently placed in the bottom 25%, and often dead last,[3] for the three industry accepted reliability indices – SAIDI, SAIFI and CAIDI,[4] in industry benchmarking studies. These industry studies compare PEPCO's performance to that of its peers.

Of course, one may think PEPCO's dismal showings are because of inclement weather. That is not the case. When calculating the reliability indices, PEPCO does not include data from significant outage events like the one on

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[3] *See*, PEPCO's 2007 – 2010 Consolidated Reports filed in Formal Case Nos. 766 & 991. The data represents the years 2005 to 2008.

[4] *See*, OPC attachment. SAIDI stands for system average interruption duration index. SAIDI measures the average length in minutes of a sustained outage on the system. For example, if SAIDI for 2009 was 114.44, the average customer was without power for 114.44 minutes in 2009. SAIFI stands for system average interruption frequency index. SAIFI calculates how often a sustained outage occurs on the system. This index is the most important to customers since it represents the probability of an electric service outage. For example, if SAIFI for 2009 was 1.54, the average customer was interrupted 1.54 times in 2009. CAIDI stands for customer average interruption duration index. CAIDI measures the average length of time per outage that a customer is without service. For example, if CAIDI for 2009 was 74.45, the average customer is without service for 74.45 minutes per interruption. The above indices are calculated based upon sustained outages, which are defined as any disruption in electric service lasting for five or more minutes in length.

January 26, 2011. Why is this important? Because it shows that PEPCO's poor reliability has very little to do with severe storms or weather.

III. PEPCO'S COMPREHENSIVE RELIABILITY PLAN FAILS TO DEMONSTRATE THAT ELECTRIC RELIABILITY WILL IMPROVE IN THE DISTRICT.

PEPCO filed its Comprehensive Reliability Plan ("Reliability Plan") with the Public Service Commission of the District of Columbia ("Commission") on September 30, 2010.[5] The Reliability Plan discusses several reliability initiatives. Unfortunately, much of what PEPCO touts in the Reliability Report are activities it has been undertaking for years.

For example, PEPCO's enhanced integrated vegetation management program is no different than the existing March 16, 2005 Vegetation Management Plan, which has been approved by the Commission.[6] As residents of the District and City Council Members know only too well, a significant number of outages are still caused by trees.[7] This indicates there are issues with the <u>execution</u> of PEPCO's current program. However, the tasks listed by PEPCO in the "enhanced"

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[5] *See*, PEPCO's Comprehensive Reliability Plan for the District of Columbia filed in Formal Cases 766 & 991 on Sept. 30, 2010. This filing was not made pursuant to any Commission request or mandate.

OPC filed extensive comments and is conducting discovery on the Reliability Plan.

[6] *See*, PEPCO's Vegetation Management Plan for Utility Tree Trimming in the District of Columbia filed in Formal Case 982 on March 17, 2005.

[7] *See*, PEPCO's July 25 Major Storm Report filed in Formal Case 982 on August 19, 2010.

program should already be routinely performed as part of the existing vegetation management plan and are, in fact, included in PEPCO's March 16, 2005 Vegetation Management Plan. Increasing spending on an ineffective program will not fix it or make it effective.

As another example, since 2001 PEPCO has been required to report on the worst 2% performing feeders in the District.[8] The purpose of this requirement is for PEPCO to analyze these worst performing feeders and to develop a course of action for each with the intent of improving the individual feeder's reliability. The Reliability Plan contains a section addressing PEPCO's worse performing 2% feeder program. According to the Reliability Plan, PEPCO's short term and long term actions are the same actions undertaken since PEPCO started the worst performing 2% feeder list in 2001.

OPC has commented at length regarding the ineffectiveness of the corrective actions undertaken by PEPCO to improve the performance of the feeders on the worst 2% performing list.[9] It is not uncommon for feeders to reappear on the worst performing 2% feeder list. In the last six years, 39 feeders have appeared on the

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[8] PEPCO ranks its feeders based on performance and the bottom 2% are included on the list. The list appears in PEPCO's annual consolidated report filed in Formal Cases 766 & 991.

[9] *See*, OPC's Comments Addressing PEPCO's 2009 Consolidated Report page 39 (April 15, 2009) (hereinafter, "OPC's 2009 Comments") and OPC's 2010 Comments.

worst 2% performing feeder list more than once.[10] Therefore, PEPCO's increase in spending on an ineffective program, especially without including proposed additional work, timelines, plans or schedules, is not justified and fails to inspire confidence that reliability will improve.

IV. OVERHAULING THE ELECTRIC QUALITY OF SERVICE RELIABILITY STANDARDS

For the past several years, OPC had advocated for the modification and strengthening of the current electric quality of service reliability standards. In my September 30 2010 testimony before this Committee, I explained that the current reliability standards neither ensure nor encourage PEPCO to improve its reliability.

Whenever possible, PEPCO stresses its dedication to improving the reliability of the distribution system,[11] including reaching the upper quartile in industry benchmarking studies.[12] Recently, PEPCO has begun qualifying its dedication by stating it may not be able to meet more stringent reliability benchmarks unless it is paid to provide system improvements, while, at the same

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[10] *See*, page 11 of Staff's Report on PEPCO's 2010 Consolidated Report filed in Formal Cases 766 & 991 on June 25, 2010.

Over 6 years, approximately 90 feeders would have been listed on the worst 2% performing feeder list. 15 feeders per year x 6 years = 90.

[11] *See*, for example, PEPCO's full page apology to its customers in the Washington Post on February 7, 2011.

[12] This statement was made at the legislative-type hearing held by the Maryland Public Service Commission on August 17, 2010.

time, pointing out it is has met or exceeded reliability benchmarks.[13] This causes OPC to question what PEPCO has been doing with the money it has been collecting through rates the past 10 years while allowing its reliability to steadily decline.[14] OPC is concerned. PEPCO is meeting the benchmarks yet its reliability is poor, and now it wants to earn more (through rates) in order to do its job well, or at least better.

OPC submits that revising the reliability standards should not equate to an opportunity for PEPCO to increase its rate base and earn more money.

The Commission has tasked the Productivity Improvement Working Group ("PIWG"), made up of members of the Commission Staff, OPC, and PEPCO, to assess whether the reliability standards should be modified. OPC has proposed and submitted changes to the reliability standards to the PIWG, which have been filed with the Commission.[15] Included in OPC's proposed changes is a mechanism that holds PEPCO accountable for failing to meet a reliability standard. For each standard not met, PEPCO would credit customers the amount equal to five basis points of the return on equity (ROE). For each reliability target not met for two

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[13] *See*, PEPCO's Response to OPC's Petition for an Investigation into the Electric Distribution System Reliability of PEPCO filed in Formal Case No. 1082 on Aug. 26, 2010.

[14] *See,* Commission Order No. 14643 in Formal Case Nos. 766 & 991.

[15] *See,* PIWG's January 11, 2011 meeting minutes filed in Formal Cases 766 and 1082 on January 26, 2011.

consecutive years, the electric utility would credit customers the amount equal to ten basis points of the ROE. For each reliability target not met for three consecutive years, the electric utility would credit customers the amount equal to fifteen basis points of the ROE.

At this point in time, the Commission has neither opened a rulemaking nor stated unequivocally that it **will** open a rulemaking in order to strengthen and modify the reliability standards, including holding PEPCO financially accountable for poor performance.

V. OPC'S REQUEST FOR INVESTIGATION INTO 2010 OUTAGES

After last July's heat wave and storms, OPC petitioned the Commission for an investigation into the electric outages.[16] OPC requested a formal evidentiary hearing, as well as a community hearing in each quadrant of the District for the public to air their concerns on the record. Shortly thereafter came the August storm which left more than 14, 000 District customers without electric service. OPC requested the Commission expand its investigation to include: (1) PEPCO's system restoration following the July and August 2010 storms; (2) a hearing with PEPCO and relevant District agencies to discuss lessons learned from the outage response and to develop strategies for enhancing the response to system outages;

[16] OPC filed its petition on August 6, 2010. The Commission opened a new docket, Formal Case 1082, to address OPC's request.

and (3) the adequacy of resources regarding maintaining system reliability so it can withstand severe damage and PEPCO's ability to swiftly restore power to affected consumers. The Commission denied OPC's request, stating it would address PEPCO's reliability and restoration in Formal Case 982.[17] Subsequently, OPC requested the Commission set a procedural schedule including an evidentiary hearing addressing the 2010 outages.[18] The Commission denied OPC's request explaining it has "broad discretion to set its agenda and to apply its limited resources to the regulatory task it deems most pressing and ripe for consideration."[19] Apparently, the Commission believes that the reliability and restoration of electricity, particularly in response to a major storm event, are not pressing matters. At this point in time, the Commission has taken no action addressing the 2010 outages.

VI. OPC'S REQUEST FOR A MANAGEMENT AUDIT OF PEPCO

In my September testimony, I also discussed the need for management audits of all public utilities operating in the District since many of the issues discussed can be directly related to management oversight (or lack thereof). I

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17 *See*, paragraph 6 of Commission Order No. 16002 in Formal Case 1082.

18 *See*, OPC's Motion to Establish a Procedural Schedule, Institute Discovery Procedures and Convene a Formal Hearing filed in Formal Cases 766, 982, 991, 1002 and 1062 on November 5, 2010. These dockets comprise all of the different formal cases addressing PEPCO's reliability.

19 *See*, paragraph 4 of Commission Order No. 16079 in Formal Cases 766, 982, 991, 1002 and 1062.

suggested the District Council give serious consideration to approving legislation authorizing and requiring the Commission to select a consulting firm to perform a full management audit of public utilities operating in the District once every five years unless circumstances warrant an additional audit within the five year period. OPC's proposes that the consultant should be selected and directed by the Commission to ensure the proper level of review and constructive criticism.

This past December, OPC requested the Commission conduct a full-scale management and operations audit of Pepco pursuant to an existing Commission regulation that requires it to conduct a management audit of Pepco no less than every six years.[20] OPC asked that the audit evaluate the actual performance of PEPCO's management, operations, emergency response, computing systems, processes and planning, as well as offer suggestions and recommendations for improvement, including the Company's construction planning in relation to the needs of its customers for reliable service.[21] In addition, OPC requested that the Commission select and direct the entity performing the management audit in order to ensure the proper level of review and constructive criticism. At this point in time, the Commission has taken no action regarding OPC's request.

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[20] 15 D.C.M.R. § 522.1 (2010).

[21] *See*, OPC's Motion Requesting the Commission Conduct a Full-Scale Management and Operations Audit of PEPCO filed in Formal Case 766 on December 15, 2010.