pepco
A PHI Company

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May 18, 2012

Mr. David J. Collins
Executive Secretary
Public Service Commission of Maryland
William Donald Schaefer Tower
6 St. Paul Street, 16th Floor
Baltimore, MD 21202-6808

Re: PC 29 Summer Reliability Status Conference

Dear Mr. Collins:

Enclosed please find an original and seventeen (17) copies of Potomac Electric Power Company's Comments regarding the 2012 Summer Reliability Status Conference.

Please feel free to contact me if you have any questions regarding this matter.

Sincerely,

Douglas E. Micheel

DEM/aka

Enclosures

BEFORE THE
PUBLIC SERVICE COMMISSION OF
MARYLAND

2012 Summer Reliability Status Conference	)	**Administrative Docket**
	)	**PC 29**

COMMENTS OF POTOMAC ELECTRIC POWER COMPANY

On April 6, 2012, the Commission issued a Notice of the 2012 Summer Reliability Status Conference ("Notice") to be held on May 24, 2012. The Commission stated that it intended to address current issues and circumstances affecting the reliability and adequacy of electricity supply in Maryland for the upcoming summer months. Potomac Electric Power Company ("Pepco" or the "Company"), a subsidiary of Pepco Holdings, Inc. ("PHI"), provides its comments to the issues delineated in the Commission's Notice.

Pepco's Transmission and Distribution System

Pepco's distribution business delivers electricity in Maryland and the District of Columbia at regulated rates to about 788,000 customers in an approximate 640 square mile service territory. Pepco owns and maintains almost 11,700 circuit miles of overhead and underground lines. There are 157 substations on the Company's transmission and distribution ("T&D") system. Pepco's T&D electric system consists primarily of substations that are remotely monitored and operated from its centralized Control Center. The Control Center System Operations organization ensures the safe, reliable, and efficient operation of the T&D system by performing the following functions:

- Monitoring and controlling the electric system to ensure reliable operation of the T&D and bulk power system;

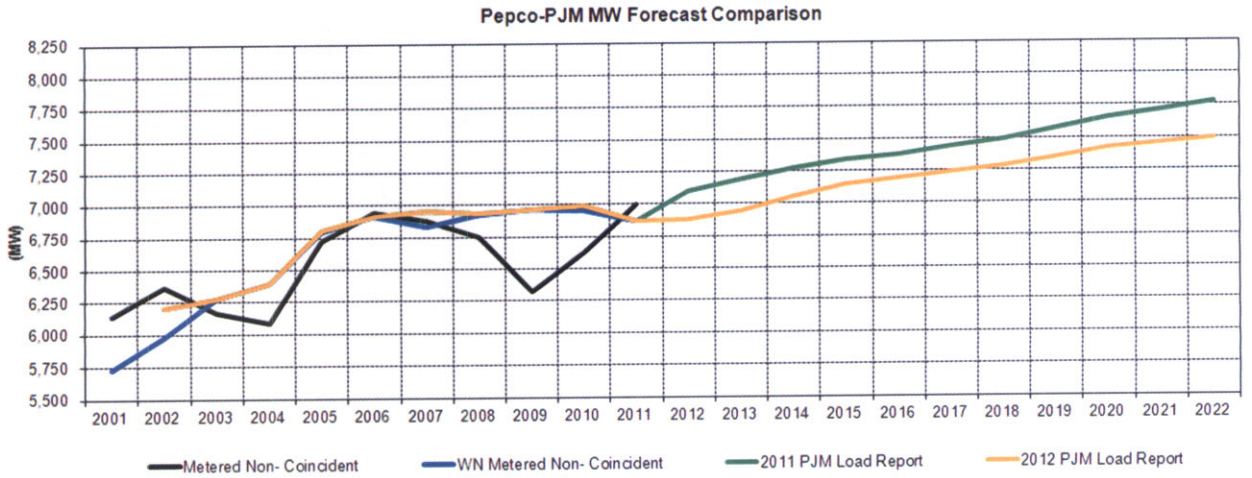
- Ensuring the safe operation and rapid restoration of facilities during emergency conditions;
- Evaluating transmission system outage requests to ensure reliability and safe transmission operations;
- Minimizing power outages and safely resolving trouble reports and emergency calls by the effective dispatch of crews;
- Maintaining the Outage Restoration System and coordinating scheduled power outages with both external and internal customers; and
- Coordinating all activities with PJM Interconnection LLC ("PJM") related to the operation of the transmission and bulk power system.

Pepco is prepared to provide reliable electric service during the summer months of 2012. This is a result of a planning process which includes: (a) meeting load-serving responsibility through generation resources; and (b) planning and investing in a transmission and distribution system that is tailored to the requirements of Pepco's load.

Peak Load Forecast

Figure 1 presents the historical and forecasted peak load data for PJM's Pepco Zone. The figure contains four data concepts: the metered (restricted) zonal load non-coincident with the PJM system peak (black line), the weather normalized metered zonal load non-coincident with the PJM system peak (blue line), PJM's unrestricted zonal forecast from their 2011 Load Report (green line), PJM's unrestricted zonal forecast from their 2012 Load Report (yellow line).

Figure 1 - Pepco Zone



The recent forecasts of electric power demand in the Pepco Zone prepared by PJM are reported in Table 1. The data for years 2009, 2010, and the 2012 column for year 2011 represent the weather normalized actual peak.

Table 1 - Pepco Zonal Load Forecast

	2011 PJM Load Report (MW)	2012 PJM Load Report (MW)
2009	6,960	6,960
2010	6,990	6,990
2011	6,986	6,870
2012	7,095	6,876
2013	7,192	6,940
2014	7,271	7,056
2015	7,339	7,149
2016	7,376	7,187
2017	7,435	7,234
2018	7,496	7,283
2019	7,578	7,345
2020	7,654	7,419
2021	7,710	7,458
2022	7,771	7,494

Energy Procurement

In accordance with Commission orders in Case No. 9056 and Case No. 9064, Pepco conducted a competitive procurement for full requirements service in Maryland, including capacity, for all Pepco Standard Offer Service ("SOS") load. Pepco entered Full Requirements Service Agreements ("FSA") with a number of wholesale suppliers that fully met its SOS load obligations for the planning period commencing June 1, 2012. In addition, Pepco will use Commission approved procurement procedures to acquire energy, capacity and ancillary services from PJM markets to meet any future obligations for customers that choose hourly-priced service. The capacity resources used by the FSA suppliers to satisfy their obligations to Pepco, must meet PJM requirements, including the requirements of the Reliability Assurance Agreement. For example, these capacity resources must be committed to PJM throughout the summer period, and the generation owners must comply with PJM administered summer outage scheduling requirements. In summary, Pepco has taken the necessary steps to meet peak load obligations this summer by executing the FSAs that satisfy all PJM load and capacity obligations for SOS during 2012.

In addition to the supply side resources that fully satisfy Pepco's summer peak load obligations, Pepco can reduce its system demand through its demand response program, Energy Wise Rewards™. This program encourages Pepco's customers to better manage their energy usage, as well as providing Pepco with another reliability resource, during peak summer hours only. From June through October, Energy Wise Rewards™ will only be initiated under specific conditions, such as PJM system emergencies and periods of substantially higher market prices.

Demand Response Capability

Pepco's projected demand response and energy efficiency capability in the Pepco Maryland Zone for June 1, 2012 is 136 MW of unforced capacity (UCAP). Such capability will be available to PJM and to the Pepco Control Center to help meet the peak load forecast and to maintain reliable transmission and distribution operations throughout the summer of 2012. Other demand response resources will also be available from the Southern Maryland Electric Cooperative ("SMECO") and third party curtailment service providers within the Pepco Maryland Zone during the summer of 2012.

Table 2 - Pepco Zone, Maryland DR and EE Capability

	Pepco Zone, Maryland DR & EE Capability (Pepco program figures only) MW, UCAP
Direct Load Control	115 MW
Energy Efficiency	21 MW
Total Capability	136 MW

Status of Transmission and Distribution

Pepco owns nearly 1,000 miles of transmission lines, including major portions of a 100 mile 500 kV loop that encircles the Washington, D.C. metropolitan area. Pepco is a member of PJM, the Regional Transmission Organization responsible for providing all transmission service and administering the PJM transmission tariff within the PJM control area. PJM directs the operation of Pepco's transmission system. Barring any unforeseen major events, Pepco expects its transmission system to perform without problems throughout 2012.

Moreover, Pepco is currently in the process of executing an aggressive multi-year transmission expansion plan. Several projects have been completed within the past year or are

planned for completion prior to the 2012 summer. Projects, such as those listed below will help meet the future demand and improve reliability within the service territory:

a. Addition of the third 500/230 kV transformer at Burches Hills to improve power flow for the PJM system

b. Upgrade four 230 kV lines and associated bus equipment from Burches Hill to Palmers Corner to improve system reliability

c. Upgrade terminal equipment on two 230 kV lines from Bells Mill Road to Quince Orchard to improve system reliability

d. Installation of new equipment at Benning substation such as a new 230/69 kV transformer, a new 230/115 kV substation, two 230 kV lines, and shunt reactors to facilitate generation retirement

In addition, throughout the PJM planning process, several projects, such as those listed below, have been planned over the next five years which will increase the reliability in the Pepco area:

a. Upgrade one 230 kV circuit and convert one 138 kV circuit to 230 kV with associated equipment from Buzzard Point to Ritchie (portion of underground lines are in Maryland and portion in the District of Columbia)

b. Replace 500/230 kV T1 at Brighton

c. Replace overstressed 230 kV breakers at Oak Grove and Chalk Point

d. Upgrade four 230 kV lines from Oak Grove to Ritchie

e. Upgrade 230 kV line from Dickerson to Quince Orchard

f. Upgrade two 230 kV lines from Burtonsville to Bowie

g. Upgrade two 230 kV lines from Bowie to Oak Grove

h. Upgrade 230 kV line from Oak Grove to Aquasco

i. Upgrade 230 kV tower-line from Burtonsville to Takoma

Pepco will make a significant investment in transmission infrastructure over the next several years. The projects listed above constitute only a subset of the unprecedented transmission expansion plan Pepco will execute.

Additionally, through the PJM planning process, Pepco continues to study the impact various generation additions will have on the transmission and distribution system should they come to fruition. Pepco's Distributed Energy Resources and Analytics group is working to continually adapt criteria to ensure reliable interconnections.

Over the past year, Pepco has also completed several distribution system improvements. Projects such as those listed below will help meet the forecasted demand and improve reliability:

a. Installation of new equipment to increase capacity such as the Metzerott Road East Substation 163 transformer, and the new subtransmission 69 kV Circuit at Takoma Substation 27 Feeder 69127

b. Implementation of automatic sectionalization and restoration schemes in Montgomery County such as the Potomac - Wood Acres - Longwood - Bethesda and Crain Highway schemes which will improve the speed at which customers are restored following an interruption

c. Reconductoring of distribution circuits to increase capacity and improve reliability

d. Proactive replacement of system equipment such as poles, underground residential distribution cable, and oil filled automatic line equipment with newer, more reliable equipment

e. Load transfers to better balance the distribution of Pepco system load

Storm Restoration and Emergency Preparedness

Pepco is prepared to respond to storms and other emergencies this year, and meet or exceed customer needs while doing it.

Training and Drills - A comprehensive review of the process by which employees receive training for their Incident Response roles was conducted and additional training provided for those roles identified as requiring additional emphasis. In the past year, a full functional exercise and multiple table top drills have been conducted to enforce roles and expectations

Weather Monitoring - A comprehensive review of Pepco's weather service vendors was conducted as a means to enhance Pepco's ability to detect and plan for major weather events, and address issues of short notice of impending storms. In the past year, Pepco established new contracts with two weather service providers and hosted discussions with each to help address the issue of short notice for pending weather events.

Business Continuity and Contingency Planning – Pepco is presently negotiating a labor contract with IBEW Local 1900. While Pepco anticipates that a successful labor contract will be signed with IBEW Local 1900, preparations and contingency plans have been made to continue normal business operations in the unlikely event of a work stoppage.

Mutual Assistance – Pepco has actively participated in a number of regional and national conferences and working groups surrounding the issue of Mutual Assistance, and has favorable agreements for mutual assistance resource sharing with sister utilities around the nation. In addition, Pepco has also increased the number of overhead contractors and tree trimming crews performing work on the system, greatly improving the options and speed with which Pepco can obtain additional personnel to assist with the restoration effort.

Restoration Software and Tools - In the past year, Pepco's parent company, PHI spent nearly $3.2 million in purchasing additional Mobile Data Terminals ("MDTs") and replacing older MDTs. These tools are part of PHI's effort to enhance the management of resources and outage tickets during all restoration events. Greater deployment of this technology enhances the damage assessment, crew allocation, and Estimated Time of Restoration (ETR) management process. In addition, PHI solicited the consulting services of a third party vendor to review the existing technologies including the Outage Management System ("OMS"), Customer Information Systems (CIS/C3), Geographic Information System ("GIS"), and Mobile Dispatch

System ("MDS") to determine if PHI's key restoration systems were operating as optimally as possible during emergencies. Some suggested refinements included streamlining of outage order grouping rules in the OMS so that crews can more efficiently address work using MDTs and reduce the number of orders that need to be managed. These refinements were later implemented in Pepco's OMS.

Estimated Times of Restoration (ETRs) – During the past year, Pepco developed a new ETR process based on customer feedback from focus groups, industry research, and the streamlined restoration processes enacted under the Pepco Emergency Restoration Improvement Project (ERIP). In summary, the refined ETR process is designed to minimize the number of ETR changes a customer will receive and increase the accuracy of the ETR provided. In addition, Pepco is an active participant in the ETR working group convened by Order No. 84445 in Case No. 9279.

Customer Education and Communications – Pepco continues to implement and improve the customer education plan. Efforts include creation of a storm restoration handbook to send to customers as a bill insert and implementation of pre-storm season customer education advertising. This will be an ongoing activity each year before summer and winter storm seasons. Pepco continues to develop and document an enterprise strategy for news media, social media, and web tactics for pre-storm and emergency events. The previously mentioned represent only a subset of the numerous activities Pepco has been working to implement to improve customer education and communications during major events.

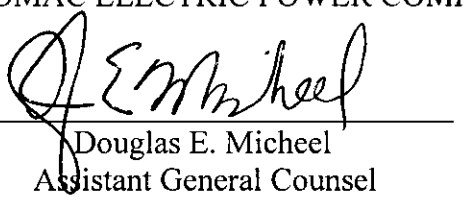
Conclusion

Pepco is prepared to meet the peak demands on its electric system for the summer of 2012. Through the previously mentioned transmission expansion plan in addition to ongoing

reliability and restoration enhancements, Pepco is poised to meet demand and further improve reliability into the foreseeable future. The Company has taken the actions and made the investments necessary to meet its obligations to continue to provide safe and reliable service to its customers now and in the future.

Respectfully submitted,

POTOMAC ELECTRIC POWER COMPANY

By: 

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