

Joseph M. Rigby
Chairman of the Board
President
Chief Executive Officer

July 20, 2012

The Honorable Chris Van Hollen
United States House of Representatives
1707 Longworth House Office Building
Washington, DC 20515

Dear Congressman Van Hollen:

Pepco appreciates your letter of July 19, 2012, comparing our restoration efforts to those of Dominion Virginia Power following the June 29 Derecho. Pepco is still gathering data for our major storm report to the Maryland Public Service Commission, to be filed on July 30. In the meantime, Pepco would like to provide you with facts about our response to the storm:

- Although the Derecho provided little warning, in preparation for the possible weekend thunderstorms that forecasters were predicting, we activated our emergency incident response plan early on Friday, June 29, which included holding over line crews, securing local contractors, activating our internal emergency response personnel and reviewing material inventories.
- Pepco participated in the first mutual assistance call for this storm at 9 p.m. Friday, June 29. The storm had not yet reached Pepco and, in fact, forecasters were not sure then if the storm would be intact after it crossed the Appalachian Mountains. For these reasons, and because electric companies to the west were clamoring for resources because of the Derecho's devastating impacts on their systems, no utilities in our region requested any resources at that time. However, Pepco prudently notified the other utilities of our potential need for crews and did not allow our line crews or contract crews to leave the Pepco system in case the storm did hit our region.
- In total, PHI participated in 32 mutual assistance calls during the Derecho and its aftermath. Pepco first requested mutual assistance crews at 8 a.m. Saturday, June 30, when we requested 1,000 crews but received commitments for only 150. The storm knocked out power to more than 4 million customers in 10 states stretching from the Midwest to the Mid-Atlantic. Utilities on that Saturday morning call alone requested a total of 6,300 line workers.
- Pepco crews actually were working before the storm hit because they were restoring some heat-related outages. As soon as the storm passed and it became safe for our crews to resume restorations, they began damage assessment and restorations. By 6 a.m., Saturday, June 30, all Pepco employees were on deck. Our internal crews and our contract workforce of nearly 700 were at work. Aggressive recruitment of outside reinforcements continued throughout Saturday. With daylight, comprehensive damage assessment and fuller restoration efforts were underway.

- By Monday, July 2, 1,641 line workers and forestry personnel were on duty directly performing restoration work. By Wednesday, that number had grown to 1,925. At the height of restoration activities, Pepco had a total force of over 2,800 employee, local contractor, out-of-state field crew members and support staff involved in the restoration effort. These crews continued to work around the clock until the last customer was restored.
- The storm uprooted and tossed a huge number of entire trees onto the high-voltage lines that supply our substations. These lines also supply major water plants, which, of course, required an immediate response. Many distribution substation supply wires run on the same wood poles that were destroyed by trees literally blown over by the storm. During the Derecho, 27 substations were out due to damage to about 50 substation supply lines. Restoration of the substation supply lines and substation equipment — the backbone of our system — was labor and time intensive but had to be done first to reopen supply to the distribution system serving customers. Because this backbone work tied up a significant number of crews, it slowed our initial distribution restoration. Once the backbone was fixed, electricity was again flowing and crews were freed up to start quickly restoring service to large numbers of customers.
- Out of a total of roughly 800,000 outages restored during the event, during the first 24 hours Pepco restored service to approximately 299,000 customers. Over 90 percent of the customers were restored by Wednesday, July 4 — 57 hours earlier than first estimated — and 99 percent of customers were restored by Friday, July 6.
- We restored our last customer before dawn on Sunday, July 8.
- We conducted daily calls with government officials to provide information and hear their concerns and issues. Your office participated on those calls. We also were in daily contact with your office to help with your constituents' (our customers') concerns.

Storms are volatile, their paths can be unpredictable, and a single storm can inflict very different levels and types of damage as it passes over the service areas of different utility companies. As a result, comparisons between utilities on the relative number of outages on their systems generally are not productive. Wind speeds vary as storms move across an area, rain falls harder or more softly, and lightning strike rates vary.

- Numbers of outages can vary greatly from company to company due to the type of damage inflicted by a storm. For example, if a distribution substation fails during a storm, 10,000 or more customers can lose power.
- Additionally, some companies have large geographic areas, while others are more compact. A storm hitting a geographically compact service area can affect service to most of that company's customers, while the same storm hitting a larger service area might

affect only a portion of that company's customers. Also, different electric companies have different customer densities, terrains, percentages of undergrounded facilities, tree coverage and a host of other variables.

- Similarly, comparisons between utilities on restoration rates may also lead to incomplete or inaccurate pictures. First and foremost, different companies are not all the same size. Some, like Dominion Virginia Power, have a large number of customers, and have larger workforces to meet those customers' day-to-day needs. Others have fewer customers, and need fewer workers to meet those needs.
- Pepco serves 788,000 customers and has an available line workforce of more than 500 field line workers. Dominion Virginia probably has a larger line work force, which would be appropriate since it also serves more customers — a total of 2.4 million customers.
- Pepco has aggressively increased our total line work force. Pepco's combined total crew complement for ready response after major storms now exceeds 500 line workers and is more than at any other time in the company's history.
- Our tree trimming workforce increased from 88 in 2010 to 280 today.
- Though the number of crews a utility can access at various stages in a restoration is tremendously important, there may not always be a direct correlation between crew numbers and restoration times. Additionally, different utilities call, count, and deploy their workers differently so cross-utility comparisons may not be meaningful.

Power outages can cause inconveniences and hardships to customers. Prolonged outages in particular can be extremely challenging to the individuals, businesses and communities affected by them. Pepco understands our customers' frustration and is working diligently to minimize both the occurrence and duration of outages.

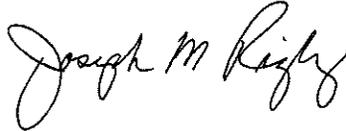
While no overhead distribution system can withstand the impacts of a hurricane force storm, the work we've done as part of our \$910 million, five-year reliability enhancement program is paying off. The average frequency of outages for our Maryland customers has decreased 20 percent in 2011 over 2010, and outages were 25 percent shorter in duration. On the circuits where we've completed work, customers saw 41 percent fewer outages and a 52 percent reduction in duration.

Our customers will continue to see Pepco trucks on their streets and in their neighborhoods trimming trees, installing new wires and switches, and performing the many other activities that are part of Pepco's multi-year reliability enhancement plan. In fact, I am confident that working in partnership with you, our customers, regulators and other policymakers, Pepco will continue to make strides in improving the resilience of our electric system and our ability to provide safe and reliable service to our customers.

The Honorable Chris Van Hollen
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I'd be pleased to meet with you about Pepco's level of service at any time, and will be happy to provide you with a copy of the major storm report when it is filed with the Commission.

Sincerely,



Joseph M. Rigby
Chairman of the Board
President
Chief Executive Officer
Pepco Holdings, Inc.

cc: The Honorable Roger Berliner, President, Montgomery County Council
The Honorable Craig Rice, District 2, Montgomery County Council
The Honorable Phil Andrews, District 3, Montgomery County Council
The Honorable Nancy Navarro, District 4, Montgomery County Council
The Honorable Valerie Ervin, District 5, Montgomery County Council
The Honorable Marc Elrich, At-Large, Montgomery County Council
The Honorable Nancy Floreen, At Large, Montgomery County Council
The Honorable George Leventhal, At-Large, Montgomery County Council
The Honorable Hans Riemer, At-Large, Montgomery County Council
The Honorable Martin O'Malley, Governor, State of Maryland
The Honorable Jamin B. "Jamie" Raskin, Senate Chair, Montgomery County Delegation
The Honorable Ann R. Kaiser, House Chair, Montgomery County Delegation
The Honorable Douglas J.J. Peters, Senate Chair, Prince George's County Delegation
The Honorable Melony G. Griffith, House Chair, Prince George's County Delegation
The Honorable Douglas R. M. Nazarian, Chairman, Maryland Public Service Commission
The Honorable Steny Hoyer, U.S. House of Representatives
The Honorable Barbara Mikulski, U.S. Senate
The Honorable Benjamin Cardin, U.S. Senate