



A PHI Company

Government Affairs & Public Policy Pepco Region
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Thomas H. Graham
President Pepco Region

December 5, 2010

The Washington Post published an article today on the reliability performance of Pepco's electric system. As we have communicated in various regulatory, legislative and community forums, our performance on a daily basis currently does not meet our customers' expectations. The article includes information we have openly filed with our respective Public Service Commissions in the District of Columbia and the state of Maryland.

Although Pepco does not agree with the Post's interpretation of the impact of trees to reliability during major events, as experienced in February, July and August, we acknowledge that the number of equipment failures on "blue sky" days exceeds the norm. We will overcome this challenge through the aggressive implementation of our comprehensive Reliability Enhancement Plan that focuses on **tree trimming, load growth, select undergrounding, distribution automation, priority feeder improvements and underground cable replacement initiatives.**

For the last several months, Pepco has implemented a \$575M six-point Reliability Enhancement Plan throughout our 640 square mile service territory. This plan represents an additional \$190M investment to improve service reliability on a daily basis to our 782,000 customers. Our 2010 goal to replace 94,000 feet of cable, complete comprehensive service reliability on 38 feeders and trim trees over a 1,644 mile area is well underway. There are two critical elements to this plan, transparency and accountability.

In order to provide transparency to this process, our plans for Maryland and the District of Columbia are posted at <http://www.pepco.com/energy/reliability/default.aspx>. Equally important is Pepco's accountability to our stakeholders and customers. Pepco has actively communicated with over 70 legislators, conducted 40 community meetings and launched an informational campaign utilizing our senior executives to reiterate our commitment and restore confidence that Pepco can and will improve service reliability.

This year has been challenging for Pepco and our customers. Despite these challenges, we know Pepco's service reliability will improve through the successful implementation of our reliability enhancement plans. As our work progresses, we know that your involvement and support remains critical. As promised, we will continue to provide you with updates as needed and welcome your questions or concerns as we continue with our reliability improvement efforts.

If you have any questions, please contact Kim Watson, Region Vice President, Maryland Affairs, (202) 872-2524.

Sincerely,

A handwritten signature in black ink that reads "Thomas H. Graham".

Thomas H. Graham