

Power Line Undergrounding Fact Sheet

DC is making History!

On May 3, 2014, The Electric Company Infrastructure Improvement Financing Act of 2013 (B20-0387) became law in the District of Columbia. This new law **authorizes the undergrounding of up to 60** of the City's worst performing feeder distribution lines across Wards 3, 4, 5, 7, and 8 of the District.

Moreover, it marks the culmination of a nearly two-year effort by Mayor Vincent C. Gray, the City Council, the Office of the People's Counsel ("OPC" or "Office"), the D.C. Public Service Commission ("Commission" or "PSC"), community representatives and other stakeholders to effect **a historic public-private partnership** between the District and the Potomac Electric Power Company ("Pepco" or "Company") to improve the reliability of the District's electric-distribution system, which has been plagued with repeated power outages for decades.



Office of the People's Counsel
District of Columbia
Advocating, protecting and Educating DC Consumers

Overview

What is Undergrounding?

In the District, “undergrounding” refers to the process of placing select electric utility lines in vaults located beneath the surface of city streets.

Why do it?

Over the last 15 years, the District has been plagued by a series of extended power outages, often the result of damaged trees taking down power lines. Undergrounding key electric lines serving these areas will significantly reduce consumers’ exposure to outages caused by downed trees or other severe weather events.

How will it be paid for?

The District Government has authorized through a new law, approximately \$1 billion to fund the 7 – 10 year undergrounding project. These costs will appear on all customers’ bills. To carry out the project, DDOT is providing construction “services in kind,” and financing sources include District bond revenue, and traditional Pepco financing.

June 2012

The District and surrounding areas were struck by several severe weather events including a Derecho

What is the price of doing nothing ?

1.2 Million DC metro region consumers without electricity

7 Days Without Power

Hundreds of trees down

260 Broken utility poles

August 2012

Mayor Gray established a Task Force to develop a long-term solution to strengthen the electric grid

What Will the Project Cost?

Approximately

\$1B

Total Authorized Expenditure

May 2013

The Task Force presented its Findings and Recommendations to the Mayor

Will it be in my neighborhood?

The construction of approximately 60 overhead-to-underground feeders will take place in Wards 3, 4, 5, 7, and 8, and is expected to begin in late 2014-2015.



FAQs

Background Information

Is this proposal necessary? Why do it?

The undergrounding project is intended to quickly and comprehensively address reliability problems that have plagued the District over the last decade. Undergrounding many of the District's overhead power lines could be done on a piecemeal basis, with a few lines being placed underground each time there is a rate case before the Public Service Commission. However, that approach could take decades to complete. Relying on the traditional rate-case process would not achieve the time-sensitive improvements needed to achieve greater reliability from Pepco's electric-distribution system, which is now more than 100 years old.

When completed, this undergrounding project will significantly reduce the frequency, severity, and duration of electric-service outages caused by weather events. Severe weather often causes extensive outages when overhead electric-distribution lines are damaged by falling trees. Placing more power lines underground will make the District less vulnerable to storm-related outages.



“When completed, the power line undergrounding project is expected to significantly reduce the frequency, severity and duration of electric service outages caused by weather events.” - OPC-DC

The Infrastructure

Will we still have outages after lines are placed underground?

Yes. Outages may still occur, even after additional power lines are placed underground.

Many factors contribute to why the power can go out. First, electric power cannot easily be stored over extended periods of time and generally must be used less than a second after being produced. Further, because of the interconnected nature of the national electric grid—which feeds power to various electric-distribution systems located throughout the country—disconnections of generation, transmission, or distribution facilities can lead to load shedding power outages, even for customers who are served by underground distribution lines.

Undergrounding alone cannot prevent all power outages; however, burying Pepco's worst-performing feeders will effectively reduce storm-related outages, with a resulting increase in the ability to recover from a storm event.

FAQs

The Infrastructure, cont.

Does it take longer to repair underground power lines ?

Yes, underground lines may take longer to repair, however repair frequency will be greatly reduced. Because visual inspection is more difficult with underground systems, damage to underground facilities typically takes longer to locate and to repair than above-ground lines. In addition, underground systems generally have more complex operational needs, which can make them more difficult and costly to maintain.

Underground facilities are generally more challenging to modify should there be a need to upgrade service capacity or to add unplanned transformers to serve new customers. Underground electric facilities are subject to damage from dig-ins, and specialized training and equipment may be required for manhole/vault access. Finally, installation of underground services typically requires much more coordination between the utility and the customer than similar overhead service installations. Fortunately, new technology developed to make access easier to the underground facilities will eliminate some of these problems.

How do we know significant improvements in reliability will result ?

New equipment will replace the existing aging equipment, lessening the likelihood of equipment failure. Additionally, with the new Electric Quality of Service Standards going into effect in 2014, Pepco will be held accountable and will be subject to financial penalties for non-compliance.

Timeline: When will the plan be complete and is it possible for it to take longer than the projected time frame (7-10 years)?

The plan establishes a 7–10 year completion timeline.

Will customers who already have underground distribution lines be required to pay for the costs related to these upcoming undergrounding projects?

Yes. They, too, will pay. Undergrounding costs will be allocated among all customer classes. Consumers who already benefit from underground distribution service are subsidized by overhead service customers. Consequently, this program will put all customers on more equal footing.

Will Pepco earn a profit on its \$500 million debt-equity financing?

Yes, Pepco will receive a return on this amount. The return will be tied to the rate of return set by the PSC in Pepco's most recent rate case, which is currently 8.03 %. It will be amortized over a 60-year period rather than the traditional 30-year period, significantly reducing the cost to consumers. Pepco will not, however, earn a return on the \$375 million of District securitized bonds that will be used to finance the PSC-authorized DDOT/Pepco undergrounding projects, and the \$62 million from the DDOT capital improvement funding.

Contact Info.

For more information regarding the City's Underground Utilities Program, call the Information Line at 1-855-PHIADVOCATE or dial as (1-855-744-2386-22). You may send email to customeradvocate@pepco.com

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