

Emergency Preparedness – The Utility's Role in Ensuring 'Community Continuity'



Presented at the
EEI Transmission, Distribution, and Metering Conference
Tucson, Arizona

October 19, 2005

Emergency preparedness has become a headline issue for utilities

■ Terrorist attacks

- NYC: September 11, 2001 WTC attacks
- Madrid: March 11, 2004 train bombings
- London: July 8, 2005 subway bombings



■ Blackouts

- Northeastern North America: August 14, 2003
- Los Angeles: September 12, 2005



■ Hurricanes

- 2003: Isabel hits from Richmond to Philadelphia
- 2004: Charley, Frances, Ivan, Jeanne hit FL, AL
- 2005: Dennis, Katrina, Rita hit Gulf; Ophelia hits NC



***Increasingly, utilities are being scrutinized – after the fact –
for their response to emergencies***

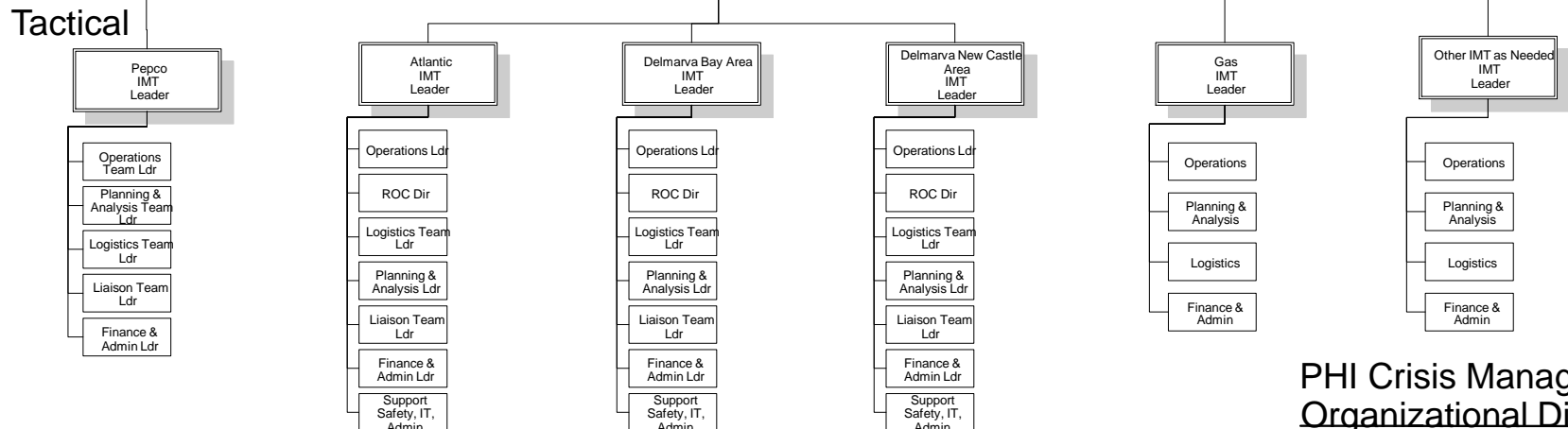
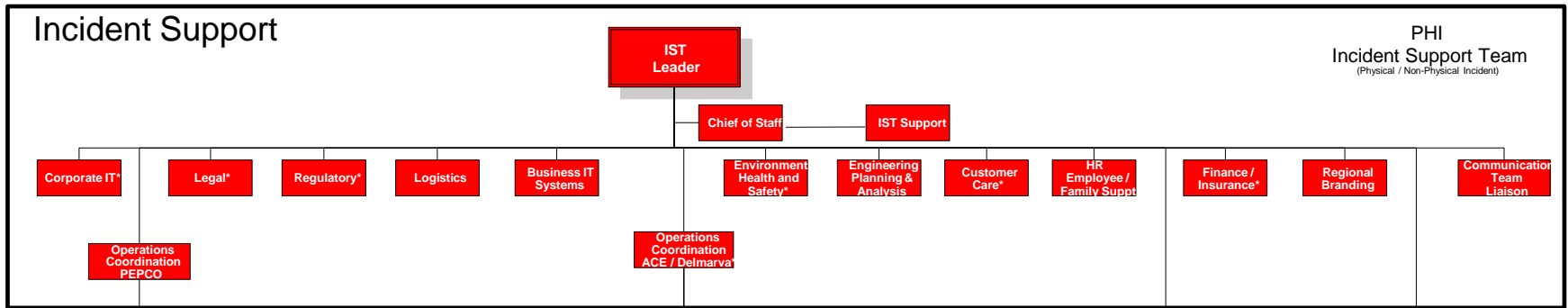
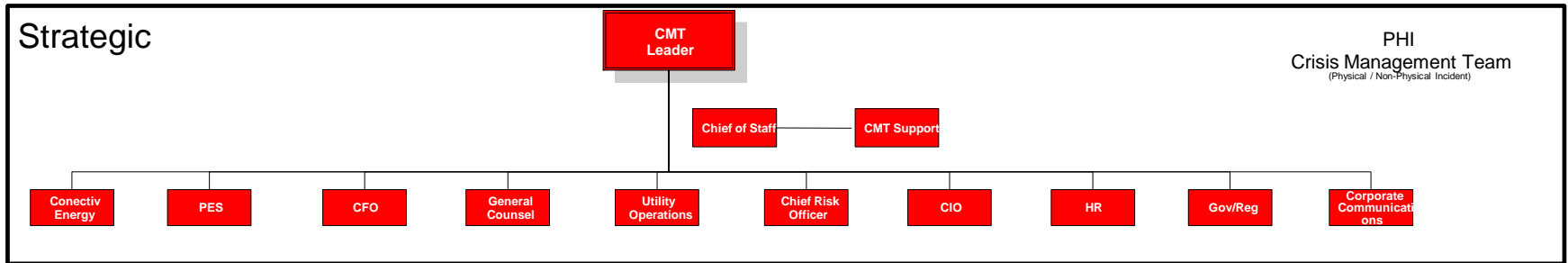
After Isabel, PHI established an Emergency Preparedness focus

- Hurricane Isabel hit the Washington DC area on September 19, 2003
 - Almost 1 million PHI customers were interrupted - over 75% of Pepco, over 40% of Conectiv
 - Within 48 hours, 55% of Pepco and 88% of Conectiv were restored, but some were out nine days
- PHI engaged former FEMA Director James Lee Witt's firm to perform a review...Draft report (Jan 2004) and PHI response (May 2004) saw three main issues:
 - Community Perspective
 - Customer Focus
 - Emergency Management Function
- As a result PHI made Mike Maxwell Vice President of Emergency Preparedness with a mission:
 - PHI's intent is to become an industry leader in Emergency Preparedness



Given PHI's unique territory and customer base, in today's world it is natural that PHI would aspire to Emergency Preparedness leadership

PHI refined its incident command structure



PHI Crisis Management Organizational Diagram

As of May 1, 2005

Central to the EP goal is the concept of 'Community Continuity'

■ What is 'community continuity'?

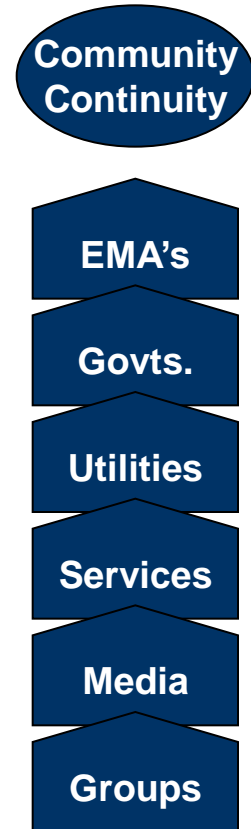
- It is a recognition that some customers have a larger role in the essential functions of the community (e.g., schools)

■ Who is involved in community continuity?

- 'All response is local'
- EMA
- Government agencies (Fed, state, county, local)
- Public services (fire, police, transit, street lights)
- Utilities (electric, gas, water, telephone, pipelines)
- Media and regulators
- Community groups (Council of Governments, community and homeowners' associations)

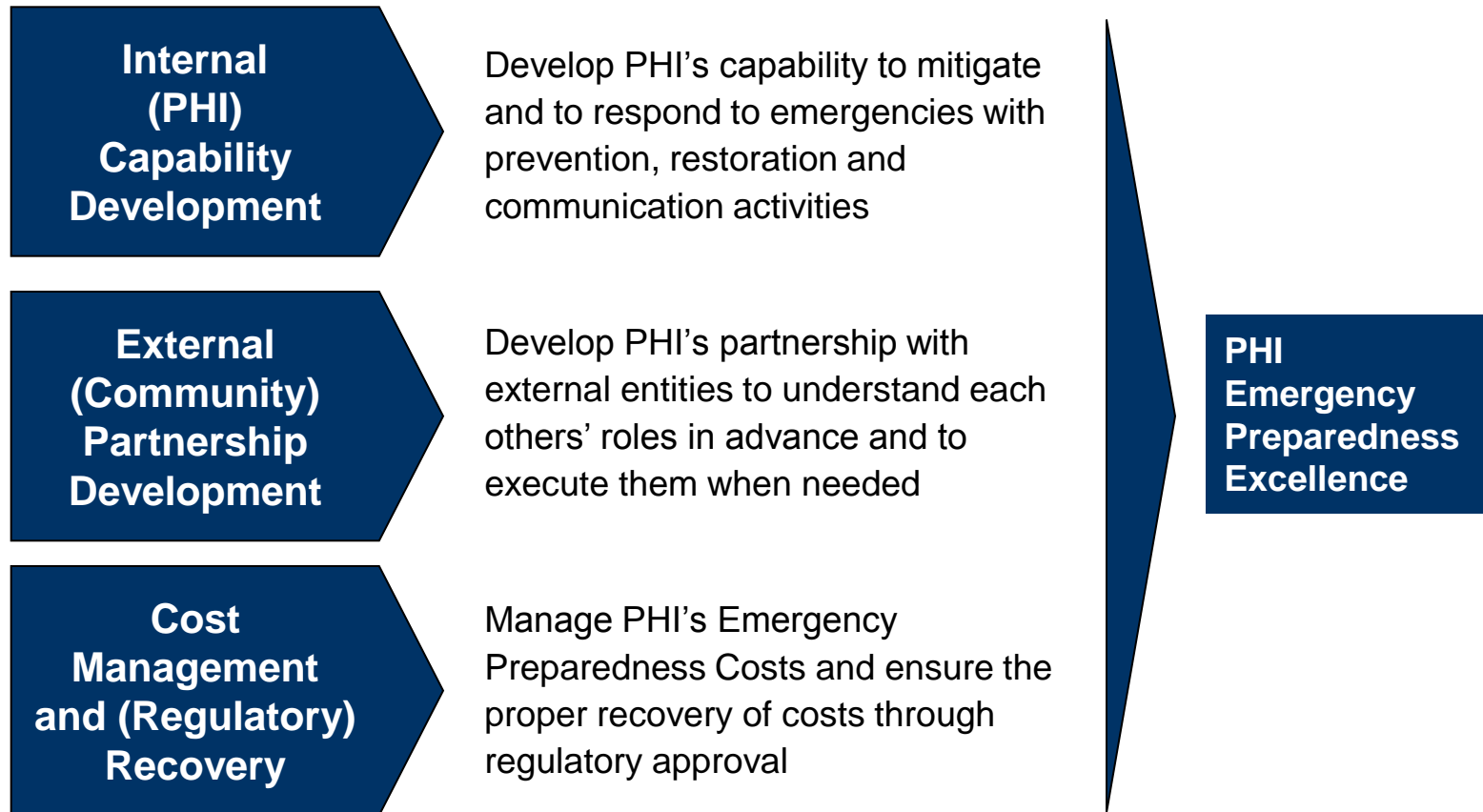
■ What is PHI's expected role?

- Where does it end? And how does PHI manage expectations about its role with these groups?



The key is to recognize that PHI cannot guarantee community continuity. It can only ensure that PHI does its part, and ensure others know theirs

For PHI to achieve its EP leadership aspiration, it must move forward significantly on three major fronts



The effort to achieve EP leadership will touch almost everyone in the company, as all re-examine the internal and external roles.

PHI will develop its internal capabilities for emergency preparedness

PHI Emergency Readiness Index

- Develop an annual comprehensive review of emergency readiness
 - Score given (e.g., '85') based on level of readiness of utility to respond to emergencies
 - Relative to most-probable-worst case and with the 'army you have', not what you would like to have

Integrate EP into Asset Management

- Work with Asset Management group to integrate "community continuity" into analysis of various asset management alternatives:
 - Security (e.g., new generation)
 - Reliability (e.g., transformer replacement)
 - Backup supply (e.g., redundancy)

Improve Situational Awareness

- Build state-of-the-art system management 'war room' to optimize communication and response to emergencies
 - Unintrusive access to all key systems
 - Information availability is critical

Building internal capability is key, but companies that stop there will miss the mark without also developing external and regulatory components

PHI will develop its external partnership with EP players

Communication Activities

		Meetings/ Education	Plans/ Procedures	Drills/ Exercises	Major Event
Entities	EMA	Key	Key	Key	Key
	Services	Supporting	Supporting	Key	Supporting
	Media and Regulators	Supporting	Key	Supporting	Supporting
	Community Groups	Key	Supporting	Situational	Supporting

Target of Communication

- Key
- Supporting
- Situational

- During 'major event', coordination of response should be primarily the responsibility of EMA
- During all other times, PHI must engage in wide-ranging coordination efforts with numerous organizations
 - PHI EP must prioritize the level of involvement with these entities

This is where PHI can ensure that other entities understand the vital yet limited role of the electric utility in the larger job of community continuity

PHI will ensure EP Cost Management and Rate Recovery

Proposed Practice/ Initiative	Estimated Annual Cost (\$M)	Explanation
Develop Emergency Readiness Index and assess annually	1-2	Costs to operate; could increase depending on annual assessment and proposed initiatives
Integrate EP into Asset Management	<1	Costs to study and analyze business cases only: capital costs allocated to Asset Management Group
Improve Situational Awareness	1-3	Technological (i.e., IT) improvements primary cost driver
Strengthen Community Outreach Practices	1-2	Mostly part of current budget; resources reorganized; costs of training, etc.

The cost of EP activities is relatively minimal compared to costs of ensuring outage prevention and of accelerating restoration during major events

Every utility needs to assess its emergency preparedness function

Key Observations (in PHI's view)

- Emergency preparedness is increasingly important
- Community continuity is a community job – not just the utility's
- Internal preparedness is only a partial solution
- Leadership in EP will require a planned effort involving the entire company and its partners
- Information flow to the right parties is critical
- Crisis management competency is critical

Key Questions (for any utility)

- When was the last time your EP plan was really tested?
- When was the last time someone in your company talked to each major local official about EP?
- Does everyone in your company know their "second job", i.e. their role in emergencies?
- Does your company have a clear understanding with your regulator about rate recovery of emergency-related costs?

Questions?

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