



**Office of the People's Counsel  
District of Columbia**

1133 15th Street, NW • Suite 500 • Washington, DC 20005-2710  
202.727.3071 • FAX 202.727.1014 • TTY/TDD 202.727.2876



**Brenda K. Pennington**  
Interim People's Counsel

December 15, 2010

**VIA ELECTRONIC FILING**

Dorothy Wideman  
Commission Secretary  
Public Service Commission  
of the District of Columbia  
1333 H Street, N.W.  
Second Floor West Tower  
Washington, D.C. 20005

**Re: Formal Case No. 766, In The Matter of the Commission's Fuel Adjustment  
Clause Audit and Review Program**

Dear Ms. Wideman:

Enclosed for filing in the above-referenced proceeding are an original and three (3) copies of the "Motion of the Office of the People's Counsel Requesting the Public Service Commission of the District of Columbia Conduct a Full-Scale Management and Operations Audit of the Potomac Electric Power Company In Accordance With 15 D.C.M.R. § 522.1." If there are any questions regarding this matter, please contact me at (202) 727-3071.

Sincerely,

Brian O. Edmonds, Esq.  
Assistant People's Counsel

Enclosure

cc: Parties of record

**CERTIFICATE OF SERVICE**

**Formal Case No. 766**

I hereby certify that on the 15<sup>th</sup> day of December, 2010, a copy of the attached “Motion of the Office of the People’s Counsel Requesting the Public Service Commission of the District of Columbia Conduct a Full-Scale Management and Operations Audit of the Potomac Electric Power Company In Accordance With 15 D.C.M.R. § 522.1” was served on the following parties of record by hand delivery; first class mail, postage prepaid; or, electronic mail:

Richard Beverly, Esq.  
General Counsel  
Public Service Commission of the  
District of Columbia  
1333 H Street, N.W., 7<sup>th</sup> Floor East  
Washington, D.C. 20005

Phylicia Fautleroy Bowman  
Executive Director  
Public Service Commission of the  
District of Columbia  
1333 H Street, N.W., 6<sup>th</sup> Floor East  
Washington, D.C. 20005

Deborah M. Royster, Esq.  
Deputy General Counsel  
Potomac Electric Power Company  
701 Ninth Street, N.W., Suite 1100  
Washington, D.C. 20068

Bernice K. McIntyre, Esq.  
Director, Regulatory Matters  
Washington Gas Light Company  
101 Constitution Avenue, NW  
Third Floor West  
Washington D.C. 20080

Honorable Betty Ann Kane  
Chairman  
Public Service Commission of the  
District of Columbia  
1333 H Street, N.W., 7<sup>th</sup> Floor East  
Washington, D.C. 20005

Brian R. Caldwell, Esq.  
Assistant Attorney General  
Office of the Attorney General  
441 4<sup>th</sup> Street, N.W., Suite 650-N  
Washington, D.C. 20001

Honorable Richard E. Morgan  
Commissioner  
Public Service Commission of the  
District of Columbia  
1333 H Street, N.W., 7<sup>th</sup> Floor East  
Washington, D.C. 20005

Frann Francis, Esq.  
Vice President & General Counsel  
Apartment & Office Building  
Association of Metropolitan Washington  
1050 17<sup>th</sup> Street, NW, Suite 300  
Washington, D.C. 20036

Honorable Lori Murphy Lee  
Commissioner  
Public Service Commission of the  
District of Columbia  
1333 H Street, N.W., 7<sup>th</sup> Floor East  
Washington, D.C. 20005

Honorable Muriel Bowser, Chairperson  
Committee on Public Services  
and Consumer Affairs  
Council of the District of Columbia  
1350 Pennsylvania Avenue, N.W., Suite 406  
Washington, D.C. 20004

Lydia Pulley  
Vice President and General Counsel  
Verizon Washington, D.C., Inc.  
2055 L Street, N.W., Fifth Floor  
Washington, D.C. 20006-4601

J. Henry Ambrose  
Vice President, Regulatory Matters  
Verizon Washington, D.C., Inc.  
2055 L Street, N.W., Fifth Floor  
Washington, D.C. 20006-4601

A handwritten signature in black ink, appearing to read "Brian O. Edmonds". The signature is stylized and written over a horizontal line.

Brian O. Edmonds, Esq.  
Assistant People's Counsel

**BEFORE THE  
PUBLIC SERVICE COMMISSION  
OF THE DISTRICT OF COLUMBIA**

<b>In the Matter of the</b>	§	
	§	
<b>Commission’s Fuel Adjustment Clause</b>	§	<b>Formal Case No. 766</b>
<b>Audit and Review Program</b>	§	<b>(Motion)</b>

**MOTION OF THE OFFICE OF THE PEOPLE’S COUNSEL REQUESTING THE  
PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA CONDUCT A  
FULL-SCALE MANAGEMENT AND OPERATIONS AUDIT OF THE POTOMAC  
ELECTRIC POWER COMPANY IN ACCORDANCE WITH 15 D.C.M.R. § 522.1**

**I. INTRODUCTION**

Pursuant to Rule 105.8 of the Rules of Practice and Procedure of the District of Columbia Public Service Commission (“PSC” or “Commission”), 15 D.C.M.R. § 105.8 (2010) and 15 D.C.M.R. § 522.1, the Office of the People’s Counsel (“OPC” or “Office”), the statutory representative of District of Columbia ratepayers in utility proceedings,<sup>1</sup> respectfully files this Motion Requesting the Public Service Commission of the District of Columbia Conduct a Full-Scale Management and Operations Audit of the Potomac Electric Power Company (“Motion for Management Audit”).

**II. SUMMARY OF OPC’S REQUEST**

In a regulation approved by the Commission, the PSC is required to “periodically (but not less often than every six (6) years) have a full-scale management and operations audit of the company to determine the quality of the performance of management and identify areas for productivity to improvement.”<sup>2</sup> There being no public record of any full-scale management and operations audit having been conducted within the past six years, the Office respectfully requests

---

<sup>1</sup> D.C. Code § 34-804.

<sup>2</sup> 15 D.C.M.R. § 522.1 (2010).

the Commission act in accordance with its statutory authority as the sole agency with plenary authority over public utilities operating in the District of Columbia<sup>3</sup> and this regulation and conduct the legally required full-scale audit of the management and operations of the Potomac Electric Power Company (“PEPCO” or “Company”).

### **III. DISCUSSION**

On September 25, 2009, OPC filed its “Analysis of the Potomac Electric Power Company’s Electric Distribution System in the District of Columbia of the Office of the People’s Counsel” (“Reliability Analysis”).<sup>4</sup> The Reliability Analysis contained 70 recommendations for improving PEPCO’s electric distribution system in the District of Columbia.<sup>5</sup> One recommendation was for the Commission to “implement a full management audit of the Pepco operations providing electric service to the District of Columbia under the direction of the Commission staff.”<sup>6</sup> Accordingly, OPC recommended that “at a minimum, the Commission should retain an outside consulting entity under the direction of Commission staff to conduct a complete management audit of Pepco’s operations.”<sup>7</sup> A full and complete management audit should evaluate the management, operation, emergency response, computing systems and every aspect of PEPCO’s processes and planning as well as offer suggestions and recommendations for improvement. In particular, the management audit should include the Company’s construction planning in relation to the needs of its customers for reliable service. The entity performing the

---

<sup>3</sup> D.C. Code § 1-204.93 (2010).

<sup>4</sup> Formal Case Nos. 766, 982, 991, 1002, 1026 and 1062, Analysis of the Potomac Electric Power Company’s Electric Distribution System in the District of Columbia of the Office of the People’s Counsel (Sep. 25, 2009) (hereinafter, “Reliability Analysis”).

<sup>5</sup> Reliability Analysis, Appendix No. 1 - Summary of Recommendations at 106-116.

<sup>6</sup> Reliability Analysis at 9 and 93.

<sup>7</sup> OPC’s Summary at 12.

management audit must be independent and therefore, not picked by or under the direction of PEPCO in order to ensure the proper level of review and constructive criticism.

Since the filing of the Reliability Analysis, the Commission has taken no action on the recommendations. The Office believes the legal requirement imposed by the Commission's own regulations to conduct a full-scale audit of the management and operations of PEPCO is unavoidable.<sup>8</sup>

Therefore, the Office requests the PSC exercise its full authority as the sole agency responsible for ensuring that "every public utility doing business within the District of Columbia is required to furnish service and facilities reasonably safe and adequate and in all respects just and reasonable" and to conduct the legally required full-scale management and operations audit.<sup>9</sup> To the extent detailed procedures need to be prescribed for conducting this audit, OPC recommends the PSC open a rulemaking docket in order to adopt reasonable and proper rules and regulations, as permitted by D.C. Code § 34-902 and in accordance with the D.C. Administrative Procedure Act.<sup>10</sup>

The Office acknowledges the PSC has directed PEPCO to "procure the services of a contractor, subject to the Commission's approval of the RFP and the Commission's selection of a contractor, to conduct an independent audit of the costs of PHI's Service Company allocated to Pepco in the District."<sup>11</sup> The scope of the audit OPC is seeking herein is much broader and focuses on the management and operations of PEPCO, itself, while Order 16087 focuses on the

---

<sup>8</sup> 15 D.C.M.R. § 522.1.

<sup>9</sup> D.C. Code § 1-204.93 (2010).

<sup>10</sup> D.C. Code § 2-503 and 2-505 (2010).

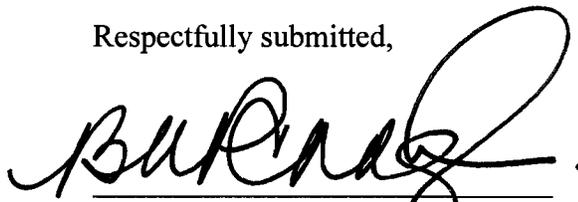
<sup>11</sup> Formal Case No. 1076, *In the Matter of the Application of the Potomac Electric Power Company For Authority to Increase Existing Retail Rates and Charges For the Electric Distribution Service*, Order No. 16087 at ¶ 4, rel. Dec. 10, 2010.

services the PHI Service Company provides PEPCO.

**IV. CONCLUSION**

**WHEREFORE**, for the foregoing reasons, OPC respectfully requests the Commission grant this Motion and conduct a full-scale management and operations audit of the Company to determine the quality of the performance of management and identify areas for productivity to improvement, pursuant to 15 D.C.M.R. § 522.1.

Respectfully submitted,



Brenda K. Pennington, Esq.  
Interim People's Counsel  
D.C. Bar No. 478941

Sandra Mattavous-Frye  
Deputy People's Counsel, Esq.  
D.C. Bar No. 375833

Brian O. Edmonds  
Assistant People's Counsel  
D.C. Bar No. 475869

Maggie Sallah, Esq.  
Assistant People's Counsel  
D.C. Bar No. 982618

OFFICE OF THE PEOPLE'S COUNSEL  
FOR THE DISTRICT OF COLUMBIA  
1133 15th Street, N.W., Suite 500  
Washington, D.C. 20005-2710

Dated: December 15, 2010