

Community *focus*

Pepco Files Earth-Friendly Plan To Drive Down Future Energy Costs



Dear State Legislator:

Imagine a hot August day in the near future. A humid, 95 degrees hot. It's the kind of day that drives electric bills through the roof. But not yours.

You have a "smart" meter and a "smart" thermostat. When these devices are used together, you can have Pepco cycle your air conditioner so it's not running constantly while you're away at work.

Your state-of-the-art meter also is linked to other home appliances – and if you wish – they can be cycled too. Not only do you control how you use energy, but you receive a credit on your electric bill for not using energy during times when electricity demand and prices are at their highest. So you save money.

On that same day, a severe summer storm occurs while you're at work. The power is out at your house, but you don't know it. But Pepco is aware of your outage because the "smart" meter allows us to detect power outages remotely.

Stop. You don't have to imagine anymore. These new technologies – and much more – are part of a comprehensive plan Pepco has filed with the Maryland Public Service Commission to meet future energy needs efficiently.

Once we receive Commission approval, Pepco will begin program implementation, which could be as early as this fall for some of the energy savings efforts. However, it's likely to take three to five years before all components of our plan are in place.

Customers have told us they want control over rising energy prices. They have also told us they want a focus on environmental stewardship from Pepco. We're listening.

Our plan responds to your desires with tools to help you cut energy use and manage rising energy costs. And with less energy being used, there will be fewer power plant emissions to harm the environment.

Since the plan is a partnership between Pepco and our customers, we need your help. Everyone will need to take part if the full potential of proposed energy savings is to be realized.

I invite you to read further about this exciting opportunity that charts the course for a cleaner environment and lower energy costs. Inside this special edition of Community Focus is more information on the particulars of our plan.

Customer Care: (202) 833-7500

To report an outage: 1-877-PEPCO-62 (1-877-737-2662)

Web Site: www.pepco.com

Sincerely,

A handwritten signature in black ink that reads "Therese Yewell".

Therese C. Yewell
Manager, State Relations
202-872-4280
tcyewell@pepco.com

Partnering with Customers for an Energy-Efficient Tomorrow

As the price of energy was rising for all of us last year, we heard our customers say they wanted to know what Pepco was doing to address the problem.

Fast forward to this year. We still face energy challenges, given our society's growing appetite for energy. But Pepco believes there is a way to reduce the cost of energy while protecting the environment. We believe this can be done through advanced technologies that will empower all of us to better manage our energy use.

Recently, Pepco submitted its plan for an energy-efficient tomorrow to the Maryland Public Service Commission. Pepco is hoping to work collaboratively with Maryland officials to make the plan a reality for our customers.

Here's a snapshot of our proposal:

- Give customers the tools needed to know how and when they use energy. (Customers who cut their demand during peak periods, when the wholesale price of electricity is higher, will reap the cost savings.) These tools include state-of-the-art meters and thermostats that will help Pepco –
 - reduce energy costs for customers who allow the cycling of their home's largest energy user – air conditioning – during high-demand periods,
 - remotely identify the location of outages and restore power faster,
 - eliminate the need for estimated bills, and
 - provide customers with bill credits when they invest in energy-efficient appliances.
- Introduce new rate options that encourage the use of renewable energy sources such as wind and solar, and encourage the use of plug-in electric vehicles.

While we announced our proposal just last month, it has been in the works for quite some time. In the coming months, you will learn more details about this initiative to reduce energy costs, enhance reliability and protect the environment.

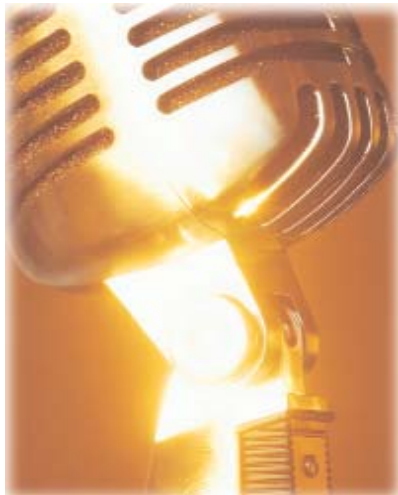
Together, we can make a measurable contribution to meeting environmental challenges, and at the same time make electric bills more affordable.



Programs and Technologies Will Be Phased In Over Time

Pepco will take a phased approach to implementing its programs of technology and energy savings over the next three to five years.

Phase	Activity Example	Timing
Phase I – Energy assistance and education for customers	Introduce customers to My Account , the online bill analysis tool at www.pepco.com that provides suggested energy-savings ideas.	Present Time
Phase II – Demand Side Management Programs (customer energy-savings efforts)	Financial incentives that encourage customers to purchase high-efficiency lighting and appliances.	Fall 2007-Winter 2008 through life of program; planning is under way for program implementation
Phase III -- Technology Innovations	Installation of smart meters, smart thermostats	Fall 2008-Winter 2009 through about 2012



We Have a Speaker for Your Next Event

Pepco looks forward to telling you more about our innovative proposal that will save energy and reduce environmental impact.

Employees are available to address community and business groups on this or other energy-related topics. The presentation can be customized to meet the unique requirements of the organization.

Speakers are available for either day or evening meetings. To arrange for a Pepco speaker, call 202-872-2089.

Innovative Technologies Will Save Money, Save Energy and Enhance Reliability

Innovative technologies are at the heart of Pepco's proposal. Over the next three to five years the utility will be installing smart meters for each customer. They look something like the meter you currently have, but there are major differences.

For one thing, they enhance reliability and customer service. A smart meter can detect the location of a power outage right down to an individual customer address. You don't have to be home to report the outage. The smart meter signals the outage to Pepco, which helps us restore your power more quickly.

The new device also allows Pepco to remotely read your meter, which reduces the need for estimated bills and improves billing accuracy and timeliness.

And when a smart meter is used with a smart thermostat, you can reduce energy use and save money on your utility bill. Together, these devices allow Pepco to send a signal to cycle your central air conditioner during times of high demand, such as on hot summer afternoons. That's when energy prices are the highest.



Pepco will provide the smart thermostat and arrange for installation free to you when you sign up for this voluntary program.

Glossary of Energy Terms

Here is a glossary of energy terms that you will come to hear more frequently in the coming months and years as Pepco implements its energy- and money-saving proposals.

Automated Metering Infrastructure – a system that communicates with meters to support the full benefit of smart meters and smart thermostats (see definitions below).

Demand Side Management – programs or actions that encourage utility customers to change how much and at what times they use energy with a goal of saving energy and reducing energy costs.

Energy Star – a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy that promotes the use of energy efficient products and practices to save energy and protect the environment.

Peak Demand – the maximum power required at a given time, or the amount of power required to supply customers at times when energy consumption is the highest. Pepco customers typically use the most energy during hot summer afternoons.

Smart Meter – a meter that measures electricity use by the hour in real time. Traditional electric meters only measure total electricity use over time. Information from a smart meter can help consumers save money by determining when the least expensive time is to use electricity. These devices also remotely detect power outages for faster service restoration.

Smart Thermostat – a programmable device that schedules when to run your home's heating or air conditioning system. Some thermostats can receive a signal from an outside source, such as your utility, that cycles heating and cooling systems to run only when energy prices are low.



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