

OPC's Fact Sheet of the Proposed Merger of Exelon and Pepco



Q: What is Exelon?

A: Exelon, headquartered in Chicago, IL, was created in 2000 by the merger of PECO Energy in Pennsylvania and ComEd in Illinois. The company is one of the leading providers of energy in the United States and is active in all phases of the energy industry. In terms of generation, Exelon is the largest owner and operator of nuclear plants in the United States. The company is very active in the interstate transmission of energy and owns distribution assets in Maryland, Illinois, and Pennsylvania.

- In 2012, Exelon expanded its distribution operations when it merged with BGE in Maryland. Currently, Exelon has approximately eight million natural gas and electric consumers in Illinois, Pennsylvania, and Maryland.
- If the proposed merger with PHI is approved in all four jurisdictions (New Jersey, Maryland, Delaware and DC), Exelon will have approximately 10 million consumers in Illinois, Pennsylvania, Maryland, New Jersey, Delaware and the District of Columbia.

Q: What is this case about?

A: Exelon would like to purchase Pepco Holdings., Inc. ("PHI"), the parent company of the Potomac Electric and Power Company ("Pepco") – the District's largest electric service provider -- for \$6.83 billion. The DC Public Service Commission ("PSC") opened this case to consider whether to approve these companies' application to merge.

- As required by law, Exelon and PHI have also filed an application for approval from the Federal Energy Regulatory Commission ("FERC"). The merger is also being considered by state utility commissions in Maryland, New Jersey and Delaware, where PHI has distribution companies. According to Exelon, if one of these jurisdictions does not approve the merger, the entire proposal to merge will be terminated.

Q: What are Exelon and Pepco offering consumers in this merger?

A: Exelon and Pepco are offering consumers a Customer Investment Fund of \$33.7 million. This money can be distributed to consumers in one of the following three ways:

1. A one-time rate credit of \$114 for every customer, or
2. Used to fund energy efficiency projects, or
3. Used for energy assistance for low income consumers

Q: What is OPC's position in this case?

A: OPC's position is that the merger is not in the public interest because it would result in an imbalance of benefits between the merged company and ratepayers. Exelon and Pepco would reap significant financial benefits. However, the only 'benefit' ratepayers can readily identify at this time is a possible one-time \$114 rate credit from the Customer Investment Fund. Consumers would also face substantial risks such as less reliable electric service, higher rate increases in the future and compromised progress in the area of renewable generation.

Q: What is the Commission's role in this case?

A: The Commission must determine if Exelon and Pepco's application meets the legal standard for merger approval found in DC Code § 34-504. In order to meet the standard, the Commission must find that 1) the benefits to the merged companies does not cause harm to consumers, 2) consumers must receive direct and traceable benefits and 3) the merger is in the public interest.

Q: How will the Commission determine whether the merger is in the public interest?

A: The Commission established seven factors by which to examine the merger to determine if the proposal is in the public interest. The Commission will consider the effects of the transaction on:

- (1) ratepayers, shareholders, the financial health of the utilities standing alone and as merged, and the economy of the District;
- (2) utility management and administrative operations;
- (3) public safety and the safety and reliability of services;
- (4) risks associated with all of the Joint Applicants' affiliated non-jurisdictional business operations, including nuclear operations;
- (5) the Commission's ability to regulate the new utility effectively;
- (6) competition in the local retail, and wholesale markets that impacts the District and District ratepayers; and
- (7) conservation of natural resources and preservation of environmental quality.

Q: When will a decision be reached in this case?

A: The evidentiary hearings concluded in April. The parties will file briefs in May and a decision is expected in late August or early September 2015.

Q: How can members of the public put their viewpoints before the Commission?

A: The last day members of the public can submit comments to the Commission is Wednesday, May 27, 2015. Comments can be sent to the following address:

Brinda Westbrook-Sedgwick, Commission Secretary
Public Service Commission of the District of Columbia
1333 H Street, N.W., Second Floor, West Tower
Washington, DC 20005
psc-commissionsecretary@dc.gov
Attn: Formal Case No. 1119