

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE APPLICATION OF)
DELMARVA POWER & LIGHT COMPANY, INC.)
EXELON CORPORATION, PEPCO HOLDINGS, INC.)
PURPLE ACQUISITION CORPORATION, EXELON) PSC DOCKET NO. 14-193
ENERGY DELIVERY COMPANY, LLC, AND)
SPECIAL PURPOSE ENTITY, LLC FOR APPROVALS)
UNDER THE PROVISIONS OF 26 *DEL. C.* §§ 215)
AND 1016 (FILED JUNE 18, 2014))

**THE DIVISION OF THE PUBLIC ADVOCATE’S OPPOSITION
TO THE MOTION OF INTERVENOR JEREMY FIRESTONE
FOR CEASE AND DESIST ORDER RESTRAINING
THE DELAWARE DIVISION OF PUBLIC ADVOCATE
FROM TAKING ACTIONS ANTAGONISTIC
TO THE AMENDED SETTLEMENT AGREEMENT**

The Division of the Public Advocate (“DPA”) hereby responds to the Motion of Intervenor Jeremy Firestone for Cease and Desist Order Restraining the Delaware Division of Public Advocate from Taking Actions Antagonistic to the Amended Settlement Agreement (the “Motion”), and in support thereof states as follows:

BACKGROUND

A. The Merger and Amended Settlement Agreement

1. On June 18, 2014, Exelon Corporation (“Exelon”), Pepco Holdings, Inc. (“PHI”), Delmarva Power & Light Company (“Delmarva”), Purple Acquisition Corporation (“Purple”), Exelon Energy Delivery Company, LLC, and Special Purpose Entity, LLC (together, the “Joint Applicants”) filed an application with the Delaware Public Service Commission (the “Commission”) pursuant to 26 *Del C.* §§215 and 1016 for a change of control of Delmarva to be effected by a merger of PHI with Purple (the “Merger”).

2. The Commission opened this docket to consider the application. The Division of the Public Advocate (“DPA”) exercised its statutory right of intervention. Intervenor status was also granted to the Delaware Department of Natural Resources and Environmental Control (“DNREC”), the Mid-Atlantic Renewable Energy Coalition (“MAREC”), the Delaware Sustainable Energy Utility (“SEU”), NRG Energy, Inc., Partners for a Sustainable Delaware, Chesapeake Utilities Corporation, Monitoring Analytics, LLC, the Clean Air Council (“CAC”), and Jeremy Firestone (“Firestone”).

3. In February 2015, the Joint Applicants, the Commission Staff (“Staff”), the DPA, DNREC, MAREC, SEU and CAC presented the Commission with a Motion to Amend the Scheduling Order, to which was attached a Settlement Agreement executed by those parties (the “Initial Settlement Agreement”). The Initial Settlement Agreement provided as follows:

84. For the purpose of meeting the renewable portfolio standards under current law, Delmarva Power will issue a competitive request for proposals (“RFP(s)”) to purchase wind Renewable Energy Credits (“RECs”) on commercially reasonable terms in three tranches: (1) the first for RECs from one or more renewable generating facilities with an aggregate capacity of up to 40 MW (nameplate) beginning in the compliance years 2017-2018 for a term of 10 to 15 years; (2) the second for RECs from one or more renewable generating facilities with an aggregate capacity of up to 40 MW (nameplate) beginning in the compliance years 2019-2020 for a term of 10 to 15 years; and (3) the third for RECs from one or more renewable generating facilities with an aggregate capacity of up to 40 MW (nameplate) beginning in the compliance year 2023-2024 for a term of 10 to 15 years. The Settling Parties agree that if circumstances or conditions change (including but not limited to a material change in the projected load of Delmarva Power such that fewer RECs are required, or a substantial change in the cost of RECs through the spot market such that additional spot-market purchases in lieu of long-term contract purchases will be prudent), they will work in good faith with each other and present any proposed modification to the Commission as may be warranted by those changed conditions. The primary factor under the RFP bid process will be price, and all costs associated with the REC agreement(s) will flow through the Renewable Portfolio Compliance Rate surcharge currently in place to assure complete and timely cost recovery by Delmarva Power. Delmarva Power, with the concurrence of the Renewable Energy Task Force, shall file any such RFP pursuant to this paragraph with the Commission for its review and required approval prior to

issuance. Any proposed contract(s) resulting from the RFP shall also be submitted to the Commission for final review and approval before execution.

* * *

110. This Settlement Agreement shall be binding on the Settling Parties upon approval by the Commission. This Settlement Agreement contains terms and conditions above and beyond the terms contained in the Application, each of which is interdependent with the others and essential in its own right to the signing of this Settlement Agreement. Each term is vital to the Settlement Agreement as a whole, since the Settling Parties expressly and jointly state that they would not have signed the Settlement Agreement had any term been modified in any way. None of the Settling Parties shall be prohibited from or prejudiced in arguing a different policy or position before the Commission in any other proceeding, as such agreements pertain only to this matter and to no other matter.

(Settlement Agreement, ¶¶84, 110).¹ Firestone was not a signatory to the Initial Settlement Agreement, and indeed he opposed the Initial Settlement Agreement and the Merger.

4. In April 2015, the Joint Applicants, the Commission Staff (“Staff”), the DPA, DNREC, MAREC, SEU and CAC presented the Commission with an Amended Settlement Agreement (“Amended Settlement Agreement”). Paragraphs 84 and 110 of the Amended Settlement Agreement were identical to the Paragraphs 84 and 110 in the Initial Settlement Agreement.²

5. Firestone was not a signatory to the Amended Settlement Agreement; however, he advised the Commission that he did not oppose it. Indeed, he told the Commission that he was *not* signing the Amended Settlement Agreement because it did not address some of his “core issues.” (Transcript of April 7, 2015 Evidentiary Hearing at 534). He went on to say:

I’m far from getting everything I wanted, if you read my supplemental testimony. But I got something that is very important to me. Again, I don’t mean land-based wind or energy efficiency. I am a person who cares as much, if not more, about process as the outcome. And who, in life, and by vocation seeks to educate and improve policy decisions.

¹ The Initial Settlement Agreement is attached hereto as Exhibit A.

² The Amended Settlement Agreement is attached hereto as Exhibit B.

I was able to accomplish improvements in the settlement even to face a strong coalition who were in favor of the settlement. I can take comfort that the settlement has been approved on a couple of fronts.

So, one, the ratepayers will receive checks this summer, rather than monthly payments over ten years. I think that that's good, the amounts that the people are going to receive, households on a monthly basis, probably is less than most of us in this room provide as allowances to our children.

So, I think that's good. And I'll take great satisfaction when the ratepayers receive their credit this summer, assuming you approve the merger and everything goes through.

Also, if additional moneys come in, as Mr. Geddes talked about, as a result of the Maryland or D.C. proceedings, the settlement now provides that you, as the Commission, get to decide how to allocate that money in the public interest. I think that is good.

I don't know if we pay you the big bucks, but we do look to you as a state, as the Commissioners, as the ones who determine the public interest. And I'm pleased that any moneys that we will entrust to you in your judgment.

... I would ask that any decision on how to allocate any of these additional moneys wait until after I return on June 11th.

That is in Paragraph 104(a). I think that can be accomplished in that effect and not affect the merger at all.

Earlier the settlement oddly capped the money that Exelon would have to commit to low income energy efficiency at two million but provided no floor. We cleaned up the language. So I'm glad of that.

And lastly, in addition to the natural gas study, Exelon committed to undertaking a land-based wind study, which I think has some promise. And I think that will give you all good information on potential choices that lay ahead before us as a state, in particular Southern Delaware.

Id. at 535-37. Later during the hearing, he testified that he had been concerned about the following issues with respect to the proposed Merger and the initial Settlement Agreement: (a) the Merger's claimed reliability and synergy benefits (*id.* at 636-37); (b) the Merger would result in a company with significant generation assets (*id.* at 637-38); (c) the company's positions on renewable energy (*id.* at 638); (d) the Customer Investment Fund, and specifically the proposed

ten-year payout (*Id.* at 638-41); (e) the natural gas generation study (*id.* at 640-41); (f) land-based wind in the State of Delaware (*id.* at 641-44); (g) the lack of a floor in the low income commitment (*id.* at 644); and (h) any additional monies to which Delaware would become entitled as a result of the Most Favored Nation clause and who would decide how those additional monies would be allocated. (*id.* at 644-46).

6. The Commission approved the Amended Settlement Agreement and the Merger in a minute Order on June 2, 2015.

B. The Renewable Energy Portfolio Standards Act

7. In 2010, the General Assembly amended the Renewable Energy Portfolio Standards Act (the “REPSA”). In those amendments, the General Assembly increased the percentage of renewable energy that a regulated utility had to purchase to meet its supply requirements. Realizing that this might place a burden on ratepayers, the General Assembly also provided for a freeze of the renewable energy resource requirements if their costs reached a certain threshold. 26 *Del. C.* §354(i) and (j). The 2010 amendments also added a provision vesting the Commission with the authority to promulgate regulations specifying the procedures for freezing the minimum cumulative renewable energy resource requirements. *Id.* §362(b).

8. The Commission did promulgate regulations in 2011, but those regulations did not specify the procedures for freezing the minimum cumulative renewable energy resource requirements. 26 *Del. Admin. C.* §3008 *et seq.*

9. In 2012, DNREC issued a Start Action Notice to promulgate regulations to implement 26 *Del. C.* §354. It published proposed regulations in 2013, 2014 and 2015.

10. In October 2015, the DPA filed a petition with the Commission asking the Commission to reopen its rulemaking docket to promulgate regulations to specify the procedures

for freezing the minimum cumulative renewable energy resource requirements. The Caesar Rodney Institute (“CRI”) filed a similar petition. In its petition, the DPA argued that the Commission, not DNREC, had the authority to promulgate regulations specifying the procedures for freezing the minimum cumulative renewable energy resource requirements. DNREC and the Commission Staff opposed the petitions. In Order No. 8807 dated November 3, 2015, the Commission denied the DPA’s and the CRI’s petitions. The DPA has appealed the Commission’s Order to the Superior Court. *See The Division of the Public Advocate v. The Delaware Public Service Commission*, C.A. No. N15A-12-002 FSS.

11. The DPA also filed comments on DNREC’s 2014 and 2015 proposed rules to implement 26 *Del. C.* §354(i) and (j). With respect to the 2015 proposed regulations, the DPA argued that the PSC, not DNREC, has the authority to promulgate regulations specifying the procedures for freezing the minimum cumulative renewable energy resource requirements under 26 *Del. C.* §362(b). Furthermore, even if DNREC did have the authority to promulgate regulations, the DPA contended that DNREC had erroneously excluded Qualified Fuel Cell Provider Project costs from the calculation of the costs of complying with REPSA; erroneously included transmission and distribution costs in the calculation of the “total retail cost of electricity for retail electric suppliers;” and had exceeded its authority in identifying factors that it would consider in determining whether to declare a freeze that were found nowhere in the REPSA.

C. The Motion.

12. On December 11, 2015, Firestone filed the Motion. In the Motion, he asserts that the DPA has taken the position that a “freeze should be implemented now,” and claims that the DPA’s “assertion and its actions in DNREC’s rulemaking docket and more generally before this

Commission are antagonistic and adverse to, and attack, rather than defend” the Amended Settlement Agreement. Motion at ¶7. The argument goes like this: In its proposed regulations, DNREC defines a freeze as a suspension of the required annual percentage increase. According to Firestone, the implication” of DNREC’s definition is that “the REC requirements are not only frozen during the pendency of the freeze, but that the freeze postpones future increases as well.” *Id.* at ¶21. Because these postponements carry through to later years, any freeze implemented prior to the 2017-2018 compliance year will necessarily affect the commitments to issue RFPs for wind power-generated RECs set forth in Paragraph 84 of the Amended Settlement Agreement. Therefore, the DPA is attacking the Amended Settlement Agreement. Furthermore, Firestone claims that the DPA’s actions in filing its comments with DNREC are beyond its statutory authority and are *ultra vires*. Motion at ¶23.

13. In his Motion, Firestone implies that it was the addition of Paragraph 84 that led him to refrain from opposing the Amended Settlement Agreement and the Merger:

1. On or about February 13, 2015, the Joint Applicants, the Public Service Commission (PSC) Staff, the Delaware Division of Public Advocate (DPA), the Delaware Sustainable Energy Utility (SEU), Clean Air Council (CAC), and Mid-Atlantic Renewable Energy Coalition (MAREC) entered into a Settlement Agreement and filed such Agreement with the Commission in this matter.
2. Subsequently, on April 7, 2015, in exchange for changes to the Settlement Agreement, which were incorporated into an Amended Settlement Agreement, I agreed not to cease [sic] the pursuit of my substantive claims and my procedural due process claims on and related to the merits of the merger and settlement agreement.
3. The ASA in ¶84 requires Delmarva Power to issue a series of requests for proposals (RFPs) to purchase three tranches of renewable energy credits (RECs) (2017-18, 2019-2020; and 2023-24), with each purchase being from the equivalent of 40 MW nameplate capacity.

Motion at ¶¶1-3.

D. The DPA’s Activities Subsequent to the Motion.

14. On December 15, 2015, the DNREC Secretary issued Secretary’s Order No. 2015-EC-0047 in which he rejected the majority of the DPA’s arguments. The final regulations were published in the January 2016 Register of Regulations. 19 DE. Reg. 643 (1/1/16). On January 20, 2016, the DPA filed an appeal of Secretary’s Order No. 2015-EC-0047 with the Environmental Appeals Board, and on January 27, 2016 the DPA filed an action in Superior Court pursuant to 29 *Del. C.* §10141 challenging Secretary’s Order No. 2015-EC-0047. *See Bonar v. Delaware Division of Natural Resources and Environmental Control*, C.A. No. N16A-01-007 FSS. DNREC and the DPA have stipulated to remove the matter from the Environmental Appeals Board so that the challenge to the regulations will be heard only by the Superior Court.

ARGUMENT

A. Firestone Lacks Standing to Bring His Motion Because He Is Not a Signatory to the Amended Settlement Agreement.

15. Firestone admits that he is not a signatory to the Amended Settlement Agreement (Motion at ¶25), but assumes that he has standing to challenge the DPA’s actions for the following reasons. First, he says he told Exelon’s counsel that if further amendments to the settlement pursuant to the Most Favored Nations clause were “fairly implemented,” he “would likely join” an amended settlement. *Id.* Second, he asserts that his agreement not to pursue his due process claims and his substantive claims related to the Merger because of the Amended Settlement Agreement’s “integral provisions, including those concerning renewable energy and energy efficiency.” *Id.* He claims that the DPA’s “unlawful actions severely undercut the premise” on which his agreement not to further pursue his claims was based. *Id.*

16. The DPA, of course, disputes Firestone’s claims that it has taken any action “antagonistic” or “adverse” to the Amended Settlement Agreement. But even assuming that we

had, Firestone lacks standing to bring that claim because he is not a signatory to the Amended Settlement Agreement.

17. As a general rule, only parties to a contract and intended third-party beneficiaries may enforce that contract. *NAMA Holdings, LLC v. Related World Market Center, LLC*, 922 A.2d 417, 434 (Del. Ch. 2007); *Madison Realty Partners 7, LLC v. Ag ISA, LLC*, 2001 WL 406268 at *5 (Del. Ch. Apr. 17, 2001).

Third party beneficiaries generally fall into two classes, including donee beneficiaries and creditor beneficiaries. A donee beneficiary has someone else's performance donated to him as a gift secured by the promisee's consideration. A person becomes a creditor beneficiary when the promisee owes a duty or liability to the beneficiary and the promisee secures a contract with another party whose performance satisfies the obligation to the beneficiary. ...

Delaware courts recognize third party standing to sue in contract under the creditor beneficiary theory standard when the promisee owes some legal duty to the third party. ...

Browne v. Robb, 583 A.2d 949, 954 (Del. 1990), *cert. denied*, 499 U.S. 952 (1991). "Mere incidental beneficiaries have no legally enforceable rights under a contract," and a third-party beneficiary is an incidental beneficiary unless the parties to a contract intended to confer a benefit upon that third party. *NAMA Holdings*, 922 A.2d at 434. To be a third-party beneficiary of a contract, the contracting parties must have intended that the third party benefit from the contract; the benefit must have been intended as a gift or to satisfy a pre-existing obligation to the third party; and the intent to benefit the third party must be a material part of the parties' purpose in entering into the contract. *Madison Realty Partners, supra* at *5.

18. None of the requirements for Firestone to be a third-party beneficiary of the Amended Settlement Agreement is present here. The DPA did not intend that Firestone benefit from the contract; the DPA did not intend to make a gift to Firestone; the DPA owed no pre-

existing obligation to Firestone; and, since there was no intent to benefit Firestone, such intent was clearly not a material part of the DPA's purpose in entering into the Settlement Agreement.

19. Firestone made a conscious decision not to become a signatory to the Amended Settlement Agreement. As a lawyer, he must be expected to understand the ramifications of that conscious decision. His claim that he "would likely join" the settlement if "further amendments ... to incorporate changes to reflect proceedings in the District of Columbia were fairly implemented" (Motion at ¶25) cannot serve to bootstrap him into having standing now. His Motion must be denied.

B. Even If Firestone Had Standing to Bring the Motion, It Is Not Ripe for Decision.

20. Even if Firestone had standing to bring his Motion, it must be denied because it is not ripe for decision. Simply put, if the merger is not consummated, none of the parties, including the DPA, has any obligations under the Amended Settlement Agreement. Paragraph 109(b) of the Amended Settlement Agreement provides that notwithstanding anything to the contrary set forth in the Amended Settlement Agreement, the Amended Settlement Agreement "shall terminate, and shall be deemed null and void and of no force or effect" if the Merger is not consummated for any reason. (Amended Settlement Agreement, ¶109(b)).

21. "Delaware courts decline to exercise jurisdiction over a case unless the underlying controversy is ripe, *i.e.*, has matured to a point where judicial action is appropriate." *XI Specialty Ins. Co. v. WMI Liquidating Trust*, 93 A.3d 1208, 1217 (Del. 2014). The underlying purpose of the ripeness doctrine "is to conserve limited judicial resources and to avoid rendering a legally binding decision that could result in premature and potentially unsound lawmaking." *Id.* A dispute will not be deemed ripe "where the claim is based on 'uncertain and contingent events'

that may not occur, or where ‘future events may obviate the need’ for judicial intervention.” *Id.* (citations omitted).

22. The DPA acknowledges that the ripeness doctrine is not as strictly applied in administrative proceedings. *See Future Ford Sales, Inc. v. Public Service Commission*, 654 A.2d 837, 846 (Del. 1995). Nevertheless, the Commission must be presented with more than a mere hypothetical situation. Like the courts, the Commission’s time and resources are limited. It should not be forced to expend its limited time and resources on a matter that may never ripen into a true case or controversy. Here, as we will show, Firestone’s claim is based on “uncertain and contingent events that may not occur,” and “future events may obviate the need” for this Commission’s intervention. *XI Specialty Ins. Co., supra* at 1217.

23. The Merger Agreement specifically provides that before the Merger will be consummated, the Joint Applicants must obtain all necessary regulatory approvals. (Hearing Ex. JA-10, Appendix B, p. 47 (Article VII, Section 7.1(b)).

24. One of the necessary regulatory approvals is that of the District of Columbia Public Service Commission (“DC PSC”).

25. In August 2015, the DC PSC rejected the Joint Applicants’ Merger Application. (Formal Case No. 1119, Order No. 17947, Aug. 27, 2015).

26. Subsequently, the Joint Applicants presented the DC PSC with a non-unanimous Settlement Agreement and filed a Motion to Reopen. The DC PSC held hearings on the Settlement Agreement and briefing was completed in December 2015.

27. It is not known when the DC PSC will render a decision in this matter. And when it does, we have no idea at this time whether the DC PSC will approve the Settlement Agreement

over the many objections it received. And Exelon's CEO has stated publicly that if the DC PSC does not approve the Merger by March 4, Exelon will abandon the Merger. See Exhibit C.

28. Nor do we know whether the DC PSC will approve the Settlement Agreement with conditions. If the DC PSC does impose conditions on its approval of the Merger, we do not know whether the Joint Applicants will accept those conditions. In short, there is no guarantee that the Merger will be consummated. And if it is not consummated, none of the parties to the Amended Settlement Agreement – including the DPA – has any binding obligations under it.

29. Firestone's claim is based on "uncertain and contingent events that may not occur," and "future events may obviate the need" for this Commission's intervention. The matter is not ripe for the Commission's consideration. Therefore, the Commission should decline to hear Firestone's Motion.

C. Even If Firestone Had Standing to Bring His Motion, and Even If the Motion Presented a Claim Ripe for Adjudication, The Commission Has No Authority to Grant Injunctive Relief Against the DPA.

30. Even if Firestone had standing to bring his Motion, and even if the Motion presented a claim ripe for adjudication, the Commission cannot grant Firestone the relief he seeks. Essentially, what Firestone seeks is an order from this Commission enjoining the DPA from taking any position that he deems to be contrary to the obligations set forth in the Amended Settlement Agreement: he asks the Commission to "[e]nter a restraining order that requires the [DPA] to [c]ease and [d]esist from taking actions contrary to the Amended Settlement Agreement." (Motion at 8, WHEREFORE clause). But the Commission has no authority to enjoin the Public Advocate from taking any action.

31. Firestone cites no authority for his contention that this Commission can restrain the DPA from espousing particular positions before it or any other tribunal. That is not

surprising, because there is none. While 26 *Del. C.* §217 gives the Commission the authority to issue injunctions, that power is limited in its application to *public utilities*. The DPA, obviously, is not a public utility. The Commission only has such powers as are granted to it by the General Assembly. *Public Service Commission v. Diamond State Telephone Co.*, 468 A.2d 1285, 1300 (Del. 1983).

32. Thus, the Commission cannot grant Firestone the relief he seeks, and his Motion must be denied.

D. Even If Firestone Had Standing to Bring His Motion, and Even If the Motion Presented a Claim Ripe for Adjudication, and Even if the Commission Had Authority to Grant Injunctive Relief Against the DPA, It Would Not Be Sound Public Policy for the Commission to Muzzle the DPA.

33. Even if Firestone had standing to bring his Motion, the Motion was ripe for adjudication, and the Commission had the authority to enjoin the DPA from filing its comments on DNREC's proposed regulations specifying the procedures for freezing the cumulative minimum renewable energy resource requirements, appealing the Order approving those regulations, and appealing this Commission's order declining to promulgate regulations specifying the procedures for freezing the cumulative minimum renewable energy resource requirements, the DPA respectfully submits that it would not be sound public policy for the Commission to muzzle the DPA.

34. The Commission is statutorily charged with regulating public utilities and ensuring that the rates they charge for public utility service are just and reasonable. 26 *Del. C.* §§201(a), 303, 311. In discharging its duties, the Commission is specifically directed to consider the utility's revenue needs, its past and projected rates of return on rate base, and where appropriate, its operating ratio. *Id.* §311. The DPA's statutory duty is more limited: it is charged with representing the interest of residential and small commercial consumers in matters

involving the rates, service and practices of public utilities. 29 *Del. C.* §8716(e). Given its more limited statutory mandate, and given the different mandates under which other agencies act, it should not be surprising that there will be times when the DPA takes positions that are different from those that the Commission Staff or other agencies take. If the Commission were to have a veto power over the positions that the DPA could espouse, this would essentially render the office of the DPA a nullity. Not only would this be directly contrary to the General Assembly's intent that the DPA represent the interests of residential and small commercial ratepayers, but it would also be poor public policy.

E. The DPA Has Authority to Provide Comments in DNREC Rulemakings.

35. Firestone argues that the DPA lacks statutory authority to appear before DNREC because the DPA's enabling statute does not allow the DPA to appear before any other state agencies. Motion at ¶23. Firestone is correct that the DPA's enabling statute does not specifically empower the DPA to appear before other state agencies. But interpreting the enabling statute as Firestone suggests would lead to the unreasonable result that the DPA - the only body statutorily charged with representing the interests of ratepayers - could not appear before DNREC in matters involving the rates, services and practices of public utilities.

36. It is a well-established tenet of statutory construction that "the law favors rational and sensible construction." *Hunt v. Division of Family Services*, ___ A.3d ___, 2015 WL 5472285 at *9 (Del. 2015) (citations omitted). When interpreting statutory provisions, the unreasonableness of a result produced by one interpretation is justification for rejecting that interpretation in favor of another that would produce a reasonable result. *Id.* In *Hunt*, the parents of a child on life support argued that the statutes creating the Family Court did not give that Court jurisdiction over cases involving a decision to remove a child from life support and de-

escalate medical care. The Supreme Court held that the Family Court did have such authority even though no statute specifically empowered the Family Court to make such decisions:

To read the consortium of Delaware statutes as failing to contemplate judicial authority to issue DNR and do not reintubate orders on a child's medical chart, or otherwise consent to the withdrawal or withholding of medical treatment for minors, would lead to an irrational result that is incongruent with the statute's clear focus on ensuring that the best interests of children are protected at all times. That is to say, despite the failure of Delaware's statutory scheme to unambiguously address the foregoing issues with respect to children, it seems plain that the General Assembly did not intend to leave a void in which no judicial body possessed the authority to make all the critical decisions about medical care for a child when required to protect that child's best interests. That "would lead to an unreasonable or absurd result not contemplated by the legislature."

Id. (citations omitted). The Court further found it "significant" that in the fifteen years since the Family Court first exercised the authority to de-escalate medical care and withdraw life support, the General Assembly had not removed that authority from the Family Court. *Id.* Accordingly, the Supreme Court held that the Family Court's authority to de-escalate medical treatment and withdraw life support was "a logical corollary to its statutory authority to consent to medical care." *Id.*

37. It is clear from the language of 26 *Del. C.* §8716(e)(3) that the General Assembly sought to give the DPA broad authority to participate in state and federal matters affecting the rates, services and practices of public utilities. When the General Assembly created the DPA in 1978, the only state agency that addressed issues implicating the DPA's statutory duty to represent ratepayers in matters involving the rates, services and practices of public utilities was this Commission. Since that time, the General Assembly has vested significant public utility-related issues with DNREC, and those issues frequently have a substantial effect on public utility ratepayers. Indeed, the regulations about which the DPA commented (and which it has appealed) have a direct effect on the rates that Delmarva Power & Light Company's ratepayers pay. Since

the General Assembly specifically charged the DPA with appearing before governmental bodies in matters involving the rates, services and practices of public utilities, the General Assembly could not have intended that the entity specifically charged with representing ratepayer interests has no authority to challenge matters involving the rates, services and practices of public utilities when DNREC is the administrative agency addressing those matters.

38. The General Assembly clearly gave the DPA the authority to represent ratepayer interests in all the fora that existed in 1978. Interpreting Section 8716(e)(3) to preclude the DPA from appearing in matters before DNREC leads “to an irrational result that is incongruent” with the DPA’s clear mandate to appear in proceedings involving the rates, services and practices of public utilities. *Hunt, supra* at *9. Firestone’s contention that the DPA has exceeded its authority in submitting comments to DNREC should be rejected.

F. The DPA Has Not Taken Any Position “Antagonistic” or “Adverse” to the Amended Settlement Agreement.

39. As noted, Paragraph 84 provides that Delmarva will issue competitive RFPs to purchase wind RECs for compliance years 2017-18, 2019-20, and 2023-24. Nothing the DPA has done changes that. Nowhere in its comments on DNREC’s proposed regulations did the DPA argue that Delmarva should not purchase the wind RECs provided for in Paragraph 84. Nowhere in those comments did the DPA contend that Delmarva should not issue competitive RFPs for wind RECs.

40. Here is how Firestone gets to his conclusion that the DPA has taken a position that is antagonistic and adverse to the Amended Settlement Agreement. He observes that DNREC has defined “freeze” to mean a “suspension” of the annual percentage increase in the renewable energy resource requirements. He then says that *by implication*, the REC requirements are not only frozen during the pendency of the freeze, but that the freeze also postpones future

increases. Therefore, a freeze in the years prior to the compliance years for which Delmarva is required under the Amended Settlement Agreement will reduce the number of RECs required in those compliance years. Motion at ¶21.

41. Firestone’s parade of horrors stems from DNREC’s proposed definition of “freeze” – a definition *on which the DPA took no position* (and thus could not have taken a position antagonistic to the Amended Settlement Agreement). And one only gets to Firestone’s conclusion by reliance on *DNREC’s* proffered definition – not on the basis of any position that the *DPA* took.

42. Firestone accuses the DPA of asserting in its comments to DNREC that “a freeze should be implemented now.” Motion at ¶7. He leaves off an important part of what the DPA said, though. What the DPA said was “[p]ublicly-available information indicates that the cost caps in Sections 354(i) and (j) have already been met and a freeze should be implemented now.” Motion at Attachment 1, page 15. That is *not* an assertion that a freeze should be implemented now. Firestone also accuses the DPA of having an “animus toward the renewable portfolio standards.” Motion at ¶24. Not so. The DPA’s focus, as required by statute, is and must *always* be to advocate for the lowest possible rates consistent with maintaining adequate service and with an equitable distribution of rates across customer classes. 29 *Del. C.* §8716(e)(2). To that end, the DPA believes that the law – which currently provides for freezing the renewable resource requirements if the statutory thresholds are met - should be followed. That the DPA has a different interpretation of the law than Firestone does not mean that the DPA has taken positions “antagonistic” or “adverse” to the Amended Settlement Agreement.³

³ Firestone says that the DPA’s response that the Amended Settlement Agreement cannot supersede the Delaware Code is irrelevant. Motion at ¶15. But it is not irrelevant. If under the law a freeze is warranted, that law supersedes the Amended Settlement Agreement.

43. It is clear that the real impetus for this Motion is that Firestone disagrees with the DPA's interpretation of the law. But that disagreement in and of itself does not mean that the DPA has taken a position "antagonistic" or "adverse" to the Amended Settlement Agreement. The DPA stands ready to support the Amended Settlement Agreement if and when necessary.

G. The Amended Settlement Agreement Expressly Provides That Parties Are Not Prohibited from or Prejudiced in Arguing A Different Policy or Position in Other Proceedings.

44. Firestone cites Paragraph 110 of the Amended Settlement Agreement as precluding the DPA from submitting its comments on DNREC's proposed regulations specifying the procedures for freezing (or not) the minimum cumulative renewable energy resource requirements. Motion at ¶10, 12. He claims that the savings clause of Paragraph 110 only applies to other matters brought before this Commission, and therefore does not permit the DPA to file its comments opposing DNREC's proposed regulations. *Id.* ¶17.

45. While Firestone recognizes the existence of the last clause of the last sentence of Paragraph 110 (see Motion at ¶12), he then pretends that it does not exist. The last sentence of Paragraph 110 provides that "[n]one of the Settling Parties shall be prohibited from or prejudiced in arguing a different policy or position before the Commission in any other proceeding, *as such agreements pertain only to this matter and to no other matter.*" (Amended Settlement Agreement, ¶110) (emphasis added). Assuming for the sake of this argument that the DPA's comments on the DNREC regulations and its appeal of those regulations are somehow adverse to the Amended Settlement Agreement, this sentence in Paragraph 110 makes clear that the agreements in the Amended Settlement Agreement pertain *only to the Merger case and to no other cases*, regardless of the tribunal before which some other case is brought. If the Settling Parties can argue different policies and/or positions in other cases before the Commission, they

necessarily can argue different policies and/or positions in other tribunals, and it is nonsensical to contend otherwise.

H. The Initial Settlement Agreement, As Well As Firestone’s Own Testimony at the Evidentiary Hearing, Belie His Claim that Paragraph 84 Caused Him to Cease Pursuing His Substantive Claims and His Procedural Due Process Claims.

46. Finally, Firestone claims that in exchange for changes to the Initial Settlement Agreement that were incorporated into the Amended Settlement Agreement, he agreed not to pursue his “substantive claims” and his “due process claims on and related to the merits of the merger and settlement agreement.” Motion at ¶2. He then discusses Paragraph 84 of the Amended Settlement Agreement. *Id.* at ¶3. Read together, these paragraphs imply that Firestone withdrew his substantive opposition to the Merger and his claims that he was denied due process because of the addition of Paragraph 84 to the Amended Settlement Agreement.

47. Not so. Paragraph 84 *was in the initial Settlement Agreement*. See Exhibit A. And nothing in Paragraph 84 changed from the initial Settlement Agreement to the Amended Settlement. See Exhibits A and B.

48. But if that were not sufficient evidence, Firestone’s own testimony before this Commission at the evidentiary hearing demonstrates that Paragraph 84 did not cause him to drop his substantive and due process claims. As set forth previously, at the evidentiary hearing on the Amended Settlement Agreement, Firestone told this Commission that he had been concerned about the following issues with respect to the proposed Merger and the initial Settlement Agreement: (a) the Merger’s claimed reliability and synergy benefits (April 7, 2015 Transcript at 636-37); (b) the Merger would result in a company with significant generation assets (*id.* at 637-38); (c) the company’s positions on renewable energy (*id.* at 638); (d) the Customer Investment Fund, and specifically the proposed ten-year payout (*Id.* at 638-40); (e) the natural gas generation

study (*id.* at 640-41); (f) land-based wind in the State of Delaware (*id.* at 641-44); (g) the lack of a floor in the low income commitment (*id.* at 644); and (h) any additional monies to which Delaware would become entitled as a result of the Most Favored Nation clause and who would decide how those additional monies would be allocated. (*id.* at 644-46). As can be seen, none of these concerns had anything to do with the addition of Paragraph 84 (and of course they could not, since Paragraph 84 was already in the Initial Settlement Agreement). Thus, Firestone's implication that he withdrew his substantive opposition to the Amended Settlement Agreement and his due process claims because of the addition of Paragraph 84 is not supported by the evidence, and the Commission should give it no credence in its deliberations.

CONCLUSION

49. Firestone's Motion should be denied. He lacks standing to enforce the Amended Settlement Agreement because he is not a signatory thereto. Even if he was a signatory to it, the matter is not ripe for the Commission's consideration. Even if he was a signatory to the Amended Settlement Agreement and the matter was ripe for the Commission's consideration, the Commission lacks the authority to grant injunctive relief against the DPA. Even if he was a signatory to the Amended Settlement Agreement, the matter was ripe for consideration, and the Commission had authority to issue an injunction against the DPA, it would be poor public policy for the Commission to silence the DPA. The DPA had the authority to submit comments to DNREC, and those comments are not "antagonistic" or "adverse" to the Amended Settlement Agreement. Finally, Firestone's implication that the addition of Paragraph 84 to the Amended Settlement Agreement caused him to withdraw his substantive and due process objections to the Merger and the Amended Settlement Agreement are belied by the facts and his own testimony.

WHEREFORE, the Division of the Public Advocate respectfully requests the Delaware Public Service Commission to deny Firestone's Motion.

/s/ Regina A. Iorii
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Dated: February 11, 2016

EXHIBIT A

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION)
OF DELMARVA POWER & LIGHT)
COMPANY, EXELON CORPORATION,)
PEPCO HOLDINGS, INC., PURPLE)
ACQUISITION CORPORATION, EXELON) PSC DOCKET NO. 14-193
ENERGY DELIVERY COMPANY, LLC AND)
NEW SPECIAL PURPOSE ENTITY FOR)
APPROVALS UNDER THE PROVISIONS OF)
26 DEL. C. §§ 215 and 1016 (Filed June 18,)
2014))

SETTLEMENT AGREEMENT

WHEREAS, Exelon Corporation (“Exelon”) and Pepco Holdings, Inc. (“PHI”) executed an Agreement and Plan of Merger on April 29, 2014, and an Amended and Restated Agreement and Plan of Merger on July 18, 2014;

WHEREAS, on June 18, 2014, Exelon, PHI, Delmarva Power & Light Company (“Delmarva Power”), and other related entities (collectively, the “Joint Applicants”) filed an application with the Delaware Public Service Commission (the “Commission”) seeking approval of the proposed merger of Exelon and PHI (the “Merger”) and the resulting change in control of Delmarva Power, pursuant to 26 Del. C. §§ 215 and 1016;

WHEREAS, the Delaware Division of the Public Advocate (the “Public Advocate”) filed its Statutory Notice of Intervention on July 8, 2014;

WHEREAS, the Delaware Department of Natural Resources and Environmental Control (“DNREC”), the Delaware Sustainability Energy Utility (the “SEU”), the Mid-Atlantic Renewable Energy Coalition (“MAREC”), NRG Energy, Inc. (“NRG”), Jeremy Firestone (“Firestone”), Monitoring Analytics, LLC acting as the Independent Market Monitor for PJM (the “Market Monitor”), James Black, Executive Director for the Partnership for Sustainability in Delaware (“PSD”), Chesapeake Utilities Corporation (“Chesapeake”), and the Clean Air Council (“CAC”), have all intervened in the above-captioned docket;

WHEREAS, Commission Staff (“Staff”), the Public Advocate and other intervenors took substantial discovery in this matter from the Joint Applicants, including thousands of written discovery requests and eleven depositions of proposed witnesses for the Joint Applicants and the Joint Applicants have produced thousands of documents;

WHEREAS, Staff, the Public Advocate, the SEU, MAREC, DNREC, the Market Monitor and Firestone submitted pre-filed direct testimony on December 12, 2014, and December 19, 2014;

WHEREAS, the Joint Applicants submitted pre-filed rebuttal testimony on January 12, 2015;

WHEREAS, Staff, the Public Advocate, DNREC, the SEU, MAREC and CAC have engaged in lengthy and detailed settlement discussions with the Joint Applicants to establish appropriate and proper protections to address the concerns raised with respect to the interests of ratepayers and the public;

WHEREAS, subject to the approval of the Commission, the Joint Applicants have agreed to binding commitments above and beyond those contained in the Application in an effort to address the issues raised;

WHEREAS, the Joint Applicants, Staff, the Public Advocate, DNREC, the SEU, MAREC and CAC (the "Settling Parties"), have agreed to terms that they believe establish that the Merger is in accordance with law, for a proper purpose and is consistent with the public interest as required by 26 Del. C. § 215, insures that any successor will continue safe and reliable transmission services, and complies with all labor-related provisions of 19 Del. C. § 706 and 26 Del. C. § 1016;

WHEREAS, pursuant to 26 Del. C. § 512, the public policy of the State of Delaware encourages the resolution of matters before the Commission through voluntary settlement; and

WHEREAS, the Settling Parties have, subject to approval by the Commission, agreed on settlement terms, with those terms encompassed herein,

NOW, THEREFORE, the following terms and conditions are agreed to by the Settling Parties to this Settlement Agreement as follows:

Recommendation of Approval of the Merger

1. Subject to the provisions set forth in this Settlement Agreement, the Settling Parties agree that the statutory criteria for approval of an application for a change of control for a Delaware public utility as set forth in 26 Del. C. §§ 215(b) and 1016 have been satisfied with respect to the Merger and the change in control with respect to Delmarva Power. More particularly, the Settling Parties agree that the record herein, coupled with the conditions set forth herein support findings and conclusions by the Commission that the Merger is in accordance with law, for a proper purpose and is consistent with the public interest. Further the Settling Parties agree that the Merger will ensure that Delmarva Power will continue to provide safe and reliable transmission and distribution services and that the Merger complies with the provisions concerning labor contracts and employment specifically set forth in 26 Del. C. § 1016(b).

2. Subject to the provisions set forth in this Settlement Agreement, the Settling Parties agree that the Joint Applicants should be authorized to take those actions necessary in order for the Merger to lawfully be consummated.

Labor, Employment and Compensation Protections

3. Delmarva Power will honor all existing collective bargaining agreements. Upon consummation of the Merger and for at least the first two years following consummation of the Merger, Exelon and Delmarva Power: (a) will not permit a net reduction, due to involuntary attrition as a result of the Merger integration process, in the employment levels at Delmarva Power, and (b) will continue their commitments to workforce diversity. For years three through five following the closing of the Merger, Delmarva Power will not permit a net, involuntary reduction due to the Merger integration process greater than a total of 25 Delmarva Power Delaware positions.

4. Contingent upon consummation of the Merger, Delmarva Power will use its best efforts to hire at least 83 full-time employees in Delaware into Local 1238 and Local 1307 and will do so within two years of Merger consummation. Those 83 bargaining-unit employees will not be among the 25 Delmarva Power positions that may be involuntarily reduced due to the Merger integration process in years three through five following the closing of the Merger.

5. Exelon agrees that it will not permit a net reduction of more than 60 PHI Service Company (“PHISCo”) employees in Delaware, due to involuntary attrition as a result of the Merger integration process, for three years subsequent to the Merger consummation. The Joint Applicants agree that eligible employees terminated as a result of the Merger will receive severance benefits, including a cash payment which can be used for outplacement services, at the discretion of the employee.

6. Exelon agrees that it will assume PHI’s obligations, or cause PHI to continue to meet its obligations, to Delmarva Power employees and retirees with respect to pension and retiree health benefits.

7. For at least the first five years following the consummation of the Merger, Exelon will provide current and former Delmarva Power employees compensation and benefits that are at least as favorable in the aggregate as the compensation and benefits provided to those employees immediately before April 29, 2014, or to the compensation and benefits of Exelon employees in comparable positions. Consistent with the past practice of both companies, benefits provided to PHISCo’s retirees will be aligned with the commitments made to the retirees of the utilities. The five-year duration of this commitment does not mean that Exelon intends to eliminate retiree benefits in five years after consummation of the Merger. Exelon, like PHI, provides health care and life insurance benefits to its own retirees and has no plans to discontinue such benefits in the foreseeable future. Both companies also have adjusted retiree benefits from time to time to ensure they are sustainable and respond to changes in the market and regulatory environments.

Workforce Development Initiative

8. Upon consummation of the Merger, Exelon will initiate a workforce development effort that will partner with Delaware Technical and Community College, Delaware State University, the United Way, the Boys and Girls Clubs of Delaware, and the Forum to Advance Minorities in Engineering (“FAME”). Exelon will implement and fund this program via a \$2.0

million grant over four years, with the objective of providing a pipeline of trained, “job ready” Delawareans in the areas of energy efficiency, renewable energy and Science, Technology, Engineering and Math (“STEM”) related fields. Specifically, the initiative will include: (1) a career pathways program at Delaware Technical and Community College to help develop the skills required to support careers in energy efficiency for high school and college level students; (2) a career pathways program at Delaware State University to support careers in the field of renewable energy for high school and college level students; (3) scholarships for high school students participating in STEM competitions in Boys and Girls Clubs in Delaware and for FAME students; and (4) enhanced summer internship opportunities for high school students. These initiatives, where possible, will leverage and support the current statewide Success Pathways and Roads to Careers (“SPaRC”) partnership between the business community, the non-profit community, the Delaware Economic Development Office, the Department of Education and the Department of Labor and will also seek to embed opportunities for individuals with disabilities to participate.

Natural Gas Study

9. In furtherance of Delaware State Senate Joint Resolution No. 7 (S.J.R. No. 7, 147th General Assembly, adopted July 31, 2014) concerning the possible extension of a natural gas pipeline in Kent and Sussex counties, and to consider the costs and benefits that may be related to additional gas fired generation in Sussex County, the Joint Applicants will conduct a study that seeks to quantify the potential demand by user type and location and, in particular, focuses on the likely/estimated number of conversions of both residential and commercial customers, as well as the likely pace of those conversions should such a pipeline be built. The study will also provide examples of programs designed to increase such conversion rates and the various metrics around such initiatives. The study should also include a list of important issues third parties (such as customers, gas pipeline owner/operators and generators) would likely consider in their analysis in terms of making the necessary investments related to converting to natural gas. Consistent with the potential for such gas availability, the study will provide a cost/benefit analysis of a gas fired generation facility in Sussex County, including the effect additional gas generation might have on consumer energy prices and service reliability. The costs of the study will not be recovered in Delmarva Power rates.

Local Presence Assurances

10. The Joint Applicants have no plans to close, move or otherwise relocate current Delmarva Power operational facilities in the State of Delaware. For at least 10 years after the consummation of the Merger, Delmarva Power will maintain its local operational headquarters near Newark, Delaware. For at least five years after the consummation of the Merger, Delmarva Power will maintain the Gas Maintenance Facility on 630 Martin Luther King Blvd., Wilmington and the Millsboro District office with related bill paying facilities and will not otherwise close, move or relocate such operational facilities without providing the Commission notice at least 90 days in advance of any such action.

11. PHI will have a board of directors consisting of seven or more people. At least three members of the PHI board shall be “independent” (as defined by New York Stock

Exchange rules). Of the four remaining directors, one shall be selected from among the officers or employees of PHI or a PHI subsidiary. The directors of the PHI board will be appointed by a new special purpose entity (the "SPE"), as described below, as the member of PHI. Three of the seven PHI board members shall have a residence or principal place of business or employment in the service territory of the PHI utilities, one from Delmarva Power (Delaware), one from Atlantic City Electric Company ("ACE"), and one from Potomac Electric Power Company ("Pepco").

12. The PHI board of directors will conduct its board meetings within the PHI service territories, including Delaware. At least one officer of PHI or Delmarva Power shall maintain a residence or principal place of business in the State of Delaware. The Chief Executive Officer of PHI will serve on the Exelon Executive Committee, which is a committee of senior leaders for Exelon and principal subsidiaries.

13. The Commission's Chair or designee shall have the opportunity annually to present and provide a report to the full PHI board as to the performance of Delmarva Power in Delaware and other issues of importance to the Commission.

14. Exelon's board of directors will include the PHI utilities' service territories among the locations of Exelon's board and stockholder meetings.

15. Exelon's Executive Committee will include the PHI utilities' service territories among the locations of Executive Committee meetings.

16. Upon the effective date of the proposed Merger, PHI and its utility subsidiaries will adopt delegations of authority setting forth the authorizations of officers of PHI and its utility subsidiaries to act on behalf of PHI and its utility subsidiaries without further authorization from Exelon Corporation. The proposed delegations of authority for PHI and its utility subsidiaries are set forth on Table One. The delegations of authority for Delmarva Power adopted by PHI will not be amended to reduce authorization levels of Delmarva Power officers without prior notice to the Commission.

TABLE ONE
PROPOSED DELEGATIONS OF AUTHORITY
PHI AND ITS UTILITY SUBSIDIARIES

| Transaction Type (Note 1) | Approval Threshold | | | | | | | |
|--|---------------------------|-------------------------|------------------------|---|-----------------------------------|---|--|----------------------------|
| | Exelon Board of Directors | Exelon Board Committees | Exelon President & CEO | Chief Executive Officer, Exelon Utilities | PHI or Utility Board of Directors | Chief Executive Officer, PHI or Utility | Vice President, Chief Financial Officer and Treasurer, PHI | Senior Vice President, PHI |
| Capital and Related O&M | > \$200M | ≤ \$200M | ≤ \$100M | ≤ \$50M | > \$50M | ≤ \$25M | ≤ \$15M | |
| Mergers, Acquisitions, New Business or Ventures | > \$100M | | ≤ \$100M | | > \$5M | ≤ \$5M | | |
| Sale of Receivables | | | | | > \$10M | ≤ \$10M | ≤ \$1M | ≤ \$1M |
| Sale/Divestiture of Other Assets (including Real Estate) | | | ≤ \$100M | | > \$10M | ≤ \$10M | ≤ \$1M | ≤ \$1M |
| Customer Account Credits/Bill Adjustments/Charge Offs | | | | | > \$10M | ≤ \$10M | ≤ \$1M | ≤ \$1M |
| Natural Gas Contracts | > \$200M | ≤ \$200M | | | > \$100M | ≤ \$100M | | |
| Other Electric Energy Procurement Contracts (Note 2) | > \$100M | ≤ \$100M | | ≤ \$50M | > \$50M | ≤ \$25M | | |
| Purchases of Services and Non-Capital Materials | > \$200M | ≤ \$200M | ≤ \$150M | ≤ \$50M | > \$50M | ≤ \$25M | ≤ \$5M | ≤ \$5M |
| Legal, Regulatory or Income Tax Settlements | > \$200M | ≤ \$200M | ≤ \$100M | ≤ \$50M | > \$50M | ≤ \$25M | ≤ \$5M | ≤ \$5M |
| Issue/Redeem Debt | > \$300M | ≤ \$300M | ≤ \$200M | | ALL | | | |
| Financial Guarantees | > \$150M | ≤ \$150M | ≤ \$100M | ≤ \$50M | ≤ \$100M | | | |
| Employee Benefit Plans and Arrangements | | | ≤ \$50M | | ALL | | | |
| Contribution to Benefit Plans (Note 3) | > \$200M | ≤ \$200M | | | ALL | | | |
| Negotiated Utility Rate Contracts | | | ≤ \$75M | ≤ \$50M | > \$50M | ≤ \$25M | ≤ \$5M | ≤ \$5M |
| Other Contractual Commitments, Leases and Instruments | > \$200M | ≤ \$200M | ≤ \$100M | ≤ \$50M | > \$50M | ≤ \$25M | ≤ \$15M | ≤ \$5M |
| Corporate Contributions and Philanthropy | ≥ \$1M | | ≤ \$1M | < \$1M | ≥ \$1M | < \$50K | ≤ \$10K | ≤ \$10K |

Note 1: Delegations are to the respective officers and agents of Pepco Holdings LLC and its utility subsidiaries (collectively, "PHI"). Authority delegated to officers and agents to approve transactions is limited to transactions having subject matters related to their areas of responsibility. Additional written delegations to officers or employees below the CEO level may be made by the authorized officers generally or for specific purposes.

Note 2: Approval by the PHI or Exelon board of directors is not required for energy procurement contracts that are a direct result of an auction process or procurement plan approved by a state utility regulatory commission.

Note 3: Approval is not required for legally required periodic contributions to the pension and employee benefit plans.

Demand Response and Energy Efficiency

17. Exelon has and will continue to support demand response and energy efficiency playing a role in the energy resource mix, with demand response services being an important tool for customers to manage energy costs. While questions remain about jurisdiction over demand response, the appropriate compensation mechanisms, and how to incorporate demand response in existing markets, Exelon is of the view that any sensible energy policy should reflect the value of all resources, including demand response. To that end, PHI and Delmarva Power will maintain and promote energy efficiency and demand response programs consistent with the direction and approval of the Commission and the requirements of 29 Del. C. § 8059(h). In addition, Exelon will continue to advocate that demand response should be reflected in markets that serve Delaware. In the furtherance of Delaware's energy efficiency efforts, Exelon will provide up to \$2.0 million for a low income energy efficiency program for Delmarva Power customers that is recommended by the Energy Efficiency Advisory Council and approved by the Commission. Any low income programs funded by these funds will be considered for approval pursuant to the process established in paragraph 97 of this Settlement Agreement. The costs of the program will not be recovered in Delmarva Power rates.

Protecting Against Risk - Corporate Organization, Financial Integrity and Ring-Fencing

18. Delmarva Power will maintain its separate existence as a separate corporate subsidiary and its separate franchises, obligations, and privileges.

19. Delmarva Power will maintain separate books and records, and will maintain those books and records at the Delmarva Power headquarters in the State of Delaware as required by 26 Del. C. § 208(b). The Joint Applicants also agree to notify the Commission and the Public Advocate of any material change in the administration, management or condition of Delmarva Power's books and records within five business days after the event.

20. Delmarva Power will not incur or assume any debt, including the provision of guarantees or collateral support, directly related to the Merger.

21. Exelon will establish a limited liability company as the SPE for the purpose of holding 100% of the equity interest in PHI.

22. The SPE will be a direct subsidiary of Exelon Energy Delivery Company LLC ("EEDC").

23. EEDC will transfer 100% of the equity interest in PHI to the SPE as an absolute conveyance with the intention of removing PHI and its utility subsidiaries from the bankruptcy estate of Exelon and EEDC.

24. The SPE will have no employees and no operational functions other than those related to holding the equity interests in PHI.

25. The SPE shall maintain adequate capital in light of its contemplated business purpose, transactions and liabilities; provided, however, the foregoing shall not require the owners to make any additional capital contributions.

26. The SPE will have four directors appointed by EEDC. One of the four SPE directors will be an independent director, who will be an employee of an administration company in the business of protecting SPEs, and must meet the other independence criteria set forth in the SPE governing documents. One other director will be appointed from among the officers or employees of PHI or a PHI subsidiary. The other two SPE directors may be officers or employees of Exelon or its affiliates, including PHI and its subsidiaries.

27. The SPE will issue a non-economic interest in the SPE (a "Golden Share") to an administration company in the business of protecting SPEs and separate from the administration company retained to provide the person to serve as the independent director for the SPE. The holder of the SPE's Golden Share will have a voting right on matters specified in the SPE governing documents, as described below.

28. A voluntary petition for bankruptcy by the SPE will require the affirmative consent of the holder of the Golden Share and the unanimous vote of the SPE board of directors (including the independent director). A voluntary petition for bankruptcy by PHI will require the affirmative consent of the holder of the Golden Share, the unanimous vote of the SPE board of directors (including the independent director), and the unanimous vote of the PHI board of directors. A voluntary petition for bankruptcy for any of PHI's subsidiaries will require the unanimous vote of the PHI board of directors (including its independent directors) and the unanimous vote of the board of directors of the relevant PHI subsidiary.

29. The SPE will maintain arm's-length relationships with each of its affiliates and observe all necessary, appropriate and customary company formalities in its dealings with its affiliates. PHI and PHI's subsidiaries will maintain arm's-length relationships with Exelon and its affiliates, including the SPE.

30. PHI's CEO and other senior officers who directly report to PHI's CEO will hold no positions with Exelon or Exelon affiliates other than PHI and PHI's subsidiaries.

31. At all times, the SPE will hold itself out as an entity separate from its affiliates, will conduct business in its own name through its duly authorized directors and officers and comply with all organizational formalities to maintain its separate existence and shall use commercially reasonable efforts to correct any known misunderstanding regarding its separate identity. PHI and its subsidiaries will hold themselves out as separate entities from Exelon and the SPE, conduct business in their own names (provided that PHI and each of PHI's utility subsidiaries may identify itself as an affiliate of Exelon on a basis consistent with other Exelon utility subsidiaries).

32. The SPE shall maintain its own separate books, records, bank accounts and financial statements reflecting its separate assets and liabilities. PHI and each of PHI's

subsidiaries will maintain separate books, accounts and financial statements reflecting its separate assets and liabilities.

33. The SPE shall comply with generally accepted accounting principles (“GAAP”) in all material respects (subject, in the case of unaudited financial statements, to the absence of footnotes and to normal year-end audit adjustments) in all financial statements and reports required of it and issue such financial statements and reports separately from any financial statements or reports prepared for its affiliates; provided that such financial statements or reports may be consolidated with those of its affiliates if the separate existence of the SPE and its assets and liabilities is clearly noted therein.

34. The SPE shall account for and manage all of its liabilities separately from any other entity, and pay its own liabilities only out of its own funds.

35. The SPE shall neither guarantee nor become obligated for the debts of any other entity nor hold out its credit or assets as being available to satisfy the obligations of any other entity.

36. Each PHI utility will maintain separate debt and preferred stock, if any, so that none will be responsible for the debts or preferred stock of affiliated companies, and each will maintain its own corporate and debt credit rating as well as ratings for long-term debt and preferred stock, if any. PHI and its subsidiaries will use reasonable efforts to maintain separate credit ratings for any of their publicly traded securities. PHI will not issue additional publicly traded long-term debt securities. PHI and its utility subsidiaries will use reasonable efforts and prudence to preserve investment grade credit ratings.

37. PHI will not assume liability for the debts of Exelon, the SPE, or any other affiliate of Exelon other than a PHI subsidiary. The PHI subsidiaries will not assume liability for the debts of Exelon, PHI, the SPE, the other PHI subsidiaries, or any other affiliate of Exelon. The SPE shall not acquire, assume or guarantee obligations of any affiliate. PHI will not guarantee the debt or credit instruments of Exelon, the SPE or any other Exelon affiliate other than a PHI subsidiary. The PHI utilities will not guarantee the debt or credit instruments of Exelon, PHI or any other Exelon affiliate including the SPE. Notwithstanding the foregoing, Delmarva Power may guarantee the obligations of a subsidiary of Delmarva Power established for the purpose of owning, operating or financing transmission or distribution facilities provided approval of the Commission is obtained prior to providing any such guarantee.

38. The SPE shall not pledge its assets for the benefit of any other entity or make loans to, or purchase or hold any indebtedness of, any other entity. The PHI utilities will not pledge or use as collateral, or grant a mortgage or other lien on any asset or cash flow, or otherwise pledge such assets or cash flow as security for repayment of the principal or interest of any loan or credit instrument of, or otherwise for the benefit of, Exelon, PHI or any other Exelon affiliate including the SPE. Notwithstanding the foregoing, Delmarva Power may pledge assets to secure the obligations of a wholly-owned subsidiary of Delmarva Power established for the purpose of financing its utility operations provided approval of the Commission is obtained prior to providing any such guarantee.

39. Delmarva Power will not include in any of its debt or credit agreements cross-default provisions between Delmarva Power securities and the securities of Exelon or any other Exelon affiliate other than a wholly-owned subsidiary of Delmarva Power provided approval of the Commission is obtained prior to including any such cross-default provision. Delmarva Power will not include in its debt or credit agreements any financial covenants or rating-agency triggers related to Exelon or any other Exelon affiliate other than a wholly-owned subsidiary of Delmarva Power provided approval of the Commission is obtained prior to including any such provision.

40. The SPE will not commingle its funds or other assets with the funds or other assets of any other entity and shall not maintain any funds or other assets in such a manner that it will be costly or difficult to segregate, ascertain or identify its individual funds or other assets from those of its owners or any other person.

41. PHI and each of its subsidiaries will maintain in its own name all assets and other interests in property used or useful in their respective business and will not transfer its ownership interest in any such property to Exelon or an Exelon affiliate (other than a PHI subsidiary) without requisite approval of the Commission and any approval required under the Federal Power Act; provided that the foregoing shall not limit the ability of PHI to transfer to Exelon or Exelon affiliates any business or operations of PHI or PHI subsidiaries that are not regulated by state or local utility regulatory authorities.

42. The SPE shall ensure that its funds will not be transferred to its owners or affiliates except with the consent and authority of the SPE board of directors.

43. The SPE shall ensure that title to all real and personal property acquired by it is acquired, held and conveyed in its name.

44. No entities other than PHI and its subsidiaries, including the PHI utilities and PHISCo, will participate in the PHI utilities' money pool. The PHI utilities will not participate in any money pool operated by Exelon, and there will be no commingling of funds with Exelon. Any deposits into or loans through the PHI money pool by PHI utilities shall be on terms no less favorable than the depositor or lender could obtain through a short-term investment of similar funds with independent parties. Any borrowings from the PHI money pool by a PHI utility shall be on terms no less favorable than the PHI utility could obtain through short-term borrowings from (including sales of commercial paper to) independent parties. Exelon will give notice to the Commission within three business days in the event that any participant in the PHI money pool is rated below investment grade by any of the three major credit rating agencies. The Commission may revoke the right of Delmarva Power to participate in the PHI money pool.

45. PHISCo will remain as a subsidiary of PHI and will continue to perform functions and to maintain related assets currently involved in providing services exclusively to the PHI utilities. Other functions that are currently provided by PHISCo, including those that are provided to PHI utilities and to other current PHI subsidiaries, may be transferred to Exelon

Business Service Company (“EBSC”) or another Exelon affiliate in a phased transition over a period of time following the Merger closing.

46. PHI subsidiaries, other than PHISCo and the PHI utilities, that are currently engaged in operations that are not regulated by a state or local utility regulatory authority will be transferred to Exelon or an Exelon affiliate; provided that: (a) PHI may retain ownership of Conectiv LLC as a holding company for ACE and Delmarva Power; (b) Conectiv LLC may transfer its 50% ownership interest in Millennium Account Services LLC to PHI; and (c) Conectiv LLC or subsidiaries of Conectiv LLC may retain ownership of real estate and other assets that are used in whole or in part in the business of the PHI utilities. PHI may elect to hold the stock of Delmarva Power and ACE directly, and cease the use of Conectiv LLC as a holding company.

47. The SPE will maintain a separate name from and will not use the trademarks, service marks or other intellectual property of Exelon, PHI, or PHI’s subsidiaries. PHI and its utility subsidiaries will each maintain a separate name from and will not use the trademarks, service marks or other intellectual property of Exelon or its other affiliates, except that PHI and each of PHI’s utility subsidiaries may identify itself as an affiliate of Exelon on a basis consistent with other Exelon utility subsidiaries.

48. Any amendment to the organizational documents of the SPE that would remove or alter the voting or other ring-fencing requirements described above will require the unanimous vote of the board of directors of the SPE, including the independent director, and the affirmative consent of the holder of the Golden Share.

49. As soon as is reasonably practicable, but in any event within 180 days following closing of the Merger, Exelon will obtain a legal opinion in customary form and substance and reasonably satisfactory to the Commission, to the effect that, as a result of the ring-fencing measures it has implemented for PHI and its subsidiaries, a bankruptcy court would not consolidate the assets and liabilities of the SPE with those of Exelon or EEDC, in the event of an Exelon or EEDC bankruptcy, or the assets and liabilities of PHI or its subsidiaries with those of either the SPE, Exelon or EEDC, in the event of a bankruptcy of the SPE, Exelon or EEDC. In the event that such opinion cannot be obtained, Exelon will promptly implement such measures as may reasonably be required to obtain such opinion.

50. Delmarva Power will not pay dividends to its parent company if, immediately after the dividend payment, its common equity level would fall below 48%, as equity levels are calculated under the ratemaking precedents of the Commission.

51. Delmarva Power shall not make any distribution to its parent if Delmarva Power’s corporate issuer or senior unsecured credit rating, or its equivalent, is rated by any of the three major credit rating agencies below the generally accepted definition of investment grade.

52. Within five business days after the payment of a dividend, Delmarva Power shall file with the Commission the calculations that it used to determine the equity level at the time the board of directors considered payment of the dividend and the calculations to demonstrate that

the common equity ratio immediately after the dividend payment did not fall below 48%, as equity levels are calculated under the ratemaking precedents of the Commission.

53. Delmarva Power will file with the Commission an annual compliance report with respect to the ring-fencing and other requirements. Within five business days after a request or inquiry from the Commission, Staff or the Public Advocate, Delmarva Power will respond to such inquiry, and either: (a) provide the requesting party any documents related to the information requested in order to afford Staff or the Public Advocate to verify or understand the statements or compliance report, or (b) propose a time frame in which Delmarva Power proposes that it reasonably can provide full documentation in response to the inquiry.

54. At the time the SPE is formed and every year thereafter, Delmarva Power shall provide the Commission with a certificate from an officer of Exelon certifying: (a) Exelon shall maintain the requisite legal separateness in the corporate reorganization structure; (b) the organization structure serves important business purposes for Exelon; and (c) Exelon acknowledges that subsequent creditors of PHI and Delmarva Power may rely upon the separateness of PHI and Delmarva Power and would be significantly harmed in the event separateness is not maintained and a substantive consolidation of PHI or Delmarva Power with Exelon were to occur.

55. Exelon shall not alter the character of EEDC to become a functioning entity providing common support services for PHI utilities without prior Commission approval.

56. Exelon shall not engage in an internal corporate reorganization relating to the SPE, PHI or Delmarva Power, or EEDC for which Commission approval is not required without 90 days prior written notification to the Commission. Such notification shall include: (a) an opinion of reputable bankruptcy counsel that the reorganization does not materially impact the effectiveness of PHI's existing ring-fencing; or (b) a letter from reputable bankruptcy counsel describing what changes to the ring-fencing would be required to ensure PHI is at least as effectively ring-fenced following the reorganization and a letter from Exelon committing to obtain a new non-consolidation opinion following the reorganization and to take any further steps necessary to obtain such an opinion. Exelon will not object if the Commission elects to open an investigation into the matter if the Commission deems it appropriate, but may complete the reorganization prior to the conclusion of the Commission's investigation if Commission approval is not otherwise required.

57. Neither Delmarva Power nor its distribution customers shall bear either (a) the initial cost of establishing the SPE, or (b) the cost of obtaining any opinion of legal counsel referred to in paragraphs 49 and 56.

58. Delmarva Power will continue to comply with all ring-fencing measures adopted by the Commission in Docket No. 09-414, Order No. 8011, paragraph 349); provided, however, that where the ring-fencing provisions above or any ring-fencing provisions that are adopted pursuant to paragraph 104(c) below specifically address an issue, the provisions adopted pursuant to this Settlement Agreement shall be controlling.

59. The Joint Applicants agree to implement the ring-fencing and corporate governance measures set out above for the purpose of providing additional protections to customers. The Joint Applicants agree they will not seek to modify for at least five years after the closing of the Merger the provisions contained in paragraphs 18 through 58 above, and that any such modifications thereafter require Commission review and approval.

60. Notwithstanding any other powers that the Commission currently possesses under existing, applicable law, the Joint Applicants agree that the Commission may, after investigation and a hearing, order Exelon to divest its interest in Delmarva Power on terms adequate to protect the interests of utility investors (including Exelon investors) and consumers and the public, if the Commission finds that: (a) one or more of the divestiture conditions described below has occurred, (b) that as a consequence Delmarva Power has failed to meet its obligations as a public utility, and (c) that divestiture is necessary to allow Delmarva Power to meet its obligations and to protect the interests of Delmarva Power customers in a financially healthy utility and in the continued receipt of reasonably adequate utility service at just and reasonable rates. Any divestiture order made pursuant to this Settlement Agreement shall be limited to the assets and operations of Delmarva Power in Delaware. The divestiture conditions covered by this Settlement Agreement are: (i) a nuclear accident or incident at an Exelon nuclear power facility involving the release or threatened release of radioactive isotopes, resulting in (x) a material disruption of operations at such facility and material loss to Exelon that is not covered by insurance or indemnity or (y) the permanent closure of a material number of Exelon nuclear plants as a result of such accident or incident; (ii) a bankruptcy filing by Exelon or any of its subsidiaries constituting 10% or more of Exelon's consolidated assets at the end of its most recent fiscal quarter, or 10% or more of Exelon's consolidated net income for the 12 months ended at the close of its most recent fiscal quarter; (iii) the rating for Exelon's senior unsecured long-term public debt securities, without third-party credit enhancement, are downgraded to a rating that indicates "substantial risks" (i.e., below B3 by Moody's or B- by S&P or Fitch) by at least two of the three major credit rating agencies, and such condition continues for more than 6 months; or (iv) Exelon and/or PHI have committed a pattern of material violations of lawful Commission orders or regulations, or applicable provisions of the Public Utilities Act and, despite notice and opportunity to cure such violations, have continued to commit the violations.

Affiliate Transactions Commitments

61. Exelon commits to comply, and cause Delmarva Power and other Exelon affiliates to comply, with the Delaware statutes and regulations applicable to Delmarva Power regarding affiliate transactions, including, but not limited to, Delmarva Power's Cost Accounting Manual on file with the Commission and Code of Conduct (approved in Commission Order No. 5469) as reviewed and updated by the Commission. Exelon also commits that Staff, Commission Counsel and the Public Advocate shall have reasonable access to the accounting records of Exelon's affiliates that are the basis for charges to Delmarva Power to determine the reasonableness of allocation factors used by Exelon to assign those costs and amounts subject to allocation and direct charges, except for transactions otherwise subject to a competitive process supervised by an administrative or other governmental body of competent jurisdiction (such as Delmarva Power's procurement of Standard Offer Service under the supervision of the Commission).

62. Controls and procedures will be designed to provide reasonable assurance that PHI's subsidiaries will not bear costs associated with the business activities of any other Exelon affiliate (other than PHI or a PHI subsidiary) other than the reasonable costs of providing materials and services to PHI (or a PHI subsidiary). PHI and its subsidiaries will maintain reasonable pricing protocols for determining transfer prices for transactions involving non-power goods and services between PHI and its subsidiaries and Exelon and any Exelon affiliate consistent with the requirements of the Commission and the Federal Energy Regulatory Commission ("FERC").

63. EBSC costs shall be directly charged whenever practicable and possible. In its next base rate proceeding, Delmarva Power shall file testimony addressing EBSC charges and the bases for such charges. Delmarva Power's testimony shall also explain any changes in allocation procedures that have been adopted since its last base rate proceeding.

64. No later than the end of the second calendar quarter of each year ("Reporting Year"), Delmarva Power will provide the Commission, Staff and the Public Advocate with the following reports:

- a. The equivalent of the FERC Form 60 Report that describes EBSC direct billings versus allocated costs for each operating utility company in the Exelon system. In addition, EBSC shall provide a further breakdown for Delmarva Power, which identifies the total amounts charged, separately stating direct and indirect charges to Delmarva Power for each service function.
- b. The cost allocation percentages and supporting work papers for the Reporting Year based on the plan factors for the Reporting Year. Such report shall compare the plan factors and cost allocation percentages for the Reporting Year to those allocation factors and percentages used in the previous year and highlight all modifications and specifically identify those that occurred during the course of the year due to significant events based on the prior year's actual results of EBSC's charges for each allocation factor for each Exelon affiliate. Delmarva Power shall explain any change to allocation factors to Delmarva Power that are more than five percentage points. Delmarva Power shall also make available on request any prior months' variance reports regarding EBSC's billings to Delmarva Power.

65. Delmarva Power shall provide copies to Staff and the Public Advocate of the portions of any external audit reports performed for EBSC pertaining directly or indirectly to Exelon's determinations of direct billings and cost allocations to Delmarva Power. Such material shall be provided no later than 30 days after the final report is completed.

66. The Joint Applicants will use asymmetrical pricing/costs with respect to the General Service Agreement (the "GSA"), meaning EBSC will only charge Delmarva Power for services provided under the GSA at cost without any profit. The Joint Applicants will also use

asymmetrical pricing/costs with respect to any cost charged to Delmarva Power from any Exelon affiliate, meaning the Exelon affiliate will only charge Delmarva Power for services at cost without any profit. EBSC will commit to review costs for the upcoming annual year with Delmarva Power prior to Delmarva Power signing the agreement and, during this review, with the exception of corporate governance services, if Delmarva Power can procure the same services at the same level of service in the open market at a lower cost, EBSC will either match the market pricing or Delmarva Power will be able to opt out and procure the service on the open market. Delmarva Power will not object to a Commission request that Delmarva Power provide a report in the future to demonstrate that the services received by Delmarva Power from the Exelon affiliates are at lower of cost or market. Within five business days after a request or inquiry from the Commission, Staff or the Public Advocate, Delmarva Power will respond to such inquiry, and either: (a) provide the requesting party any documents related to the information requested in order to afford Staff or the Public Advocate to verify or understand the report, or (b) propose a time frame in which Delmarva Power proposes that it reasonably can provide full documentation in response to the inquiry.

67. For assets that EBSC acquires for use by Delmarva Power, the same capitalization/expense policies shall apply to those assets that are applicable under the Commission's standards for assets acquired directly by Delmarva Power.

68. For depreciable assets that EBSC acquires for use by Delmarva Power, the depreciation expense charged to Delmarva Power by EBSC shall reflect the same depreciable lives and methods required by the Commission for similar assets acquired directly by Delmarva Power. In no event shall depreciable lives on plant acquired for Delmarva Power by EBSC be shorter than those approved by the Commission for similar property acquired directly by Delmarva Power.

69. For assets that EBSC acquires for use by Delmarva Power, the rate of return shall be based on Delmarva Power's authorized rate of return, unless EBSC is able to finance the asset at a lower cost than Delmarva Power. In such cases, the lower cost financing will be reflected in EBSC's billings to Delmarva Power, and the resulting benefit will be passed on to ratepayers.

70. Staff and the Public Advocate will be sent copies of any and all "60-day" letters, and supporting documentation, sent by EBSC to the FERC concerning a proposed change in the GSA.

71. Staff and the Public Advocate shall have the right to review the GSA and related cost allocations in Delmarva Power's future base rate cases, in conjunction with future competitive service audits, in response to any changes in the Commission's affiliate relations standards, and for other good cause shown.

72. Delmarva Power agrees that the Commission under its authority pursuant to 26 Del. C. §§ 206-208 may review the allocation of costs in sufficient detail to analyze their reasonableness, the type and scope of services that EBSC provides to Delmarva Power and the basis for inclusion of new participants in EBSC's allocation formula. Delmarva Power and EBSC shall record costs and cost allocation procedures in sufficient detail to allow the

Commission to analyze, evaluate, and render a determination as to their reasonableness for ratemaking purposes.

Pushdown Accounting - Assurances for Rate Payers

73. Exelon will not record any of the impacts of purchase accounting at the PHI utility companies (ACE, Delmarva Power, Pepco), thereby maintaining historical financial accounting at each of the utility companies. Exelon has received confirmation of its decision on purchase accounting from the Securities and Exchange Commission; thus no goodwill or other fair value adjustments will be recorded at the PHI utility companies upon consummation of the Merger. Exelon agrees that the impacts of the purchase accounting will not be recorded on PHISCo's books, and if purchase accounting does impact PHISCo's books, Exelon agrees there will be no impact to the assets and costs that are directly charged and allocated to Delmarva Power from PHISCo. In addition, Exelon agrees there will be no impact to the assets and costs that are directly charged and allocated to Delmarva Power from PHI.

Continued Charitable Contributions and Community Initiatives

74. In Delaware, Exelon and its subsidiaries shall, during the ten-year period following consummation of the Merger, provide at least an annual average of charitable contributions and traditional local community support that exceeds PHI's and Delmarva Power's 2013 level of \$699,000, which was the highest level of contributions over the last five years.

Supplier Diversity

75. Delmarva Power will honor and maintain its commitment to support programs to increase supplier diversity.

Pending Litigation

76. Upon execution of this Settlement Agreement, Delmarva Power, Staff and the Public Advocate agree to move to suspend the appeal pending in the Delaware Superior Court related to Commission Dkt. No. 13-115 until such time as the Merger is closed and, upon consummation of the Merger, Delmarva Power will dismiss its appeal with prejudice and the Public Advocate will dismiss its cross appeal with prejudice.

Resolving Outstanding Accounts Receivables

77. To help reduce the burden of long outstanding energy debt for low income families, Delmarva Power commits to forgive all accounts receivable over three years old for qualifying low income families. For purposes of this paragraph, "low income" shall refer to families who are eligible for assistance through the Delaware Energy Assistance Program. The costs of such forgiveness will not be recovered in Delmarva Power's rates.

Low Income Customer Assistance

78. Delmarva Power will maintain, enhance and promote programs that provide assistance to low-income customers.

Ensuring Reliable, Quality Service at a Reasonable Cost

79. The Settling Parties recognize the importance of a balance between the reliability improvements that can be achieved with increased investments and the impact to customers for the recovery of those costs. Delmarva Power agrees that it will maintain its 2015-2019 reliability capital budgets at a level no greater than \$225 million. Delmarva Power's original reliability budget is presented in Table 2 below, and the revised reliability budget reflecting the reduction from \$296,394,396 to \$225 million is provided in Table 3 below. The parties to this Settlement Agreement acknowledge that Delmarva Power is free to move resources between budget years to address reliability conditions and needs as they arise. The Settling Parties further acknowledge that Delmarva Power will not exceed the reliability budget absent changes in law, regulations (including without limitation changes in the reliability requirements that may be ordered in Docket 50 or a similar proceeding), or major weather events or equipment failure requiring increases in reliability-related spending to restore service and facilities.

Table 2 – DPL-DE Distribution Spending Forecast (2015-2019) – Original Merger Commitment

| Categories | 2015 | 2016 | 2017 | 2018 | 2019 | Total |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Customer Driven | \$ 13,623,671 | \$ 14,133,330 | \$ 14,522,787 | \$ 14,281,815 | \$ 15,090,941 | \$ 71,652,544 |
| Reliability -- Total | \$ 56,841,142 | \$ 56,879,149 | \$ 57,340,339 | \$ 58,531,504 | \$ 66,802,262 | \$ 296,394,396 |
| Reliability -- Planned | \$ 41,792,535 | \$ 41,715,527 | \$ 43,650,749 | \$ 44,841,914 | \$ 51,235,658 | \$ 223,236,383 |
| Reliability -- Emergency | \$ 15,048,607 | \$ 15,163,622 | \$ 13,689,590 | \$ 13,689,590 | \$ 15,566,604 | \$ 73,158,013 |
| Load | \$ 5,212,551 | \$ 6,348,175 | \$ 7,744,841 | \$ 4,766,282 | \$ 7,401,981 | \$ 31,473,830 |
| Total -- Reliability & Load | \$ 62,053,693 | \$ 63,227,324 | \$ 65,085,180 | \$ 63,297,786 | \$ 74,204,243 | \$ 327,868,226 |
| Total | \$ 75,677,364 | \$ 77,360,654 | \$ 79,607,967 | \$ 77,579,601 | \$ 89,295,184 | \$ 399,520,770 |

Table 3 – DPL-DE Distribution Spending Forecast (2015-2019)

| Joint Applicants Commitment | | | | | | |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Five Year Plan Capital | | | | | | |
| \$ Millions | 2015 | 2016 | 2017 | 2018 | 2019 | Total |
| Reliability Total | \$48,060,008 | \$47,453,793 | \$42,570,815 | \$42,159,548 | \$44,755,836 | \$225,000,000 |

80. The inclusion of spending forecasts in this Settlement Agreement does not indicate authorization to include any specific assets or amounts in the rate base, does not indicate authorization for any ratemaking treatment, and does not constitute pre-approval for any amounts spent by Delmarva Power to improve reliability levels.

81. Delmarva Power agrees that it will conduct a depreciation study and will submit such study in its next base rate case.

82. Delmarva Power agrees that its System Average Interruption Duration Index ("SAIDI") will not exceed 175 minutes by 2020, based on a three-year historical average calculated over the 2018-2020 period (excluding major weather events as calculated consistent

with the methodology currently utilized by the Commission). In achieving a SAIDI level that does not exceed 175 minutes, Delmarva Power anticipates that the System Average Interruption Frequency Index (“SAIFI”) will not exceed 1.5 and the Customer Average Interruption Duration Index (“CAIDI”) will not exceed 120 minutes. This level of SAIDI reliability performance is significantly better than that afforded by the 295 minutes of SAIDI currently required by the Docket 50 standard to which Delmarva Power would otherwise be held in the absence of the Merger. If the SAIDI level of reliability improvement is not achieved, the return on equity to which Delmarva Power would otherwise be entitled in its next electric distribution base rate case filed after January 1, 2021, will be reduced by 50 basis points. The return-on-equity reduction would apply throughout the period that the rates established by that rate proceeding are in effect, and Delmarva Power would be required to initiate a new base rate proceeding and obtain an order from the Commission approving new rates to end the return on equity penalty. As a result of the above-referenced reduction in Delmarva Power’s reliability related capital budgets and the SAIDI commitment above, the Joint Applicants, Staff and the Public Advocate will request that the Commission close Docket No. 13-152.

83. Delmarva Power will meet annually with Staff and the Public Advocate to review and provide documentation concerning its capital budget, including but not limited to its budget for reliability-related investments. As part of this annual review, Delmarva Power will specifically review reliability performance, actual spend and projected budget for reliability-related capital. Such review with Staff and the Public Advocate shall not be construed as approval of the particular capital expenditures by either Staff or the Public Advocate, who shall remain free to contest capital expenditures in future base rate cases.

Competitive Request for Proposals -- Renewable Portfolio Standards

84. For the purpose of meeting the renewable portfolio standards under current law, Delmarva Power will issue a competitive request for proposals (“RFP(s)”) to purchase wind Renewable Energy Credits (“RECs”) on commercially reasonable terms in three tranches: (1) the first for RECs from one or more renewable generating facilities with an aggregate capacity of up to 40 MW (nameplate) beginning in the compliance years 2017-2018 for a term of 10 to 15 years; (2) the second for RECs from one or more renewable generating facilities with an aggregate capacity of up to 40 MW (nameplate) beginning in the compliance years 2019-2020 for a term of 10 to 15 years; and (3) the third for RECs from one or more renewable generating facilities with an aggregate capacity of up to 40 MW (nameplate) beginning in the compliance years 2023-2024 for a term of 10 to 15 years. The Settling Parties agree that if circumstances or conditions change (including but not limited to a material change in the projected load of Delmarva Power such that fewer RECs are required, or a substantial change in the cost of RECs through the spot market such that additional spot-market purchases in lieu of long-term contract purchases would be prudent), they will work in good faith with each other and present any proposed modification to the Commission as may be warranted by those changed conditions. The primary factor under the RFP bid process will be price, and all costs associated with the REC agreement(s) will flow through the Renewable Portfolio Compliance Rate surcharge currently in place to assure complete and timely cost recovery by Delmarva Power. Delmarva Power, with the concurrence of the Renewable Energy Task Force, shall file any such RFP pursuant to this paragraph with the Commission for its review and required approval prior to

issuance. Any proposed contract(s) resulting from the RFP shall also be submitted to the Commission for final review and approval before execution.

Customer Investment Fund & Impact on Rates

85. In lieu of the Customer Investment Fund proposed in the Joint Applicants' Application, after consummation of the Merger, Exelon will make total payments of \$49.170 million to residential customers over ten years. The total monthly credit for all residential customers will remain fixed at \$409,750 during the ten-year period and will be provided as a bill credit to residential customers beginning within 60 days after the Merger is consummated, and will continue until the \$49.170 million is depleted. The fixed monthly credits shall be determined based on the December 31, 2014 residential customer count and shall be allocated such that dual electric and gas customers will receive a monthly credit that is approximately 1.41 times the monthly credit of an electric-only customer, and a gas-only customer will receive a monthly credit that is approximately .41 times the monthly credit of an electric-only customer. Once the total of \$49.170 million has been paid to customers and the final bill credit is provided, the credit will end without further action from the Commission.

86. The Joint Applicants agree that Delmarva Power shall track and account for Merger-related savings, and the cost to achieve those savings, in its next base rate case. Furthermore, the Joint Applicants agree to provide the Commission an update regarding Delmarva Power integration efforts six months after the consummation of the Merger and every six months thereafter for a period of two years post-Merger close.

87. The Joint Applicants will provide a side-by-side comparison of pre- and post-Merger shared services costs allocated to Delmarva Power. Specifically, Delmarva Power will make a filing with the Commission showing shared services costs of 2013 (the last full year before Merger activities began) versus Delmarva Power's allocated shared service costs in 2016 (the first full year after the Merger has closed). The comparison shall be provided to Staff and the Public Advocate no later than the end of the second quarter of 2017.

88. Delmarva Power will not seek recovery in distribution rates of: (a) the acquisition premium or goodwill associated with the Merger; or (b) the Transaction Costs, as defined in paragraph 89 below, incurred in connection with the Merger by Exelon, PHI or their subsidiaries. Any acquisition premium or goodwill shall be excluded from the ratemaking capital structure.

89. For the purposes of this Settlement Agreement, Transaction Costs are defined as: (a) consultant, investment banker, regulatory fees and legal fees associated with the Merger Agreement and regulatory approvals, (b) purchase price, change-in-control payments, retention payments, executive severance payments and the accelerated portion of SERP payments, (c) costs associated with the shareholder meetings and proxy statement related to Merger approval by the PHI shareholders, and (d) costs associated with the imposition of conditions or approval of settlement terms in other state jurisdictions. Staff and the Public Advocate shall have the right to examine whether other costs incurred might fit within the "transaction costs" category and to advocate that such costs should be identified as Transaction Costs and not allowed in a subsequent distribution base rate proceeding.

90. Although the Joint Applicants do not anticipate any adverse impact from the Merger on the utilization of Delmarva Power's net operating loss carry-forwards, Exelon will agree to indemnify Delmarva Power for any liability for income taxes in excess of liabilities of Delmarva Power as a standalone entity.

91. The Joint Applicants shall ensure that the Merger will not affect the accounting and ratemaking treatments of accumulated deferred income taxes ("ADIT"), and accumulated deterred investment tax credits ("ADITC"), such that ADIT and ADITC will continue to be used as rate base deductions and amortization credits in future Delaware rate cases.

92. Delmarva Power agrees to withdraw its Forward Looking Rate Plan, and request the Commission close Docket No. 13-384. Delmarva Power will withdraw the Forward Looking Rate Plan without prejudice to making a future filing with the Commission to consider alternative regulatory methodologies that could include, but not be limited to, multi-year rate plans. Delmarva Power agrees to coordinate with Staff and the Public Advocate in workshop reviews of alternative approaches to continuing rate cases and new rate structures that can capitalize on the benefits of Advanced Meter Infrastructure.

93. Exelon agrees that any costs to migrate from PHI's Solution One SAP system to an Oracle based system prior to the conclusion of the life of the asset, will not be recovered in Delmarva Power's distribution customer rates.

Ensuring Competition

94. The Joint Applicants agree to abide by Delaware regulations regarding Affiliate Relations, and the "Code of Conduct" applicable to the acquisition of Standard Offer Service (approved in Commission Order No. 5469, Docket No. 99-582 on June 20, 2000).

95. Exelon agrees to the following additional competition protections. For purposes of this Settlement Agreement, "Affiliated Transmission Companies" are ACE, Delmarva Power, Pepco, PECO Energy Company ("PECO"), Baltimore Gas and Electric Company ("BGE"), Commonwealth Edison Company ("ComEd"), and any transmission owning entity that is in the future affiliated with Exelon and is a member of PJM, and "Exelon" refers to Exelon and its affiliates and subsidiaries.

a. Electric Generation Interconnection Studies

Exelon commits that its Affiliated Transmission Companies will each identify, with PJM's concurrence, at least three independent third-party engineering consulting firms that are qualified to conduct Facility Studies under the PJM generator interconnection process. Exelon shall provide notice and a list of such firms to the parties to this Settlement Agreement 30 days prior to submission to PJM. The Settling Parties shall have the right to provide comments to Exelon or PJM for their review with respect to such submission. The Settling Parties or any generation interconnection applicant may propose other independent third-party engineering consulting firms to Exelon for its consideration with respect to adding them to this list of qualified firms. Exelon shall

make a decision with respect to whether any proposed independent third-party engineering consulting firm can be included on such list within 30 days of a request to include any such proposed firm. Exelon shall not be permitted to remove a third-party engineering consulting firm from such list unless and until it can demonstrate good cause as determined by the Independent Market Monitor for PJM or the FERC.

Any generation developer that desires to interconnect to the transmission system of one of Exelon's Affiliated Transmission Companies may, in the developer's discretion and at the developer's expense, direct PJM to utilize one of the identified firms to conduct the Facility Study for its generation project for upgrades and interconnection facilities required on the Affiliated Transmission Company's facilities.

For all interconnection studies performed by a listed independent third-party engineering consulting firm, the Affiliated Transmission Company will cooperate with, and, as requested, provide information to PJM and the independent engineering consulting firm as needed to complete all work within the normal scope and timing of the PJM interconnection process. The Affiliated Transmission Company will provide to PJM the cost estimate for any facilities for which it has construction responsibility assigned in the PJM Interconnection Services Agreement. If a dispute arises in connection with the Study performed by the independent engineering consulting firm or the Affiliated Transmission Company, then the generation developer or the Affiliated Transmission Company may pursue resolution of the dispute through the process laid out in the PJM Tariff. Affiliates of Exelon that are pursuing the development of generation within the service territories of one of the Affiliated Transmission Companies shall, at their own expense, direct PJM to utilize one of the independent engineering consulting firms to conduct the Facility Study for upgrades and interconnection facilities required on the Affiliated Transmission Company's facilities and the Feasibility Study and System Impact Study shall be performed by PJM. Nothing in this paragraph 95(a) precludes an applicant, as part of its project team, from contracting with other contractors to assist it in the PJM interconnection process at its sole discretion.

b. Separate Employees to Engage in Advocacy

Exelon shall utilize separate legal and government-affairs personnel, support personnel, and separate law firms and consultants to advocate before the Commission, on behalf of Exelon Generation and/or Constellation Energy Resources, LLC, on the one hand, and Delmarva Power and any Affiliated Transmission Company, on the other.

c. PJM Advocacy

In order to facilitate consumer advocacy in PJM, Exelon will make a one-time contribution of \$350,000 to fund the expenses of the Consumer Advocates of PJM States Inc. ("CAPS"). This contribution shall be a single contribution made with respect to all of the PHI utilities and service territories and shall not be specific to Delmarva Power or Delaware. The cost of the contribution shall not be recovered in Delmarva Power rates. Exelon also agrees to support reasonable proposals to have PJM members fund CAPS.

d. Commitment to Stay in PJM

Exelon commits that ACE, Delmarva Power, Pepco, PECO and BGE will remain as members of PJM until January 1, 2025; provided, however, that if there are significant changes to the structure of the industry or to PJM, including markets administered by PJM, during that period that have material impacts on ACE, Delmarva Power, Pepco, PECO or BGE, then any of those companies may file with FERC to withdraw from PJM. The parties to this Settlement Agreement may participate in the proceeding in which FERC will review the withdrawal request and may contest before FERC the companies' assertion that there are significant changes to the structure of the industry or to PJM that have material impacts on ACE, Delmarva Power, Pepco, PECO or BGE.

e. Market Monitor Review

Exelon agrees that the Market Monitor may review its Demand-Resource bids in PJM energy, reserves and capacity markets.

Exelon's Consent to Jurisdiction

96. Exelon submits to the jurisdiction of the Commission for: (a) the enforcement of the commitments set forth herein; and (b) matters relating to affiliate transactions between Delmarva Power and Exelon or its affiliates. Exelon will also cause each of its affiliates that supplies goods or services to Delmarva Power to submit to the jurisdiction of the Commission for matters relating to the provision or costs of such goods or services to Delmarva Power.

Coordination with the Delaware Sustainable Energy Utility (the "SEU")

97. SEU and Delmarva Power Coordination

- a. As required under statute,¹ the Energy Efficiency Advisory Council ("Advisory Council"), in collaboration with Staff and the Public Advocate, shall recommend candidate energy efficiency and reduction, and emission-reducing fuel switching program elements that are cost effective, reliable, and feasible, including financing mechanisms. Further, the Advisory Council shall recommend three-year program portfolios and defined associated savings targets for consideration by Delmarva Power.

Consistent with the statute that requires collaboration between the SEU and the utilities on energy efficiency programs, within 30 days after the Advisory Committee issues its candidate programs and recommended three year program portfolio, Delmarva Power and the SEU shall have the first collaboration meeting.

¹ 29 Del. C. § 8059(h)(1)b.

The goal of the collaboration meeting between the SEU and Delmarva Power shall be to assure efficient and cost-effective programs; to assure that such programs help to accelerate the advancement of sustainability initiatives in Delaware; to avoid duplication of effort between the SEU and Delmarva Power; to assure the development of a competitive energy services market in Delaware; to explore use of private financing, RGGI funds, or other SEU resources to reduce implementation costs of energy efficiency programs as allowed by statute; and to determine whether the SEU can be the most cost effective provider.

As part of the collaboration meetings, Delmarva Power shall provide to the SEU its draft proposed three-year plans, schedules, and budgets to reflect the recommended program portfolios including defined savings targets as required under statute 30 days in advance of its filing submission to the Advisory Council.² After receipt by the SEU of Delmarva Power's draft program proposal which shall include draft schedules which detail program costs as discussed above, the SEU may propose that the SEU operate such other programs. For any proposed program, the parties will in good faith attempt to reach agreement on the three-year plan including consideration of SEU operation of a program where the SEU demonstrates that it can operate the program at a lower cost. Consistent with the statute, all programs will be subject to approval of the Commission.

- b. To avoid duplication of effort between the SEU and Delmarva Power, mitigate potential confusion in the marketplace and facilitate ease of use to all potential users of programs, whether Delmarva Power or the SEU operates a given program, Delmarva Power will coordinate with the SEU regarding the marketing and promotion of programs to provide a seamless and complementary experience for customers. While Delmarva Power will also be permitted to market and promote programs that it is responsible for executing, the SEU will serve as the centralized source for the listing of all energy efficiency and renewable energy program information (including demand response and other greenhouse gas reduction efforts) in Delaware.
- c. Delmarva Power will coordinate with the SEU to provide reasonable access, as available, to its customer-service platforms such as billing inserts, on-bill messaging, newsletters, e-newsletters, website and email notifications for marketing the SEU's energy-efficiency and renewable-energy programs. The reasonable cost of using these communication platforms will be paid for by SEU.

98. On Bill Payment for SEU Energy Efficiency and Renewable Energy Financing

² See 29 Del. C. § 8059(h)(1)c.

- a. Delmarva Power will evaluate providing on-bill payment services, where agreed to by the customer, for the SEU to provide financing for customers' energy-efficiency or renewable-energy measures and collect its debt service through Delmarva Power monthly bills to participating customers. Such evaluation will be undertaken within the context of the law that directs the Advisory Council to recommend the adoption of an on-bill financing model, and accordingly, Delmarva Power's evaluation shall focus on identifying and assessing implementation issues. The costs of the evaluation, or any billing undertaken as a result of this evaluation, shall not be recovered in rates.
- b. Delmarva Power will provide to the parties a report on its evaluation within 90 days of the close of the Merger in conjunction with the work of the Advisory Council. Prior to any program for on-bill payment services being implemented, the program will be submitted to the Commission for its approval.
- c. If the program is implemented, Delmarva Power will be permitted to recover appropriate implementation costs and associated rates of return on capital costs through a program service fee paid by the SEU (including IT implementation costs as well as ongoing administrative costs) or other recovery method agreed upon that does not include recovery in rates.
- d. The evaluation will include but not be limited to the following:
 - i. Adjustments to Delmarva Power's billing systems and procedures so that customer bills would show charges for enrolled customers and Delmarva Power could collect the appropriate debt service (as indicated by the SEU) from a participating customer and transfer collected funds to the SEU (or its agent);
 - ii. Allowing payment to be tied to the meter so that debt service transfers across successive property owners or tenants, or to the customer, depending on the program design adopted by the SEU;
 - iii. Support for marketing of the program;
 - iv. Adjustments to its tariff provisions to provide for this program through the SEU;
 - v. Use of standard collection procedures or other approaches agreed upon by Delmarva Power, the SEU, Staff and the Public Advocate;
 - vi. Development of a mechanism with the SEU, Staff and the Public Advocate for reasonable treatment of uncollected account balances and loan defaults such that such risk does not fall on Delmarva Power;

- vii. Establishing the SEU as program administrator, as the SEU will use its funding sources for loans, and adopt credit review criteria and program plans and criteria (eligible customers and measures, payment levels, contractor participation pre and post auditing, etc.) at SEU's discretion.

99. Street Lighting. Delmarva Power will evaluate its street-lighting tariffs and complete its evaluation and any related study within 90 days of the close of the Merger. Delmarva Power will provide the evaluation and any related study, documents, data, and information to the SEU so that the SEU may independently review Delmarva Power's evaluation. Delmarva Power may then consider filing an amended tariff to the Commission for approval. To the extent allowed by Delmarva Power's tariff and Commission regulations, Delmarva Power shall coordinate with the SEU in its planning and program activities, and provide adequate customer service and engineering support in the event the SEU offers a financing program that allows participants to convert to LED lighting with SEU funding. The cost of evaluation of street lighting tariffs shall not be recovered in rates.

100. Assistance with Saving Analysis. After receiving required customer consent, Delmarva Power shall assist the SEU with respect to utility bill analysis and usage data in order to determine savings from energy efficiency improvements for the SEU's Energy Savings Procurement Contracting program for state agencies and school districts.

**Enhancement to Interconnection Process for
Behind-the-Meter Distributed Renewable Generation**

101. Delmarva Power shall provide a transparent, efficient, and clear process for review and approval of interconnection of proposed renewable energy projects to the Delmarva Power distribution system by providing for the following measures:

- a. Service territory maps of circuits will be uploaded to the Delmarva Power website, to be updated at least biannually that have the following information included: the area where circuits are restricted, and to what size systems future applications are restricted to. Three different maps will depict different restriction sizes. Each map will have the circuit areas on the particular map highlighted in red. One map will show circuits that are restricted to all sizes. One map will show circuits restricted to systems less than 50kW. One map will show circuits restricted to less than 250kW.
- b. When a utility receives an interconnection request for a behind-the-meter renewable system, there are several factors, or criteria limits, to consider when it determines if upgrades are required at a specific circuit. Delmarva Power shall provide a report to the SEU within 90 days of Merger closing that provides its criteria limits for distributed energy resources that apply for connection to its distribution system (including but not limited to determining when a circuit is "closed"). This report shall include supporting studies and information that substantiate those limits. The report should consider the generation profile of

renewable energy relative to load, as well as the approaches utilized in other jurisdictions that have addressed the issue of the impact of on-site renewable resources on the local grid and circuits. Delmarva Power shall make itself available for discussions with the SEU on the report.

- c. Delmarva Power shall maintain an accepted inverter equipment list for small generation projects where once an inverter is reviewed and found to be acceptable for use, it is deemed acceptable for future development. This list shall be easily accessible on the Commission, the SEU and Delmarva Power websites and updated quarterly.
- d. Delmarva Power will provide timely information and action to applicants seeking to interconnect behind-the-meter renewable energy projects to the Delmarva Power distribution system with respect to preliminary interconnection approval, replacement of existing meters with bi-directional meters, and permission to operate (“PTO”).
- e. Delmarva Power will file with the Commission annual reports of timeliness of responses to interconnection requests. Consistent with the interconnection rules, annual reports will include the following:
 - i. The total number of and the nameplate capacity of the interconnection requests received and approved and denied under level 1, level 2, level 3 and level 4 reviews.
 - ii. The number of and an explanation of the interconnection requests that were not processed within the established timelines. Should delays impact more than 10% of the interconnection requests in a reporting year, Delmarva Power will include its plans to address and eliminate the delays.
- f. With respect to the interconnection process and metering and monitoring requirements, in behind-the-meter applications where the battery and the solar - system share one inverter, the maximum bandwidth of charge to discharge will be used as the capacity for determining the requirement of a Level 1 – Level 4 interconnection study. Where the system will be used for frequency regulation, there may be cases where it will result in a higher-level interconnection study based on the aggregate capacity-following frequency-regulation signals on the respective feeder and/or power transformer. Delmarva Power and the SEU, in conjunction with other stakeholders identified by Delmarva Power and the SEU, through a committee process, may elect to further study the issues regarding the coupling of solar and storage. As a result of such studies, the committee may recommend changes to this protocol to the Commission.
- g. In behind-the-meter applications where the battery never exports while in parallel with the grid and both the battery and the solar system share one inverter, no

additional metering or monitoring equipment shall be required for a solar plus storage facility than would be required for a solar facility without storage technology. Delmarva Power and the SEU, in conjunction with other stakeholders identified by Delmarva Power and the SEU, through a committee process, may elect to further study the issues regarding the coupling of solar and storage. As a result of such studies, the committee may recommend changes to this protocol to the Commission.

Vehicle Emission Control

102. Delmarva Power agrees that it will adopt a “best practice” for emission controls for its utility fleet vehicles which, for purposes of this Settlement Agreement, means that Delmarva Power will utilize telematics software to actively manage its utility fleet idling. Delmarva Power will also maintain for its utility fleet vehicles a fleet-wide anti-idling policy and employee education program.

Most Favored Nation Provision

103. Exelon will provide Staff and the Public Advocate a copy of the final Orders and/or Settlement Stipulations from New Jersey, Maryland and the District of Columbia, following approval in each of those jurisdictions, along with an analysis indicating the total dollar amount of any customer investment fund approved in each jurisdiction (including a calculation of that amount on a per distribution customer basis) and explaining the valuation of the additional customer benefits awarded in that jurisdiction as compared to the valuation of the customer benefits awarded in Delaware (calculated in each case on a per-distribution customer basis). For purposes of this section, “distribution customer” for Delmarva Power includes a customer who receives electric distribution, gas distribution or both from Delmarva Power.

104. The Settling Parties agree that Delaware should be protected in the event that the Joint Applicants agree to or accept orders under which another jurisdiction obtains a higher amount of direct customer financial benefits than provided through a customer investment fund (calculated on a per-distribution customer basis) or other materially better benefits in the aggregate than those contained in this Settlement Agreement:

- a. If, on a per-distribution customer basis, the benefits provided to other jurisdictions are materially more beneficial in the aggregate than the terms of this Settlement Agreement with respect to financial benefits, credits or payments to customers including the aggregate rate credits provided for in paragraph 85, then Exelon will increase the financial benefits, credits or payments to Delmarva Power customers to an equivalent amount calculated on a per-distribution customer basis. In no event will the operation of this methodology cause Delaware’s \$49.170 million aggregate customer rate credit to be reduced.
- b. If the benefits in any other jurisdiction that do not involve financial benefits, credits or payments to customers are materially more beneficial in the aggregate than the terms of this Settlement Agreement that do not involve financial benefits, credits or payments to customers, then Exelon will increase the benefits provided

under this Settlement Agreement by the amount of any difference between the value of those benefits in the other jurisdiction and the value of those benefits under this Settlement Agreement, based on the analysis showing the valuation of those benefits in the other jurisdiction compared to the valuation of those benefits in Delaware, all determined where appropriate on a pro rata or per-distribution customer basis. The Settling Parties recognize, however, that there are differences among the states with respect to (a) employment and hiring commitments, (b) the existing level of charitable contributions, and (c) reliability performance and investment and, therefore, agree that those three elements will not be considered in the determination of whether the benefits in other jurisdictions are materially more beneficial than the terms of this Settlement Agreement, and Exelon will not be required to offer to compensate Delaware for any differences in the value of such elements.

- c. Exelon agrees that in the event that additional ring-fencing requirements are adopted by the Maryland Public Service Commission and accepted by the Joint Applicants as a result of the proceeding in Case No. 9361, or adopted by the District of Columbia Public Service Commission as accepted by the Joint Applicants as a result of the proceeding in Formal Case No. 1119, such ring-fencing requirements will also apply to Delmarva Power in Delaware.

105. If Staff or the Public Advocate finds the amount or form of compensation offered by Exelon to be insufficient, then Staff or the Public Advocate may petition the Commission to require that Exelon provide increased benefits in Delaware. Following a determination by the Commission that the Joint Applicants are required to provide increased benefits in Delaware, Exelon shall be permitted, in its sole discretion, to decline to accept any substitution of terms and conditions, in which case this Settlement Agreement will be null and void. Exelon agrees to supply non-privileged information which Staff or the Public Advocate may request to determine the value of any benefits. The Settling Parties agree that the purpose of this paragraph is to assure a fair allocation of the costs and benefits associated with this transaction to Delmarva Power customers.

Miscellaneous

106. Each party agrees to use its best efforts to ensure that this Settlement Agreement shall be submitted to the Commission for approval as soon as possible.

107. The Settling Parties agree that this Settlement Agreement represents the entirety of the agreement among the Settling Parties. This Settlement Agreement includes proposals and conditions above and beyond the terms contained in the Application. Notwithstanding statements made in the Application, testimony, discovery, materials or any information provided by the Joint Applicants, only those commitments stated in this Settlement Agreement shall apply.

108. The Settling Parties agree to support approval of the Merger upon the terms set forth in this Settlement Agreement in any proceedings before the Commission regarding approval of the Merger. The Settling Parties further agree to defend this Settlement Agreement

in the event of opposition to approval of the Merger from non-signatory parties before the Commission.

109. Notwithstanding anything to the contrary set forth herein, upon the occurrence of any of the following events this Settlement Agreement shall terminate, and shall be deemed null and void and of no force or effect:

- a. if the Commission fails to adopt a Final Order approving the Merger and this Settlement Agreement or issues a decision disapproving this Settlement Agreement;
- b. if for any reason the Merger is not consummated;
- c. if the Commission issues a written order approving this Settlement Agreement subject to any condition or modification of the terms set forth herein which an adversely affected party, in its discretion, finds unacceptable. Such party shall serve notice of unacceptability on the other Settling Parties within three business days following receipt of such Commission order. Absent such notification, the Settling Parties shall be deemed to have waived their respective rights to object to the acceptability of such conditions or modifications contained in the Commission order, which shall thereupon become binding on all Settling Parties; or
- d. if, pursuant to the operation of the terms of paragraph 105, Exelon declines to accept any modification of, or addition to, terms and conditions ordered by the Commission or requested by Staff or the Public Advocate.

110. This Settlement Agreement shall be binding on the Settling Parties upon approval by the Commission. This Settlement Agreement contains terms and conditions above and beyond the terms contained in the Application, each of which is interdependent with the others and essential in its own right to the signing of this Settlement Agreement. Each term is vital to the Settlement Agreement as a whole, since the Settling Parties expressly and jointly state that they would not have signed the Settlement Agreement had any term been modified in any way. None of the Settling Parties shall be prohibited from or prejudiced in arguing a different policy or position before the Commission in any other proceeding, as such agreements pertain only to this matter and to no other matter.

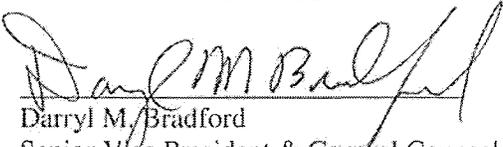
111. This Settlement Agreement represents the full scope of the agreement among the Settling Parties. This Settlement Agreement may only be modified by a further written agreement executed by all the parties to this Settlement Agreement. In the event this Settlement Agreement is modified by the Commission pursuant to the terms of paragraph 109, then Exelon, in its sole discretion, shall have the right to decline to accept any modification of, or addition to, terms and conditions, in which case this Settlement Agreement will be null and void.

112. This Settlement Agreement is submitted to the Commission for approval as a whole. If a party is adversely affected by a modification or condition to the Settlement

Agreement and provides timely notice in accordance with paragraph 109(c), then the Settlement Agreement shall be ineffective and void.

113. This Settlement Agreement may be executed in as many counterparts as there are parties to this Settlement Agreement, each of which counterparts shall be an original, but all of which shall constitute one and the same instrument.

EXELON CORPORATION


By: Darryl M. Bradford
Senior Vice President & General Counsel

PEPCO HOLDINGS, INC. and
DELMARVA POWER & LIGHT COMPANY

By: _____
Kevin C. Fitzgerald
Executive Vice President & General Counsel
Pepco Holdings, Inc.

STAFF OF THE DELAWARE PUBLIC
SERVICE COMMISSION

By: _____
Robert Howatt
Executive Director

DELAWARE DIVISION OF THE PUBLIC
ADVOCATE

By: _____
David L. Bonar
Public Advocate

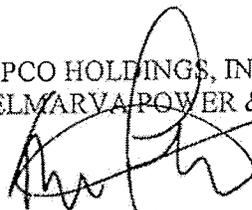
Agreement and provides timely notice in accordance with paragraph 109(c), then the Settlement Agreement shall be ineffective and void.

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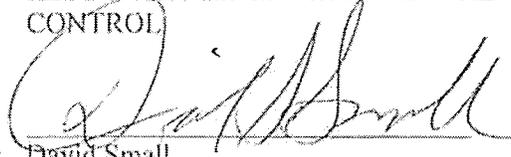
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DELAWARE DEPARTMENT OF NATURAL
RESOURCES and ENVIRONMENTAL
CONTROL



By: David Small
Secretary

DELAWARE SUSTAINABLE ENERGY
UTILITY

By: _____
Tony DiPrima
Executive Director

MID-ATLANTIC RENEWABLE ENERGY
COALITION

By: _____
Bruce H. Burcat
Executive Director

CLEAN AIR COUNCIL

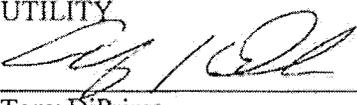
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Joseph Otis Minott
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ACTIVE/ 78664501.9

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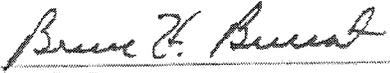
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ACTIVE/ 78664501.9

EXHIBIT B

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION)
OF DELMARVA POWER & LIGHT)
COMPANY, EXELON CORPORATION,)
PEPCO HOLDINGS, INC., PURPLE)
ACQUISITION CORPORATION, EXELON) PSC DOCKET NO. 14-193
ENERGY DELIVERY COMPANY, LLC AND)
NEW SPECIAL PURPOSE ENTITY FOR)
APPROVALS UNDER THE PROVISIONS OF)
26 DEL. C. §§ 215 and 1016 (Filed June 18,)
2014))

AMENDED SETTLEMENT AGREEMENT

WHEREAS, Exelon Corporation (“Exelon”) and Pepco Holdings, Inc. (“PHI”) executed an Agreement and Plan of Merger on April 29, 2014, and an Amended and Restated Agreement and Plan of Merger on July 18, 2014;

WHEREAS, on June 18, 2014, Exelon, PHI, Delmarva Power & Light Company (“Delmarva Power”), and other related entities (collectively, the “Joint Applicants”) filed an application with the Delaware Public Service Commission (the “Commission”) seeking approval of the proposed merger of Exelon and PHI (the “Merger”) and the resulting change in control of Delmarva Power, pursuant to 26 Del. C. §§ 215 and 1016;

WHEREAS, the Delaware Division of the Public Advocate (the “Public Advocate”) filed its Statutory Notice of Intervention on July 8, 2014;

WHEREAS, the Delaware Department of Natural Resources and Environmental Control (“DNREC”), the Delaware Sustainability Energy Utility (the “SEU”), the Mid-Atlantic Renewable Energy Coalition (“MAREC”), NRG Energy, Inc. (“NRG”), Jeremy Firestone (“Firestone”), Monitoring Analytics, LLC acting as the Independent Market Monitor for PJM (the “Market Monitor”), James Black, Executive Director for the Partnership for Sustainability in Delaware (“PSD”), Chesapeake Utilities Corporation (“Chesapeake”), and the Clean Air Council (“CAC”), have all intervened in the above-captioned docket;

WHEREAS, Commission Staff (“Staff”), the Public Advocate and other intervenors took substantial discovery in this matter from the Joint Applicants, including thousands of written discovery requests and eleven depositions of proposed witnesses for the Joint Applicants and the Joint Applicants have produced thousands of documents;

WHEREAS, Staff, the Public Advocate, the SEU, MAREC, DNREC, the Market Monitor and Firestone submitted pre-filed direct testimony on December 12, 2014, and December 19, 2014;

WHEREAS, the Joint Applicants submitted pre-filed rebuttal testimony on January 12, 2015;

WHEREAS, Staff, the Public Advocate, DNREC, the SEU, MAREC and CAC have engaged in lengthy and detailed settlement discussions with the Joint Applicants to establish appropriate and proper protections to address the concerns raised with respect to the interests of ratepayers and the public;

WHEREAS, subject to the approval of the Commission, the Joint Applicants have agreed to binding commitments above and beyond those contained in the Application in an effort to address the issues raised;

WHEREAS, the Joint Applicants, Staff, the Public Advocate, DNREC, the SEU, MAREC and CAC (the "Settling Parties"), have agreed to terms that they believe establish that the Merger is in accordance with law, for a proper purpose and is consistent with the public interest as required by 26 Del. C. § 215, insures that any successor will continue safe and reliable transmission services, and complies with all labor-related provisions of 19 Del. C. § 706 and 26 Del. C. § 1016;

WHEREAS, pursuant to 26 Del. C. § 512, the public policy of the State of Delaware encourages the resolution of matters before the Commission through voluntary settlement; and

WHEREAS, the Settling Parties have, subject to approval by the Commission, agreed on settlement terms, with those terms encompassed herein,

NOW, THEREFORE, the following terms and conditions are agreed to by the Settling Parties to this Settlement Agreement as follows:

Recommendation of Approval of the Merger

1. Subject to the provisions set forth in this Settlement Agreement, the Settling Parties agree that the statutory criteria for approval of an application for a change of control for a Delaware public utility as set forth in 26 Del. C. §§ 215(b) and 1016 have been satisfied with respect to the Merger and the change in control with respect to Delmarva Power. More particularly, the Settling Parties agree that the record herein, coupled with the conditions set forth herein support findings and conclusions by the Commission that the Merger is in accordance with law, for a proper purpose and is consistent with the public interest. Further the Settling Parties agree that the Merger will ensure that Delmarva Power will continue to provide safe and reliable transmission and distribution services and that the Merger complies with the provisions concerning labor contracts and employment specifically set forth in 26 Del. C. § 1016(b).

2. Subject to the provisions set forth in this Settlement Agreement, the Settling Parties agree that the Joint Applicants should be authorized to take those actions necessary in order for the Merger to lawfully be consummated.

Labor, Employment and Compensation Protections

3. Delmarva Power will honor all existing collective bargaining agreements. Upon consummation of the Merger and for at least the first two years following consummation of the Merger, Exelon and Delmarva Power: (a) will not permit a net reduction, due to involuntary attrition as a result of the Merger integration process, in the employment levels at Delmarva Power, and (b) will continue their commitments to workforce diversity. For years three through five following the closing of the Merger, Delmarva Power will not permit a net, involuntary reduction due to the Merger integration process greater than a total of 25 Delmarva Power Delaware positions.

4. Contingent upon consummation of the Merger, Delmarva Power will use its best efforts to hire at least 83 full-time employees in Delaware into Local 1238 and Local 1307 and will do so within two years of Merger consummation. Those 83 bargaining-unit employees will not be among the 25 Delmarva Power positions that may be involuntarily reduced due to the Merger integration process in years three through five following the closing of the Merger.

5. Exelon agrees that it will not permit a net reduction of more than 60 PHI Service Company (“PHISCo”) employees in Delaware, due to involuntary attrition as a result of the Merger integration process, for three years subsequent to the Merger consummation. The Joint Applicants agree that eligible employees terminated as a result of the Merger will receive severance benefits, including a cash payment which can be used for outplacement services, at the discretion of the employee.

6. Exelon agrees that it will assume PHI’s obligations, or cause PHI to continue to meet its obligations, to Delmarva Power employees and retirees with respect to pension and retiree health benefits.

7. For at least the first five years following the consummation of the Merger, Exelon will provide current and former Delmarva Power employees compensation and benefits that are at least as favorable in the aggregate as the compensation and benefits provided to those employees immediately before April 29, 2014, or to the compensation and benefits of Exelon employees in comparable positions. Consistent with the past practice of both companies, benefits provided to PHISCo’s retirees will be aligned with the commitments made to the retirees of the utilities. The five-year duration of this commitment does not mean that Exelon intends to eliminate retiree benefits in five years after consummation of the Merger. Exelon, like PHI, provides health care and life insurance benefits to its own retirees and has no plans to discontinue such benefits in the foreseeable future. Both companies also have adjusted retiree benefits from time to time to ensure they are sustainable and respond to changes in the market and regulatory environments.

Workforce Development Initiative

8. Upon consummation of the Merger, Exelon will initiate a workforce development effort that will partner with Delaware Technical and Community College, Delaware State University, the United Way, the Boys and Girls Clubs of Delaware, and the Forum to Advance Minorities in Engineering (“FAME”). Exelon will implement and fund this program via a \$2.0

million grant over four years, with the objective of providing a pipeline of trained, “job ready” Delawareans in the areas of energy efficiency, renewable energy and Science, Technology, Engineering and Math (“STEM”) related fields. Specifically, the initiative will include: (1) a career pathways program at Delaware Technical and Community College to help develop the skills required to support careers in energy efficiency for high school and college level students; (2) a career pathways program at Delaware State University to support careers in the field of renewable energy for high school and college level students; (3) scholarships for high school students participating in STEM competitions in Boys and Girls Clubs in Delaware and for FAME students; and (4) enhanced summer internship opportunities for high school students. These initiatives, where possible, will leverage and support the current statewide Success Pathways and Roads to Careers (“SPaRC”) partnership between the business community, the non-profit community, the Delaware Economic Development Office, the Department of Education and the Department of Labor and will also seek to embed opportunities for individuals with disabilities to participate.

Natural Gas and Onshore Wind Study

9. In furtherance of Delaware State Senate Joint Resolution No. 7 (S.J.R. No. 7, 147th General Assembly, adopted July 31, 2014) concerning the possible extension of a natural gas pipeline in Kent and Sussex counties, and to consider the costs and benefits that may be related to additional gas fired generation in Sussex County, the Joint Applicants will conduct a study that seeks to quantify the potential demand by user type and location and, in particular, focuses on the likely/estimated number of conversions of both residential and commercial customers, as well as the likely pace of those conversions should such a pipeline be built. The study will also provide examples of programs designed to increase such conversion rates and the various metrics around such initiatives. The study should also include a list of important issues third parties (such as customers, gas pipeline owner/operators and generators) would likely consider in their analysis in terms of making the necessary investments related to converting to natural gas. Consistent with the potential for such gas availability, the study will provide a cost/benefit analysis of a gas fired generation facility in Sussex County, including the effect additional gas generation might have on consumer energy prices and service reliability. Finally, the study shall evaluate the feasibility of land based wind generation in Kent and Sussex counties. The costs of the study will not be recovered in Delmarva Power rates.

Local Presence Assurances

10. The Joint Applicants have no plans to close, move or otherwise relocate current Delmarva Power operational facilities in the State of Delaware. For at least 10 years after the consummation of the Merger, Delmarva Power will maintain its local operational headquarters near Newark, Delaware. For at least five years after the consummation of the Merger, Delmarva Power will maintain the Gas Maintenance Facility on 630 Martin Luther King Blvd., Wilmington and the Millsboro District office with related bill paying facilities and will not otherwise close, move or relocate such operational facilities without providing the Commission notice at least 90 days in advance of any such action.

11. PHI will have a board of directors consisting of seven or more people. At least three members of the PHI board shall be “independent” (as defined by New York Stock Exchange rules). Of the four remaining directors, one shall be selected from among the officers or employees of PHI or a PHI subsidiary. The directors of the PHI board will be appointed by a new special purpose entity (the “SPE”), as described below, as the member of PHI. Three of the seven PHI board members shall have a residence or principal place of business or employment in the service territory of the PHI utilities, one from Delmarva Power (Delaware), one from Atlantic City Electric Company (“ACE”), and one from Potomac Electric Power Company (“Pepco”).

12. The PHI board of directors will conduct its board meetings within the PHI service territories, including Delaware. At least one officer of PHI or Delmarva Power shall maintain a residence or principal place of business in the State of Delaware. The Chief Executive Officer of PHI will serve on the Exelon Executive Committee, which is a committee of senior leaders for Exelon and principal subsidiaries.

13. The Commission’s Chair or designee shall have the opportunity annually to present and provide a report to the full PHI board as to the performance of Delmarva Power in Delaware and other issues of importance to the Commission.

14. Exelon’s board of directors will include the PHI utilities’ service territories among the locations of Exelon’s board and stockholder meetings.

15. Exelon’s Executive Committee will include the PHI utilities’ service territories among the locations of Executive Committee meetings.

16. Upon the effective date of the proposed Merger, PHI and its utility subsidiaries will adopt delegations of authority setting forth the authorizations of officers of PHI and its utility subsidiaries to act on behalf of PHI and its utility subsidiaries without further authorization from Exelon Corporation. The proposed delegations of authority for PHI and its utility subsidiaries are set forth on Table One. The delegations of authority for Delmarva Power adopted by PHI will not be amended to reduce authorization levels of Delmarva Power officers without prior notice to the Commission.

**TABLE ONE
PROPOSED DELEGATIONS OF AUTHORITY
PHI AND ITS UTILITY SUBSIDIARIES**

| Transaction Type (Note 1) | Approval Threshold | | | | | | | |
|--|---------------------------|-------------------------|------------------------|---|-----------------------------------|---|--|----------------------------|
| | Exelon Board of Directors | Exelon Board Committees | Exelon President & CEO | Chief Executive Officer, Exelon Utilities | PHI or Utility Board of Directors | Chief Executive Officer, PHI or Utility | Vice President, Chief Financial Officer and Treasurer, PHI | Senior Vice President, PHI |
| Capital and Related O&M | > \$200M | ≤ \$200M | ≤ \$100M | ≤ \$50M | > \$50M | ≤ \$25M | ≤ \$15M | |
| Mergers, Acquisitions, New Business or Ventures | > \$100M | | ≤ \$100M | | > \$5M | ≤ \$5M | | |
| Sale of Receivables | | | | | > \$10M | ≤ \$10M | ≤ \$1M | ≤ \$1M |
| Sale/Divestiture of Other Assets (Including Real Estate) | | | ≤ \$100M | | > \$10M | ≤ \$10M | ≤ \$1M | ≤ \$1M |
| Customer Account Credits/Bill Adjustments/Charge Offs | | | | | > \$10M | ≤ \$10M | ≤ \$1M | ≤ \$1M |
| Natural Gas Contracts | > \$200M | ≤ \$200M | | | > \$100M | ≤ \$100M | | |
| Other Electric Energy Procurement Contracts (Note 2) | > \$100M | ≤ \$100M | | ≤ \$50M | > \$50M | ≤ \$25M | | |
| Purchases of Services and Non-Capital Materials | > \$200M | ≤ \$200M | ≤ \$150M | ≤ \$50M | > \$50M | ≤ \$25M | ≤ \$5M | ≤ \$5M |
| Legal, Regulatory or Income Tax Settlements | > \$200M | ≤ \$200M | ≤ \$100M | ≤ \$50M | > \$50M | ≤ \$25M | ≤ \$5M | ≤ \$5M |
| Issue/Redeem Debt | > \$300M | ≤ \$300M | ≤ \$200M | | ALL | | | |
| Financial Guarantees | > \$150M | ≤ \$150M | ≤ \$100M | ≤ \$50M | ≤ \$100M | | | |
| Employee Benefit Plans and Arrangements | | | ≤ \$50M | | ALL | | | |
| Contribution to Benefit Plans (Note 3) | > \$200M | ≤ \$200M | | | ALL | | | |
| Negotiated Utility Rate Contracts | | | ≤ \$75M | ≤ \$50M | > \$50M | ≤ \$25M | ≤ \$5M | ≤ \$5M |
| Other Contractual Commitments, Leases and Instruments | > \$200M | ≤ \$200M | ≤ \$100M | ≤ \$50M | > \$50M | ≤ \$25M | ≤ \$15M | ≤ \$5M |
| Corporate Contributions and Philanthropy | ≥ \$1M | | ≤ \$1M | < \$1M | ≥ \$1M | < \$50K | ≤ \$10K | ≤ \$10K |

Note 1: Delegations are to the respective officers and agents of Pepco Holdings LLC and its utility subsidiaries (collectively, "PHI"). Authority delegated to officers and agents to approve transactions is limited to transactions having subject matters related to their areas of responsibility. Additional written delegations to officers or employees below the CEO level may be made by the authorized officers generally or for specific purposes.

Note 2: Approval by the PHI or Exelon board of directors is not required for energy procurement contracts that are a direct result of an auction process or procurement plan approved by a state utility regulatory commission.

Note 3: Approval is not required for legally required periodic contributions to the pension and employee benefit plans.

Demand Response and Energy Efficiency

17. Exelon has and will continue to support demand response and energy efficiency playing a role in the energy resource mix, with demand response services being an important tool for customers to manage energy costs. While questions remain about jurisdiction over demand response, the appropriate compensation mechanisms, and how to incorporate demand response in existing markets, Exelon is of the view that any sensible energy policy should reflect the value of all resources, including demand response. To that end, PHI and Delmarva Power will maintain and promote energy efficiency and demand response programs consistent with the direction and approval of the Commission and the requirements of 29 Del. C. § 8059(h). In addition, Exelon will continue to advocate that demand response should be reflected in markets that serve Delaware. In the furtherance of Delaware's energy efficiency efforts, Exelon will provide \$2.0 million for a low income energy efficiency program for Delmarva Power customers that is recommended by the Energy Efficiency Advisory Council and approved by the Commission. Any low income programs funded by these funds will be considered for approval pursuant to the process established in paragraph 97 of this Settlement Agreement. The costs of the program will not be recovered in Delmarva Power rates.

Protecting Against Risk - Corporate Organization, Financial Integrity and Ring-Fencing

18. Delmarva Power will maintain its separate existence as a separate corporate subsidiary and its separate franchises, obligations, and privileges.

19. Delmarva Power will maintain separate books and records, and will maintain those books and records at the Delmarva Power headquarters in the State of Delaware as required by 26 Del. C. § 208(b). The Joint Applicants also agree to notify the Commission and the Public Advocate of any material change in the administration, management or condition of Delmarva Power's books and records within five business days after the event.

20. Delmarva Power will not incur or assume any debt, including the provision of guarantees or collateral support, directly related to the Merger.

21. Exelon will establish a limited liability company as the SPE for the purpose of holding 100% of the equity interest in PHI.

22. The SPE will be a direct subsidiary of Exelon Energy Delivery Company LLC ("EEDC").

23. EEDC will transfer 100% of the equity interest in PHI to the SPE as an absolute conveyance with the intention of removing PHI and its utility subsidiaries from the bankruptcy estate of Exelon and EEDC.

24. The SPE will have no employees and no operational functions other than those related to holding the equity interests in PHI.

25. The SPE shall maintain adequate capital in light of its contemplated business purpose, transactions and liabilities; provided, however, the foregoing shall not require the owners to make any additional capital contributions.

26. The SPE will have four directors appointed by EEDC. One of the four SPE directors will be an independent director, who will be an employee of an administration company in the business of protecting SPEs, and must meet the other independence criteria set forth in the SPE governing documents. One other director will be appointed from among the officers or employees of PHI or a PHI subsidiary. The other two SPE directors may be officers or employees of Exelon or its affiliates, including PHI and its subsidiaries.

27. The SPE will issue a non-economic interest in the SPE (a “Golden Share”) to an administration company in the business of protecting SPEs and separate from the administration company retained to provide the person to serve as the independent director for the SPE. The holder of the SPE’s Golden Share will have a voting right on matters specified in the SPE governing documents, as described below.

28. A voluntary petition for bankruptcy by the SPE will require the affirmative consent of the holder of the Golden Share and the unanimous vote of the SPE board of directors (including the independent director). A voluntary petition for bankruptcy by PHI will require the affirmative consent of the holder of the Golden Share, the unanimous vote of the SPE board of directors (including the independent director), and the unanimous vote of the PHI board of directors. A voluntary petition for bankruptcy for any of PHI’s subsidiaries will require the unanimous vote of the PHI board of directors (including its independent directors) and the unanimous vote of the board of directors of the relevant PHI subsidiary.

29. The SPE will maintain arm’s-length relationships with each of its affiliates and observe all necessary, appropriate and customary company formalities in its dealings with its affiliates. PHI and PHI’s subsidiaries will maintain arm’s-length relationships with Exelon and its affiliates, including the SPE.

30. PHI’s CEO and other senior officers who directly report to PHI’s CEO will hold no positions with Exelon or Exelon affiliates other than PHI and PHI’s subsidiaries.

31. At all times, the SPE will hold itself out as an entity separate from its affiliates, will conduct business in its own name through its duly authorized directors and officers and comply with all organizational formalities to maintain its separate existence and shall use commercially reasonable efforts to correct any known misunderstanding regarding its separate identity. PHI and its subsidiaries will hold themselves out as separate entities from Exelon and the SPE, conduct business in their own names (provided that PHI and each of PHI’s utility subsidiaries may identify itself as an affiliate of Exelon on a basis consistent with other Exelon utility subsidiaries).

32. The SPE shall maintain its own separate books, records, bank accounts and financial statements reflecting its separate assets and liabilities. PHI and each of PHI’s

subsidiaries will maintain separate books, accounts and financial statements reflecting its separate assets and liabilities.

33. The SPE shall comply with generally accepted accounting principles (“GAAP”) in all material respects (subject, in the case of unaudited financial statements, to the absence of footnotes and to normal year-end audit adjustments) in all financial statements and reports required of it and issue such financial statements and reports separately from any financial statements or reports prepared for its affiliates; provided that such financial statements or reports may be consolidated with those of its affiliates if the separate existence of the SPE and its assets and liabilities is clearly noted therein.

34. The SPE shall account for and manage all of its liabilities separately from any other entity, and pay its own liabilities only out of its own funds.

35. The SPE shall neither guarantee nor become obligated for the debts of any other entity nor hold out its credit or assets as being available to satisfy the obligations of any other entity.

36. Each PHI utility will maintain separate debt and preferred stock, if any, so that none will be responsible for the debts or preferred stock of affiliated companies, and each will maintain its own corporate and debt credit rating as well as ratings for long-term debt and preferred stock, if any. PHI and its subsidiaries will use reasonable efforts to maintain separate credit ratings for any of their publicly traded securities. PHI will not issue additional publicly traded long-term debt securities. PHI and its utility subsidiaries will use reasonable efforts and prudence to preserve investment grade credit ratings.

37. PHI will not assume liability for the debts of Exelon, the SPE, or any other affiliate of Exelon other than a PHI subsidiary. The PHI subsidiaries will not assume liability for the debts of Exelon, PHI, the SPE, the other PHI subsidiaries, or any other affiliate of Exelon. The SPE shall not acquire, assume or guarantee obligations of any affiliate. PHI will not guarantee the debt or credit instruments of Exelon, the SPE or any other Exelon affiliate other than a PHI subsidiary. The PHI utilities will not guarantee the debt or credit instruments of Exelon, PHI or any other Exelon affiliate including the SPE. Notwithstanding the foregoing, Delmarva Power may guarantee the obligations of a subsidiary of Delmarva Power established for the purpose of owning, operating or financing transmission or distribution facilities provided approval of the Commission is obtained prior to providing any such guarantee.

38. The SPE shall not pledge its assets for the benefit of any other entity or make loans to, or purchase or hold any indebtedness of, any other entity. The PHI utilities will not pledge or use as collateral, or grant a mortgage or other lien on any asset or cash flow, or otherwise pledge such assets or cash flow as security for repayment of the principal or interest of any loan or credit instrument of, or otherwise for the benefit of, Exelon, PHI or any other Exelon affiliate including the SPE. Notwithstanding the foregoing, Delmarva Power may pledge assets to secure the obligations of a wholly-owned subsidiary of Delmarva Power established for the purpose of financing its utility operations provided approval of the Commission is obtained prior to providing any such guarantee.

39. Delmarva Power will not include in any of its debt or credit agreements cross-default provisions between Delmarva Power securities and the securities of Exelon or any other Exelon affiliate other than a wholly-owned subsidiary of Delmarva Power provided approval of the Commission is obtained prior to including any such cross-default provision. Delmarva Power will not include in its debt or credit agreements any financial covenants or rating-agency triggers related to Exelon or any other Exelon affiliate other than a wholly-owned subsidiary of Delmarva Power provided approval of the Commission is obtained prior to including any such provision.

40. The SPE will not commingle its funds or other assets with the funds or other assets of any other entity and shall not maintain any funds or other assets in such a manner that it will be costly or difficult to segregate, ascertain or identify its individual funds or other assets from those of its owners or any other person.

41. PHI and each of its subsidiaries will maintain in its own name all assets and other interests in property used or useful in their respective business and will not transfer its ownership interest in any such property to Exelon or an Exelon affiliate (other than a PHI subsidiary) without requisite approval of the Commission and any approval required under the Federal Power Act; provided that the foregoing shall not limit the ability of PHI to transfer to Exelon or Exelon affiliates any business or operations of PHI or PHI subsidiaries that are not regulated by state or local utility regulatory authorities.

42. The SPE shall ensure that its funds will not be transferred to its owners or affiliates except with the consent and authority of the SPE board of directors.

43. The SPE shall ensure that title to all real and personal property acquired by it is acquired, held and conveyed in its name.

44. No entities other than PHI and its subsidiaries, including the PHI utilities and PHISCo, will participate in the PHI utilities' money pool. The PHI utilities will not participate in any money pool operated by Exelon, and there will be no commingling of funds with Exelon. Any deposits into or loans through the PHI money pool by PHI utilities shall be on terms no less favorable than the depositor or lender could obtain through a short-term investment of similar funds with independent parties. Any borrowings from the PHI money pool by a PHI utility shall be on terms no less favorable than the PHI utility could obtain through short-term borrowings from (including sales of commercial paper to) independent parties. Exelon will give notice to the Commission within three business days in the event that any participant in the PHI money pool is rated below investment grade by any of the three major credit rating agencies. The Commission may revoke the right of Delmarva Power to participate in the PHI money pool.

45. PHISCo will remain as a subsidiary of PHI and will continue to perform functions and to maintain related assets currently involved in providing services exclusively to the PHI utilities. Other functions that are currently provided by PHISCo, including those that are provided to PHI utilities and to other current PHI subsidiaries, may be transferred to Exelon

Business Service Company (“EBSC”) or another Exelon affiliate in a phased transition over a period of time following the Merger closing.

46. PHI subsidiaries, other than PHISCo and the PHI utilities, that are currently engaged in operations that are not regulated by a state or local utility regulatory authority will be transferred to Exelon or an Exelon affiliate; provided that: (a) PHI may retain ownership of Conectiv LLC as a holding company for ACE and Delmarva Power; (b) Conectiv LLC may transfer its 50% ownership interest in Millennium Account Services LLC to PHI; and (c) Conectiv LLC or subsidiaries of Conectiv LLC may retain ownership of real estate and other assets that are used in whole or in part in the business of the PHI utilities. PHI may elect to hold the stock of Delmarva Power and ACE directly, and cease the use of Conectiv LLC as a holding company.

47. The SPE will maintain a separate name from and will not use the trademarks, service marks or other intellectual property of Exelon, PHI, or PHI’s subsidiaries. PHI and its utility subsidiaries will each maintain a separate name from and will not use the trademarks, service marks or other intellectual property of Exelon or its other affiliates, except that PHI and each of PHI’s utility subsidiaries may identify itself as an affiliate of Exelon on a basis consistent with other Exelon utility subsidiaries.

48. Any amendment to the organizational documents of the SPE that would remove or alter the voting or other ring-fencing requirements described above will require the unanimous vote of the board of directors of the SPE, including the independent director, and the affirmative consent of the holder of the Golden Share.

49. As soon as is reasonably practicable, but in any event within 180 days following closing of the Merger, Exelon will obtain a legal opinion in customary form and substance and reasonably satisfactory to the Commission, to the effect that, as a result of the ring-fencing measures it has implemented for PHI and its subsidiaries, a bankruptcy court would not consolidate the assets and liabilities of the SPE with those of Exelon or EEDC, in the event of an Exelon or EEDC bankruptcy, or the assets and liabilities of PHI or its subsidiaries with those of either the SPE, Exelon or EEDC, in the event of a bankruptcy of the SPE, Exelon or EEDC. In the event that such opinion cannot be obtained, Exelon will promptly implement such measures as may reasonably be required to obtain such opinion.

50. Delmarva Power will not pay dividends to its parent company if, immediately after the dividend payment, its common equity level would fall below 48%, as equity levels are calculated under the ratemaking precedents of the Commission.

51. Delmarva Power shall not make any distribution to its parent if Delmarva Power’s corporate issuer or senior unsecured credit rating, or its equivalent, is rated by any of the three major credit rating agencies below the generally accepted definition of investment grade.

52. Within five business days after the payment of a dividend, Delmarva Power shall file with the Commission the calculations that it used to determine the equity level at the time the board of directors considered payment of the dividend and the calculations to demonstrate that

the common equity ratio immediately after the dividend payment did not fall below 48%, as equity levels are calculated under the ratemaking precedents of the Commission.

53. Delmarva Power will file with the Commission an annual compliance report with respect to the ring-fencing and other requirements. Within five business days after a request or inquiry from the Commission, Staff or the Public Advocate, Delmarva Power will respond to such inquiry, and either: (a) provide the requesting party any documents related to the information requested in order to afford Staff or the Public Advocate to verify or understand the statements or compliance report, or (b) propose a time frame in which Delmarva Power proposes that it reasonably can provide full documentation in response to the inquiry.

54. At the time the SPE is formed and every year thereafter, Delmarva Power shall provide the Commission with a certificate from an officer of Exelon certifying: (a) Exelon shall maintain the requisite legal separateness in the corporate reorganization structure; (b) the organization structure serves important business purposes for Exelon; and (c) Exelon acknowledges that subsequent creditors of PHI and Delmarva Power may rely upon the separateness of PHI and Delmarva Power and would be significantly harmed in the event separateness is not maintained and a substantive consolidation of PHI or Delmarva Power with Exelon were to occur.

55. Exelon shall not alter the character of EEDC to become a functioning entity providing common support services for PHI utilities without prior Commission approval.

56. Exelon shall not engage in an internal corporate reorganization relating to the SPE, PHI or Delmarva Power, or EEDC for which Commission approval is not required without 90 days prior written notification to the Commission. Such notification shall include: (a) an opinion of reputable bankruptcy counsel that the reorganization does not materially impact the effectiveness of PHI's existing ring-fencing; or (b) a letter from reputable bankruptcy counsel describing what changes to the ring-fencing would be required to ensure PHI is at least as effectively ring-fenced following the reorganization and a letter from Exelon committing to obtain a new non-consolidation opinion following the reorganization and to take any further steps necessary to obtain such an opinion. Exelon will not object if the Commission elects to open an investigation into the matter if the Commission deems it appropriate, but may complete the reorganization prior to the conclusion of the Commission's investigation if Commission approval is not otherwise required.

57. Neither Delmarva Power nor its distribution customers shall bear either (a) the initial cost of establishing the SPE, or (b) the cost of obtaining any opinion of legal counsel referred to in paragraphs 49 and 56.

58. Delmarva Power will continue to comply with all ring-fencing measures adopted by the Commission in Docket No. 09-414, Order No. 8011, paragraph 349); provided, however, that where the ring-fencing provisions above or any ring-fencing provisions that are adopted pursuant to paragraph 104(c) below specifically address an issue, the provisions adopted pursuant to this Settlement Agreement shall be controlling.

59. The Joint Applicants agree to implement the ring-fencing and corporate governance measures set out above for the purpose of providing additional protections to customers. The Joint Applicants agree they will not seek to modify for at least five years after the closing of the Merger the provisions contained in paragraphs 18 through 58 above, and that any such modifications thereafter require Commission review and approval.

60. Notwithstanding any other powers that the Commission currently possesses under existing, applicable law, the Joint Applicants agree that the Commission may, after investigation and a hearing, order Exelon to divest its interest in Delmarva Power on terms adequate to protect the interests of utility investors (including Exelon investors) and consumers and the public, if the Commission finds that: (a) one or more of the divestiture conditions described below has occurred, (b) that as a consequence Delmarva Power has failed to meet its obligations as a public utility, and (c) that divestiture is necessary to allow Delmarva Power to meet its obligations and to protect the interests of Delmarva Power customers in a financially healthy utility and in the continued receipt of reasonably adequate utility service at just and reasonable rates. Any divestiture order made pursuant to this Settlement Agreement shall be limited to the assets and operations of Delmarva Power in Delaware. The divestiture conditions covered by this Settlement Agreement are: (i) a nuclear accident or incident at an Exelon nuclear power facility involving the release or threatened release of radioactive isotopes, resulting in (x) a material disruption of operations at such facility and material loss to Exelon that is not covered by insurance or indemnity or (y) the permanent closure of a material number of Exelon nuclear plants as a result of such accident or incident; (ii) a bankruptcy filing by Exelon or any of its subsidiaries constituting 10% or more of Exelon's consolidated assets at the end of its most recent fiscal quarter, or 10% or more of Exelon's consolidated net income for the 12 months ended at the close of its most recent fiscal quarter; (iii) the rating for Exelon's senior unsecured long-term public debt securities, without third-party credit enhancement, are downgraded to a rating that indicates "substantial risks" (i.e., below B3 by Moody's or B- by S&P or Fitch) by at least two of the three major credit rating agencies, and such condition continues for more than 6 months; or (iv) Exelon and/or PHI have committed a pattern of material violations of lawful Commission orders or regulations, or applicable provisions of the Public Utilities Act and, despite notice and opportunity to cure such violations, have continued to commit the violations.

Affiliate Transactions Commitments

61. Exelon commits to comply, and cause Delmarva Power and other Exelon affiliates to comply, with the Delaware statutes and regulations applicable to Delmarva Power regarding affiliate transactions, including, but not limited to, Delmarva Power's Cost Accounting Manual on file with the Commission and Code of Conduct (approved in Commission Order No. 5469) as reviewed and updated by the Commission. Exelon also commits that Staff, Commission Counsel and the Public Advocate shall have reasonable access to the accounting records of Exelon's affiliates that are the basis for charges to Delmarva Power to determine the reasonableness of allocation factors used by Exelon to assign those costs and amounts subject to allocation and direct charges, except for transactions otherwise subject to a competitive process supervised by an administrative or other governmental body of competent jurisdiction (such as Delmarva Power's procurement of Standard Offer Service under the supervision of the Commission).

62. Controls and procedures will be designed to provide reasonable assurance that PHI's subsidiaries will not bear costs associated with the business activities of any other Exelon affiliate (other than PHI or a PHI subsidiary) other than the reasonable costs of providing materials and services to PHI (or a PHI subsidiary). PHI and its subsidiaries will maintain reasonable pricing protocols for determining transfer prices for transactions involving non-power goods and services between PHI and its subsidiaries and Exelon and any Exelon affiliate consistent with the requirements of the Commission and the Federal Energy Regulatory Commission ("FERC").

63. EBSC costs shall be directly charged whenever practicable and possible. In its next base rate proceeding, Delmarva Power shall file testimony addressing EBSC charges and the bases for such charges. Delmarva Power's testimony shall also explain any changes in allocation procedures that have been adopted since its last base rate proceeding.

64. No later than the end of the second calendar quarter of each year ("Reporting Year"), Delmarva Power will provide the Commission, Staff and the Public Advocate with the following reports:

- a. The equivalent of the FERC Form 60 Report that describes EBSC direct billings versus allocated costs for each operating utility company in the Exelon system. In addition, EBSC shall provide a further breakdown for Delmarva Power, which identifies the total amounts charged, separately stating direct and indirect charges to Delmarva Power for each service function.
- b. The cost allocation percentages and supporting work papers for the Reporting Year based on the plan factors for the Reporting Year. Such report shall compare the plan factors and cost allocation percentages for the Reporting Year to those allocation factors and percentages used in the previous year and highlight all modifications and specifically identify those that occurred during the course of the year due to significant events based on the prior year's actual results of EBSC's charges for each allocation factor for each Exelon affiliate. Delmarva Power shall explain any change to allocation factors to Delmarva Power that are more than five percentage points. Delmarva Power shall also make available on request any prior months' variance reports regarding EBSC's billings to Delmarva Power.

65. Delmarva Power shall provide copies to Staff and the Public Advocate of the portions of any external audit reports performed for EBSC pertaining directly or indirectly to Exelon's determinations of direct billings and cost allocations to Delmarva Power. Such material shall be provided no later than 30 days after the final report is completed.

66. The Joint Applicants will use asymmetrical pricing/costs with respect to the General Service Agreement (the "GSA"), meaning EBSC will only charge Delmarva Power for services provided under the GSA at cost without any profit. The Joint Applicants will also use

asymmetrical pricing/costs with respect to any cost charged to Delmarva Power from any Exelon affiliate, meaning the Exelon affiliate will only charge Delmarva Power for services at cost without any profit. EBSC will commit to review costs for the upcoming annual year with Delmarva Power prior to Delmarva Power signing the agreement and, during this review, with the exception of corporate governance services, if Delmarva Power can procure the same services at the same level of service in the open market at a lower cost, EBSC will either match the market pricing or Delmarva Power will be able to opt out and procure the service on the open market. Delmarva Power will not object to a Commission request that Delmarva Power provide a report in the future to demonstrate that the services received by Delmarva Power from the Exelon affiliates are at lower of cost or market. Within five business days after a request or inquiry from the Commission, Staff or the Public Advocate, Delmarva Power will respond to such inquiry, and either: (a) provide the requesting party any documents related to the information requested in order to afford Staff or the Public Advocate to verify or understand the report, or (b) propose a time frame in which Delmarva Power proposes that it reasonably can provide full documentation in response to the inquiry.

67. For assets that EBSC acquires for use by Delmarva Power, the same capitalization/expense policies shall apply to those assets that are applicable under the Commission's standards for assets acquired directly by Delmarva Power.

68. For depreciable assets that EBSC acquires for use by Delmarva Power, the depreciation expense charged to Delmarva Power by EBSC shall reflect the same depreciable lives and methods required by the Commission for similar assets acquired directly by Delmarva Power. In no event shall depreciable lives on plant acquired for Delmarva Power by EBSC be shorter than those approved by the Commission for similar property acquired directly by Delmarva Power.

69. For assets that EBSC acquires for use by Delmarva Power, the rate of return shall be based on Delmarva Power's authorized rate of return, unless EBSC is able to finance the asset at a lower cost than Delmarva Power. In such cases, the lower cost financing will be reflected in EBSC's billings to Delmarva Power, and the resulting benefit will be passed on to ratepayers.

70. Staff and the Public Advocate will be sent copies of any and all "60-day" letters, and supporting documentation, sent by EBSC to the FERC concerning a proposed change in the GSA.

71. Staff and the Public Advocate shall have the right to review the GSA and related cost allocations in Delmarva Power's future base rate cases, in conjunction with future competitive service audits, in response to any changes in the Commission's affiliate relations standards, and for other good cause shown.

72. Delmarva Power agrees that the Commission under its authority pursuant to 26 Del. C. §§ 206-208 may review the allocation of costs in sufficient detail to analyze their reasonableness, the type and scope of services that EBSC provides to Delmarva Power and the basis for inclusion of new participants in EBSC's allocation formula. Delmarva Power and EBSC shall record costs and cost allocation procedures in sufficient detail to allow the

Commission to analyze, evaluate, and render a determination as to their reasonableness for ratemaking purposes.

Pushdown Accounting - Assurances for Rate Payers

73. Exelon will not record any of the impacts of purchase accounting at the PHI utility companies (ACE, Delmarva Power, Pepco), thereby maintaining historical financial accounting at each of the utility companies. Exelon has received confirmation of its decision on purchase accounting from the Securities and Exchange Commission; thus no goodwill or other fair value adjustments will be recorded at the PHI utility companies upon consummation of the Merger. Exelon agrees that the impacts of the purchase accounting will not be recorded on PHISCo's books, and if purchase accounting does impact PHISCo's books, Exelon agrees there will be no impact to the assets and costs that are directly charged and allocated to Delmarva Power from PHISCo. In addition, Exelon agrees there will be no impact to the assets and costs that are directly charged and allocated to Delmarva Power from PHI.

Continued Charitable Contributions and Community Initiatives

74. In Delaware, Exelon and its subsidiaries shall, during the ten-year period following consummation of the Merger, provide at least an annual average of charitable contributions and traditional local community support that exceeds PHI's and Delmarva Power's 2013 level of \$699,000, which was the highest level of contributions over the last five years.

Supplier Diversity

75. Delmarva Power will honor and maintain its commitment to support programs to increase supplier diversity.

Pending Litigation

76. Upon execution of this Settlement Agreement, Delmarva Power, Staff and the Public Advocate agree to move to suspend the appeal pending in the Delaware Superior Court related to Commission Dkt. No. 13-115 until such time as the Merger is closed and, upon consummation of the Merger, Delmarva Power will dismiss its appeal with prejudice and the Public Advocate will dismiss its cross appeal with prejudice.

Resolving Outstanding Accounts Receivables

77. To help reduce the burden of long outstanding energy debt for low income families, Delmarva Power commits to forgive all accounts receivable over three years old for qualifying low income families. For purposes of this paragraph, "low income" shall refer to families who are eligible for assistance through the Delaware Energy Assistance Program. The costs of such forgiveness will not be recovered in Delmarva Power's rates.

Low Income Customer Assistance

78. Delmarva Power will maintain, enhance and promote programs that provide assistance to low-income customers.

Ensuring Reliable, Quality Service at a Reasonable Cost

79. The Settling Parties recognize the importance of a balance between the reliability improvements that can be achieved with increased investments and the impact to customers for the recovery of those costs. Delmarva Power agrees that it will maintain its 2015-2019 reliability capital budgets at a level no greater than \$225 million. Delmarva Power’s original reliability budget is presented in Table 2 below, and the revised reliability budget reflecting the reduction from \$296,394,396 to \$225 million is provided in Table 3 below. The parties to this Settlement Agreement acknowledge that Delmarva Power is free to move resources between budget years to address reliability conditions and needs as they arise. The Settling Parties further acknowledge that Delmarva Power will not exceed the reliability budget absent changes in law, regulations (including without limitation changes in the reliability requirements that may be ordered in Docket 50 or a similar proceeding), or major weather events or equipment failure requiring increases in reliability-related spending to restore service and facilities.

Table 2 – DPL-DE Distribution Spending Forecast (2015-2019) – Original Merger Commitment

| Categories | 2015 | 2016 | 2017 | 2018 | 2019 | Total |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Customer Driven | \$ 13,623,671 | \$ 14,133,330 | \$ 14,522,787 | \$ 14,281,815 | \$ 15,090,941 | \$ 71,652,544 |
| Reliability -- Total | \$ 56,841,142 | \$ 56,879,149 | \$ 57,340,339 | \$ 58,531,504 | \$ 66,802,262 | \$ 296,394,396 |
| Reliability -- Planned | \$ 41,792,535 | \$ 41,715,527 | \$ 43,650,749 | \$ 44,841,914 | \$ 51,235,658 | \$ 223,236,383 |
| Reliability -- Emergency | \$ 15,048,607 | \$ 15,163,622 | \$ 13,689,590 | \$ 13,689,590 | \$ 15,566,604 | \$ 73,158,013 |
| Load | \$ 5,212,551 | \$ 6,348,175 | \$ 7,744,841 | \$ 4,766,282 | \$ 7,401,981 | \$ 31,473,830 |
| Total -- Reliability & Load | \$ 62,053,693 | \$ 63,227,324 | \$ 65,085,180 | \$ 63,297,786 | \$ 74,204,243 | \$ 327,868,226 |
| Total | \$ 75,677,364 | \$ 77,360,654 | \$ 79,607,967 | \$ 77,579,601 | \$ 89,295,184 | \$ 399,520,770 |

Table 3 – DPL-DE Distribution Spending Forecast (2015-2019)

| Joint Applicants Commitment | | | | | | |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Five Year Plan Capital | | | | | | |
| \$ Millions | 2015 | 2016 | 2017 | 2018 | 2019 | Total |
| Reliability Total | \$48,060,008 | \$47,453,793 | \$42,570,815 | \$42,159,548 | \$44,755,836 | \$225,000,000 |

80. The inclusion of spending forecasts in this Settlement Agreement does not indicate authorization to include any specific assets or amounts in the rate base, does not indicate authorization for any ratemaking treatment, and does not constitute pre-approval for any amounts spent by Delmarva Power to improve reliability levels.

81. Delmarva Power agrees that it will conduct a depreciation study and will submit such study in its next base rate case.

82. Delmarva Power agrees that its System Average Interruption Duration Index (“SAIDI”) will not exceed 175 minutes by 2020, based on a three-year historical average calculated over the 2018-2020 period (excluding major weather events as calculated consistent

with the methodology currently utilized by the Commission). In achieving a SAIDI level that does not exceed 175 minutes, Delmarva Power anticipates that the System Average Interruption Frequency Index (“SAIFI”) will not exceed 1.5 and the Customer Average Interruption Duration Index (“CAIDI”) will not exceed 120 minutes. This level of SAIDI reliability performance is significantly better than that afforded by the 295 minutes of SAIDI currently required by the Docket 50 standard to which Delmarva Power would otherwise be held in the absence of the Merger. If the SAIDI level of reliability improvement is not achieved, the return on equity to which Delmarva Power would otherwise be entitled in its next electric distribution base rate case filed after January 1, 2021, will be reduced by 50 basis points. The return-on-equity reduction would apply throughout the period that the rates established by that rate proceeding are in effect, and Delmarva Power would be required to initiate a new base rate proceeding and obtain an order from the Commission approving new rates to end the return on equity penalty. As a result of the above-referenced reduction in Delmarva Power’s reliability related capital budgets and the SAIDI commitment above, the Joint Applicants, Staff and the Public Advocate will request that the Commission close Docket No. 13-152.

83. Delmarva Power will meet annually with Staff and the Public Advocate to review and provide documentation concerning its capital budget, including but not limited to its budget for reliability-related investments. As part of this annual review, Delmarva Power will specifically review reliability performance, actual spend and projected budget for reliability-related capital. Such review with Staff and the Public Advocate shall not be construed as approval of the particular capital expenditures by either Staff or the Public Advocate, who shall remain free to contest capital expenditures in future base rate cases.

Competitive Request for Proposals -- Renewable Portfolio Standards

84. For the purpose of meeting the renewable portfolio standards under current law, Delmarva Power will issue a competitive request for proposals (“RFP(s)”) to purchase wind Renewable Energy Credits (“RECs”) on commercially reasonable terms in three tranches: (1) the first for RECs from one or more renewable generating facilities with an aggregate capacity of up to 40 MW (nameplate) beginning in the compliance years 2017-2018 for a term of 10 to 15 years; (2) the second for RECs from one or more renewable generating facilities with an aggregate capacity of up to 40 MW (nameplate) beginning in the compliance years 2019-2020 for a term of 10 to 15 years; and (3) the third for RECs from one or more renewable generating facilities with an aggregate capacity of up to 40 MW (nameplate) beginning in the compliance years 2023-2024 for a term of 10 to 15 years. The Settling Parties agree that if circumstances or conditions change (including but not limited to a material change in the projected load of Delmarva Power such that fewer RECs are required, or a substantial change in the cost of RECs through the spot market such that additional spot-market purchases in lieu of long-term contract purchases would be prudent), they will work in good faith with each other and present any proposed modification to the Commission as may be warranted by those changed conditions. The primary factor under the RFP bid process will be price, and all costs associated with the REC agreement(s) will flow through the Renewable Portfolio Compliance Rate surcharge currently in place to assure complete and timely cost recovery by Delmarva Power. Delmarva Power, with the concurrence of the Renewable Energy Task Force, shall file any such RFP pursuant to this paragraph with the Commission for its review and required approval prior to

issuance. Any proposed contract(s) resulting from the RFP shall also be submitted to the Commission for final review and approval before execution.

Customer Investment Fund & Impact on Rates

85. The Joint Applicants shall provide a customer investment fund (“CIF”) in the form of a bill credit to residential customers in an amount based on a total payment of \$40.000 million, with the bill credit distributed as a direct rate credit to Delmarva Power residential distribution customers within 60 days after the closing of the Merger.

86. The Joint Applicants agree that Delmarva Power shall track and account for Merger-related savings, and the cost to achieve those savings, in its next base rate case. Furthermore, the Joint Applicants agree to provide the Commission an update regarding Delmarva Power integration efforts six months after the consummation of the Merger and every six months thereafter for a period of two years post-Merger close.

87. The Joint Applicants will provide a side-by-side comparison of pre- and post-Merger shared services costs allocated to Delmarva Power. Specifically, Delmarva Power will make a filing with the Commission showing shared services costs of 2013 (the last full year before Merger activities began) versus Delmarva Power’s allocated shared service costs in 2016 (the first full year after the Merger has closed). The comparison shall be provided to Staff and the Public Advocate no later than the end of the second quarter of 2017.

88. Delmarva Power will not seek recovery in distribution rates of: (a) the acquisition premium or goodwill associated with the Merger; or (b) the Transaction Costs, as defined in paragraph 89 below, incurred in connection with the Merger by Exelon, PHI or their subsidiaries. Any acquisition premium or goodwill shall be excluded from the ratemaking capital structure.

89. For the purposes of this Settlement Agreement, Transaction Costs are defined as: (a) consultant, investment banker, regulatory fees and legal fees associated with the Merger Agreement and regulatory approvals, (b) purchase price, change-in-control payments, retention payments, executive severance payments and the accelerated portion of SERP payments, (c) costs associated with the shareholder meetings and proxy statement related to Merger approval by the PHI shareholders, and (d) costs associated with the imposition of conditions or approval of settlement terms in other state jurisdictions. Staff and the Public Advocate shall have the right to examine whether other costs incurred might fit within the “transaction costs” category and to advocate that such costs should be identified as Transaction Costs and not allowed in a subsequent distribution base rate proceeding.

90. Although the Joint Applicants do not anticipate any adverse impact from the Merger on the utilization of Delmarva Power’s net operating loss carry-forwards, Exelon will agree to indemnify Delmarva Power for any liability for income taxes in excess of liabilities of Delmarva Power as a standalone entity.

91. The Joint Applicants shall ensure that the Merger will not affect the accounting and ratemaking treatments of accumulated deferred income taxes (“ADIT”), and accumulated

deterred investment tax credits (“ADITC”), such that ADIT and ADITC will continue to be used as rate base deductions and amortization credits in future Delaware rate cases.

92. Delmarva Power agrees to withdraw its Forward Looking Rate Plan, and request the Commission close Docket No. 13-384. Delmarva Power will withdraw the Forward Looking Rate Plan without prejudice to making a future filing with the Commission to consider alternative regulatory methodologies that could include, but not be limited to, multi-year rate plans. Delmarva Power agrees to coordinate with Staff and the Public Advocate in workshop reviews of alternative approaches to continuing rate cases and new rate structures that can capitalize on the benefits of Advanced Meter Infrastructure.

93. Exelon agrees that any costs to migrate from PHI’s Solution One SAP system to an Oracle based system prior to the conclusion of the life of the asset, will not be recovered in Delmarva Power’s distribution customer rates.

Ensuring Competition

94. The Joint Applicants agree to abide by Delaware regulations regarding Affiliate Relations, and the “Code of Conduct” applicable to the acquisition of Standard Offer Service (approved in Commission Order No. 5469, Docket No. 99-582 on June 20, 2000).

95. Exelon agrees to the following additional competition protections. For purposes of this Settlement Agreement, “Affiliated Transmission Companies” are ACE, Delmarva Power, Pepco, PECO Energy Company (“PECO”), Baltimore Gas and Electric Company (“BGE”), Commonwealth Edison Company (“ComEd”), and any transmission owning entity that is in the future affiliated with Exelon and is a member of PJM, and “Exelon” refers to Exelon and its affiliates and subsidiaries.

a. Electric Generation Interconnection Studies

Exelon commits that its Affiliated Transmission Companies will each identify, with PJM’s concurrence, at least three independent third-party engineering consulting firms that are qualified to conduct Facility Studies under the PJM generator interconnection process. Exelon shall provide notice and a list of such firms to the parties to this Settlement Agreement 30 days prior to submission to PJM. The Settling Parties shall have the right to provide comments to Exelon or PJM for their review with respect to such submission. The Settling Parties or any generation interconnection applicant may propose other independent third-party engineering consulting firms to Exelon for its consideration with respect to adding them to this list of qualified firms. Exelon shall make a decision with respect to whether any proposed independent third-party engineering consulting firm can be included on such list within 30 days of a request to include any such proposed firm. Exelon shall not be permitted to remove a third-party engineering consulting firm from such list unless and until it can demonstrate good cause as determined by the Independent Market Monitor for PJM or the FERC.

Any generation developer that desires to interconnect to the transmission system of one of Exelon's Affiliated Transmission Companies may, in the developer's discretion and at the developer's expense, direct PJM to utilize one of the identified firms to conduct the Facility Study for its generation project for upgrades and interconnection facilities required on the Affiliated Transmission Company's facilities.

For all interconnection studies performed by a listed independent third-party engineering consulting firm, the Affiliated Transmission Company will cooperate with, and, as requested, provide information to PJM and the independent engineering consulting firm as needed to complete all work within the normal scope and timing of the PJM interconnection process. The Affiliated Transmission Company will provide to PJM the cost estimate for any facilities for which it has construction responsibility assigned in the PJM Interconnection Services Agreement. If a dispute arises in connection with the Study performed by the independent engineering consulting firm or the Affiliated Transmission Company, then the generation developer or the Affiliated Transmission Company may pursue resolution of the dispute through the process laid out in the PJM Tariff. Affiliates of Exelon that are pursuing the development of generation within the service territories of one of the Affiliated Transmission Companies shall, at their own expense, direct PJM to utilize one of the independent engineering consulting firms to conduct the Facility Study for upgrades and interconnection facilities required on the Affiliated Transmission Company's facilities and the Feasibility Study and System Impact Study shall be performed by PJM. Nothing in this paragraph 95(a) precludes an applicant, as part of its project team, from contracting with other contractors to assist it in the PJM interconnection process at its sole discretion.

b. Separate Employees to Engage in Advocacy

Exelon shall utilize separate legal and government-affairs personnel, support personnel, and separate law firms and consultants to advocate before the Commission, on behalf of Exelon Generation and/or Constellation Energy Resources, LLC, on the one hand, and Delmarva Power and any Affiliated Transmission Company, on the other.

c. PJM Advocacy

In order to facilitate consumer advocacy in PJM, Exelon will make a one-time contribution of \$350,000 to fund the expenses of the Consumer Advocates of PJM States Inc. ("CAPS"). This contribution shall be a single contribution made with respect to all of the PHI utilities and service territories and shall not be specific to Delmarva Power or Delaware. The cost of the contribution shall not be recovered in Delmarva Power rates. Exelon also agrees to support reasonable proposals to have PJM members fund CAPS.

d. Commitment to Stay in PJM

Exelon commits that ACE, Delmarva Power, Pepco, PECO and BGE will remain as members of PJM until January 1, 2025; provided, however, that if there are significant changes to the structure of the industry or to PJM, including markets administered by PJM, during that period that have material impacts on ACE, Delmarva Power, Pepco,

PECO or BGE, then any of those companies may file with FERC to withdraw from PJM. The parties to this Settlement Agreement may participate in the proceeding in which FERC will review the withdrawal request and may contest before FERC the companies' assertion that there are significant changes to the structure of the industry or to PJM that have material impacts on ACE, Delmarva Power, Pepco, PECO or BGE.

e. Market Monitor Review

Exelon agrees that the Market Monitor may review its Demand-Resource bids in PJM energy, reserves and capacity markets.

Exelon's Consent to Jurisdiction

96. Exelon submits to the jurisdiction of the Commission for: (a) the enforcement of the commitments set forth herein; and (b) matters relating to affiliate transactions between Delmarva Power and Exelon or its affiliates. Exelon will also cause each of its affiliates that supplies goods or services to Delmarva Power to submit to the jurisdiction of the Commission for matters relating to the provision or costs of such goods or services to Delmarva Power.

Coordination with the Delaware Sustainable Energy Utility (the "SEU")

97. **SEU and Delmarva Power Coordination**

- a. As required under statute,¹ the Energy Efficiency Advisory Council ("Advisory Council"), in collaboration with Staff and the Public Advocate, shall recommend candidate energy efficiency and reduction, and emission-reducing fuel switching program elements that are cost effective, reliable, and feasible, including financing mechanisms. Further, the Advisory Council shall recommend three-year program portfolios and defined associated savings targets for consideration by Delmarva Power.

Consistent with the statute that requires collaboration between the SEU and the utilities on energy efficiency programs, within 30 days after the Advisory Committee issues its candidate programs and recommended three year program portfolio, Delmarva Power and the SEU shall have the first collaboration meeting.

The goal of the collaboration meeting between the SEU and Delmarva Power shall be to assure efficient and cost-effective programs; to assure that such programs help to accelerate the advancement of sustainability initiatives in Delaware; to avoid duplication of effort between the SEU and Delmarva Power; to assure the development of a competitive energy services market in Delaware; to explore use of private financing, RGGI funds, or other SEU

¹ 29 Del. C. § 8059(h)(1)b.

resources to reduce implementation costs of energy efficiency programs as allowed by statute; and to determine whether the SEU can be the most cost effective provider.

As part of the collaboration meetings, Delmarva Power shall provide to the SEU its draft proposed three-year plans, schedules, and budgets to reflect the recommended program portfolios including defined savings targets as required under statute 30 days in advance of its filing submission to the Advisory Council.² After receipt by the SEU of Delmarva Power's draft program proposal which shall include draft schedules which detail program costs as discussed above, the SEU may propose that the SEU operate such other programs. For any proposed program, the parties will in good faith attempt to reach agreement on the three-year plan including consideration of SEU operation of a program where the SEU demonstrates that it can operate the program at a lower cost. Consistent with the statute, all programs will be subject to approval of the Commission.

- b. To avoid duplication of effort between the SEU and Delmarva Power, mitigate potential confusion in the marketplace and facilitate ease of use to all potential users of programs, whether Delmarva Power or the SEU operates a given program, Delmarva Power will coordinate with the SEU regarding the marketing and promotion of programs to provide a seamless and complementary experience for customers. While Delmarva Power will also be permitted to market and promote programs that it is responsible for executing, the SEU will serve as the centralized source for the listing of all energy efficiency and renewable energy program information (including demand response and other greenhouse gas reduction efforts) in Delaware.
- c. Delmarva Power will coordinate with the SEU to provide reasonable access, as available, to its customer-service platforms such as billing inserts, on-bill messaging, newsletters, e-newsletters, website and email notifications for marketing the SEU's energy-efficiency and renewable-energy programs. The reasonable cost of using these communication platforms will be paid for by SEU.

98. On Bill Payment for SEU Energy Efficiency and Renewable Energy Financing

- a. Delmarva Power will evaluate providing on-bill payment services, where agreed to by the customer, for the SEU to provide financing for customers' energy-efficiency or renewable-energy measures and collect its debt service through Delmarva Power monthly bills to participating customers. Such evaluation will be undertaken within the context of the law that directs the Advisory Council to recommend the adoption of an on-bill financing model, and accordingly,

² See 29 Del. C. § 8059(h)(1)c.

Delmarva Power's evaluation shall focus on identifying and assessing implementation issues. The costs of the evaluation, or any billing undertaken as a result of this evaluation, shall not be recovered in rates.

- b. Delmarva Power will provide to the parties a report on its evaluation within 90 days of the close of the Merger in conjunction with the work of the Advisory Council. Prior to any program for on-bill payment services being implemented, the program will be submitted to the Commission for its approval.
- c. If the program is implemented, Delmarva Power will be permitted to recover appropriate implementation costs and associated rates of return on capital costs through a program service fee paid by the SEU (including IT implementation costs as well as ongoing administrative costs) or other recovery method agreed upon that does not include recovery in rates.
- d. The evaluation will include but not be limited to the following:
 - i. Adjustments to Delmarva Power's billing systems and procedures so that customer bills would show charges for enrolled customers and Delmarva Power could collect the appropriate debt service (as indicated by the SEU) from a participating customer and transfer collected funds to the SEU (or its agent);
 - ii. Allowing payment to be tied to the meter so that debt service transfers across successive property owners or tenants, or to the customer, depending on the program design adopted by the SEU;
 - iii. Support for marketing of the program;
 - iv. Adjustments to its tariff provisions to provide for this program through the SEU;
 - v. Use of standard collection procedures or other approaches agreed upon by Delmarva Power, the SEU, Staff and the Public Advocate;
 - vi. Development of a mechanism with the SEU, Staff and the Public Advocate for reasonable treatment of uncollected account balances and loan defaults such that such risk does not fall on Delmarva Power;
 - vii. Establishing the SEU as program administrator, as the SEU will use its funding sources for loans, and adopt credit review criteria and program plans and criteria (eligible customers and measures, payment levels, contractor participation pre and post auditing, etc.) at SEU's discretion.

99. Street Lighting. Delmarva Power will evaluate its street-lighting tariffs and complete its evaluation and any related study within 90 days of the close of the Merger. Delmarva Power will provide the evaluation and any related study, documents, data, and information to the SEU so that the SEU may independently review Delmarva Power's evaluation. Delmarva Power may then consider filing an amended tariff to the Commission for approval. To the extent allowed by Delmarva Power's tariff and Commission regulations, Delmarva Power shall coordinate with the SEU in its planning and program activities, and provide adequate customer service and engineering support in the event the SEU offers a financing program that allows participants to convert to LED lighting with SEU funding. The cost of evaluation of street lighting tariffs shall not be recovered in rates.

100. Assistance with Saving Analysis. After receiving required customer consent, Delmarva Power shall assist the SEU with respect to utility bill analysis and usage data in order to determine savings from energy efficiency improvements for the SEU's Energy Savings Procurement Contracting program for state agencies and school districts.

**Enhancement to Interconnection Process for
Behind-the-Meter Distributed Renewable Generation**

101. Delmarva Power shall provide a transparent, efficient, and clear process for review and approval of interconnection of proposed renewable energy projects to the Delmarva Power distribution system by providing for the following measures:

- a. Service territory maps of circuits will be uploaded to the Delmarva Power website, to be updated at least biannually that have the following information included: the area where circuits are restricted, and to what size systems future applications are restricted to. Three different maps will depict different restriction sizes. Each map will have the circuit areas on the particular map highlighted in red. One map will show circuits that are restricted to all sizes. One map will show circuits restricted to systems less than 50kW. One map will show circuits restricted to less than 250kW.
- b. When a utility receives an interconnection request for a behind-the-meter renewable system, there are several factors, or criteria limits, to consider when it determines if upgrades are required at a specific circuit. Delmarva Power shall provide a report to the SEU within 90 days of Merger closing that provides its criteria limits for distributed energy resources that apply for connection to its distribution system (including but not limited to determining when a circuit is "closed"). This report shall include supporting studies and information that substantiate those limits. The report should consider the generation profile of renewable energy relative to load, as well as the approaches utilized in other jurisdictions that have addressed the issue of the impact of on-site renewable resources on the local grid and circuits. Delmarva Power shall make itself available for discussions with the SEU on the report.

- c. Delmarva Power shall maintain an accepted inverter equipment list for small generation projects where once an inverter is reviewed and found to be acceptable for use, it is deemed acceptable for future development. This list shall be easily accessible on the Commission, the SEU and Delmarva Power websites and updated quarterly.
- d. Delmarva Power will provide timely information and action to applicants seeking to interconnect behind-the-meter renewable energy projects to the Delmarva Power distribution system with respect to preliminary interconnection approval, replacement of existing meters with bi-directional meters, and permission to operate (“PTO”).
- e. Delmarva Power will file with the Commission annual reports of timeliness of responses to interconnection requests. Consistent with the interconnection rules, annual reports will include the following:
 - i. The total number of and the nameplate capacity of the interconnection requests received and approved and denied under level 1, level 2, level 3 and level 4 reviews.
 - ii. The number of and an explanation of the interconnection requests that were not processed within the established timelines. Should delays impact more than 10% of the interconnection requests in a reporting year, Delmarva Power will include its plans to address and eliminate the delays.
- f. With respect to the interconnection process and metering and monitoring requirements, in behind-the-meter applications where the battery and the solar - system share one inverter, the maximum bandwidth of charge to discharge will be used as the capacity for determining the requirement of a Level 1 – Level 4 interconnection study. Where the system will be used for frequency regulation, there may be cases where it will result in a higher-level interconnection study based on the aggregate capacity-following frequency-regulation signals on the respective feeder and/or power transformer. Delmarva Power and the SEU, in conjunction with other stakeholders identified by Delmarva Power and the SEU, through a committee process, may elect to further study the issues regarding the coupling of solar and storage. As a result of such studies, the committee may recommend changes to this protocol to the Commission.
- g. In behind-the-meter applications where the battery never exports while in parallel with the grid and both the battery and the solar system share one inverter, no additional metering or monitoring equipment shall be required for a solar plus storage facility than would be required for a solar facility without storage technology. Delmarva Power and the SEU, in conjunction with other stakeholders identified by Delmarva Power and the SEU, through a committee process, may elect to further study the issues regarding the coupling of solar and storage. As a

result of such studies, the committee may recommend changes to this protocol to the Commission.

Vehicle Emission Control

102. Delmarva Power agrees that it will adopt a “best practice” for emission controls for its utility fleet vehicles which, for purposes of this Settlement Agreement, means that Delmarva Power will utilize telematics software to actively manage its utility fleet idling. Delmarva Power will also maintain for its utility fleet vehicles a fleet-wide anti-idling policy and employee education program.

Most Favored Nation Provision

103. Exelon will provide Staff and the Public Advocate a copy of the final Orders and/or Settlement Stipulations from New Jersey, Maryland and the District of Columbia, following approval in each of those jurisdictions, along with an analysis indicating the total dollar amount of any customer investment fund approved in each jurisdiction (including a calculation of that amount on a per distribution customer basis) and explaining the valuation of the additional customer benefits awarded in that jurisdiction as compared to the valuation of the customer benefits awarded in Delaware (calculated in each case on a per-distribution customer basis). For purposes of this section, “distribution customer” for Delmarva Power includes a customer who receives electric distribution, gas distribution or both from Delmarva Power.

104. The Settling Parties agree that Delaware should be protected in the event that the Joint Applicants agree to or accept orders under which another jurisdiction obtains a higher amount of direct customer financial benefits than provided through a customer investment fund (calculated on a per-distribution customer basis) or other materially better benefits in the aggregate than those contained in this Settlement Agreement:

- a. If, on a per-distribution customer basis, the benefits provided to other jurisdictions are materially more beneficial in the aggregate than the terms of this Settlement Agreement with respect to financial benefits, credits or payments to customers including the aggregate rate credits provided for in paragraph 85, then Exelon will increase the financial benefits, credits or payments to Delmarva Power customers to an equivalent amount calculated on a per-distribution customer basis. In no event will the operation of this methodology cause Delaware’s \$40.000 million aggregate customer rate credit to be reduced. In the event that financial benefits, credits or payments to the CIF are to be increased pursuant to this subsection, the Commission shall retain the authority to allocate any such additional financial benefits, credits or payments in any manner that is consistent with and in the public interest, and the parties hereto propose that the Commission invite comment from interested parties concerning the disposition of such additional financial benefits.
- b. If the benefits in any other jurisdiction that do not involve financial benefits, credits or payments to customers are materially more beneficial in the aggregate

than the terms of this Settlement Agreement that do not involve financial benefits, credits or payments to customers, then Exelon will increase the benefits provided under this Settlement Agreement by the amount of any difference between the value of those benefits in the other jurisdiction and the value of those benefits under this Settlement Agreement, based on the analysis showing the valuation of those benefits in the other jurisdiction compared to the valuation of those benefits in Delaware, all determined where appropriate on a pro rata or per-distribution customer basis. The Settling Parties recognize, however, that there are differences among the states with respect to (a) employment and hiring commitments, (b) the existing level of charitable contributions, and (c) reliability performance and investment and, therefore, agree that those three elements will not be considered in the determination of whether the benefits in other jurisdictions are materially more beneficial than the terms of this Settlement Agreement, and Exelon will not be required to offer to compensate Delaware for any differences in the value of such elements.

- c. Exelon agrees that in the event that additional ring-fencing requirements are adopted by the Maryland Public Service Commission and accepted by the Joint Applicants as a result of the proceeding in Case No. 9361, or adopted by the District of Columbia Public Service Commission as accepted by the Joint Applicants as a result of the proceeding in Formal Case No. 1119, such ring-fencing requirements will also apply to Delmarva Power in Delaware.

105. If Staff or the Public Advocate finds the amount or form of compensation offered by Exelon to be insufficient, then Staff or the Public Advocate may petition the Commission to require that Exelon provide increased benefits in Delaware. Following a determination by the Commission that the Joint Applicants are required to provide increased benefits in Delaware, Exelon shall be permitted, in its sole discretion, to decline to accept any substitution of terms and conditions, in which case this Settlement Agreement will be null and void. Exelon agrees to supply non-privileged information which Staff or the Public Advocate may request to determine the value of any benefits. The Settling Parties agree that the purpose of this paragraph is to assure a fair allocation of the costs and benefits associated with this transaction to Delmarva Power customers.

Miscellaneous

106. Each party agrees to use its best efforts to ensure that this Settlement Agreement shall be submitted to the Commission for approval as soon as possible.

107. The Settling Parties agree that this Settlement Agreement represents the entirety of the agreement among the Settling Parties. This Settlement Agreement includes proposals and conditions above and beyond the terms contained in the Application. Notwithstanding statements made in the Application, testimony, discovery, materials or any information provided by the Joint Applicants, only those commitments stated in this Settlement Agreement shall apply.

108. The Settling Parties agree to support approval of the Merger upon the terms set forth in this Settlement Agreement in any proceedings before the Commission regarding approval of the Merger. The Settling Parties further agree to defend this Settlement Agreement in the event of opposition to approval of the Merger from non-signatory parties before the Commission.

109. Notwithstanding anything to the contrary set forth herein, upon the occurrence of any of the following events this Settlement Agreement shall terminate, and shall be deemed null and void and of no force or effect:

- a. if the Commission fails to adopt a Final Order approving the Merger and this Settlement Agreement or issues a decision disapproving this Settlement Agreement;
- b. if for any reason the Merger is not consummated;
- c. if the Commission issues a written order approving this Settlement Agreement subject to any condition or modification of the terms set forth herein which an adversely affected party, in its discretion, finds unacceptable. Such party shall serve notice of unacceptability on the other Settling Parties within three business days following receipt of such Commission order. Absent such notification, the Settling Parties shall be deemed to have waived their respective rights to object to the acceptability of such conditions or modifications contained in the Commission order, which shall thereupon become binding on all Settling Parties; or
- d. if, pursuant to the operation of the terms of paragraph 105, Exelon declines to accept any modification of, or addition to, terms and conditions ordered by the Commission or requested by Staff or the Public Advocate.

110. This Settlement Agreement shall be binding on the Settling Parties upon approval by the Commission. This Settlement Agreement contains terms and conditions above and beyond the terms contained in the Application, each of which is interdependent with the others and essential in its own right to the signing of this Settlement Agreement. Each term is vital to the Settlement Agreement as a whole, since the Settling Parties expressly and jointly state that they would not have signed the Settlement Agreement had any term been modified in any way. None of the Settling Parties shall be prohibited from or prejudiced in arguing a different policy or position before the Commission in any other proceeding, as such agreements pertain only to this matter and to no other matter.

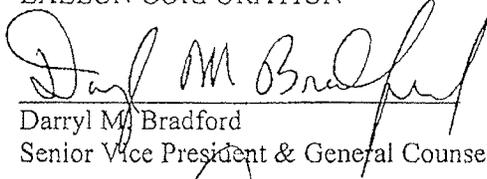
111. This Settlement Agreement represents the full scope of the agreement among the Settling Parties. This Settlement Agreement may only be modified by a further written agreement executed by all the parties to this Settlement Agreement. In the event this Settlement Agreement is modified by the Commission pursuant to the terms of paragraph 109, then Exelon, in its sole discretion, shall have the right to decline to accept any modification of, or addition to, terms and conditions, in which case this Settlement Agreement will be null and void.

112. This Settlement Agreement is submitted to the Commission for approval as a whole. If a party is adversely affected by a modification or condition to the Settlement Agreement and provides timely notice in accordance with paragraph 109(c), then the Settlement Agreement shall be ineffective and void.

113. This Settlement Agreement may be executed in as many counterparts as there are parties to this Settlement Agreement, each of which counterparts shall be an original, but all of which shall constitute one and the same instrument.

[SIGNATURE PAGES FOLLOW]

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Senior Vice President & General Counsel

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DELMARVA POWER & LIGHT COMPANY



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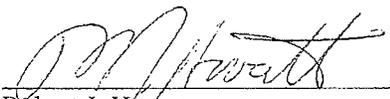
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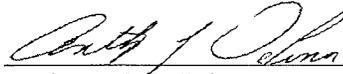
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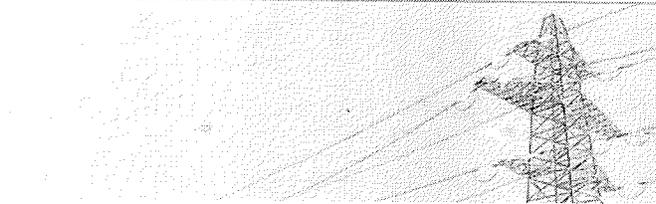
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Tuesday, February 9, 2016

Exelon Reiterates March 4 Deadline on PHI Deal

February 3, 2016

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Completing Merger, Salvaging Nukes Top Goals for 2016

By Suzanne Herel

Exelon's primary goal for 2016 is completing the acquisition of Pepco Holdings Inc., but the company has contingency plans in place if the D.C. Public Service Commission doesn't rule by March 4, CEO Christopher Crane told analysts Wednesday.

Speaking during an earnings call, Crane said the company will abandon the merger and begin buying back the 57.5 million shares it issued for the \$6.8 billion deal if regulators don't act promptly.



"That's our only commitment, to try this until March 4," Crane said. "If we can't get it by March 4, then we have to fold up and then start to execute on the debt reduction and the buyback of the equity issued."

While the PSC indicated in its Oct. 28 order that it expected to rule by March 4, a PSC spokeswoman said the commission is not obligated to act by then (case 1119).

"There is no requirement, statutory or otherwise, that obligates the commission to issue a decision within a certain number of days from the date the record closes in a commission case," said spokeswoman Kellie Didigu. "It is a commission policy to issues a decision within 90 days on major cases, such as rate cases and the current merger proceeding. However, if necessary, the commission can take more time."

The commission closed the record Dec. 23, making the 90-day mark late March. The commission will post a notice and an agenda 48 hours before an

open meeting at which the commissioners will announce their decision, Didiyu said.

Valuing Nuclear

Crane said another focus of 2016 will be advocating for the company's nuclear fleet to be "properly valued for their clean, safe and reliable attributes."

To that end, the company is supporting FERC-ordered reforms to MISO's capacity market, especially regarding Zone 4. There, April's capacity auction saw prices clearing at \$150/MW-day, up to 40 times more than elsewhere in the RTO. (See [MISO Files Changes to Capacity Rules; Seeks Adjustment on Import Limit.](#))

Exelon is also continuing to push Illinois legislators to adopt a plan to help shore up the finances of its Byron, Quad Cities and Clinton plants. (See [What's Next for Exelon's Nukes, AEP Merchant Fleet?](#))

"We were successful and PJM was successful in the capacity market redesign. That gave some upside to the fleet in NiHub [Northern Indiana]," Crane said. "It greatly helped Byron and added help to Quad Cities."

Still, he said, Quad Cities is struggling, and Clinton is in the red, he said.

As for the MISO reforms, Crane said, "We would like the design to be more like the PJM capacity market design." But, he said, "That in itself will not save Clinton."

In New York, Exelon's Nine Mile Point and Ginna plants might be helped by a zero-emission credit program being developed at the direction of Gov. Andrew Cuomo.

"We still have quite a ways to go, but as a threshold political matter, having a governor of the prominence of Gov. Cuomo step forward and propose to compensate nuclear fairly to keep it in business is important," said Joseph Dominguez, executive vice president for government and regulatory affairs. "If we get the details right, I would go so far as to say it's kind of a watershed event for the industry." (See [New York Would Require Nuclear Power Mandate, Subsidy.](#))

Added Crane: "We've got a very supportive administration that recognizes the clean benefits of nuclear, and that's really appreciated."

Crane also announced during the earnings call that Exelon will be increasing its dividend by 2.5% each year for the next three years beginning in June, regardless of whether the PHI deal goes through.

Earnings

Exelon reported fourth-quarter earnings of \$309 million (\$0.33/share), compared with \$18 million (\$0.02/share) for the same quarter in 2014. Its revenue for the quarter was \$6.7 billion, compared with \$7.26 billion in 2014.

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Exelon, LS Power Join CPV in Adding New England Capacity
New generation from Exelon, LS Power and Competitive Power Ventures were the top bidders in ISO-NE's capacity auction, while NRG Energy and Public Service Enterprise Group walked away empty-handed.

ISO-NE Capacity Prices Likely to Fall in Future
The 36% increase in prices in last week's ISO-NE capacity auction likely represents the peak for the foreseeable future.

Upcoming Events:
February 19 - 18 in Washington, DC: NERC Winter Committee Meeting
February 24 - 28 in New Orleans, LA: AEP Board of Directors Meeting
March 10 - 12 in Washington, DC: EPRI 18th Annual Transmission Summit

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“Despite a challenging year for the sector, strong operating performance at both our utilities and our generation business enabled us to deliver strong earnings,” Crane said.

Exelon said fourth-quarter earnings were impacted by warm weather in the ComEd and PECO zones, increased nuclear outages, higher depreciation and amortization expenses for its generation business and the cost of funding the PHI transaction.

That was partially offset by higher earnings at Commonwealth Edison, and lower uncollectible accounts at PECO and Baltimore Gas and Electric.

Crane said the utilities experienced a record earning year. Net income for the full year was \$2.27 billion (\$2.54/share), compared with \$1.62 billion (\$1.88/share) for 2014. CFO Jack Thayer said the company is poised to invest \$3.95 billion in capital across three utilities and an additional \$1.38 billion at PHI.

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| 09 | February 9 @ 9:00 AM - 4:00 PM EST | | | | | |
| WED | MISO Reliability Subcommittee Meeting | | | | | |
| 10 | February 10 @ 8:30 AM - 11:00 AM UTC-6 | | | | | |
| WED | PJM Market Implementation Committee (MIC) | | | | | |
| 10 | February 10 @ 9:30 AM - 4:00 PM EST | | | | | |
| WED | NYISO Business Issues Committee | | | | | |
| 10 | February 10 @ 10:00 AM - 4:00 PM EST | | | | | |
| THU | PJM Planning Committee (PC) | | | | | |
| 11 | February 11 @ 9:30 AM - 12:00 PM EST | | | | | |

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