



**delmarva**  
power®  
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# Delaware Public Service Commission Director's Comments

Presented by:

Dave Velazquez  
Gary Stockbridge

President and CEO of Pepco Holdings  
Regional President, Delmarva Power

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DELAWARE P.S.C.

April 5, 2016

# Pepco Holdings Quick Facts

- Incorporated in 2002
- Service territory:
  - 8,340 square miles
- Customers served
  - Delmarva Power:
    - 506,000 – Electric
    - 129,000 – Natural Gas
  - Pepco:
    - 801,000 – Electric
  - Atlantic City Electric:
    - 545,000 – Electric



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## Part of the Exelon Family

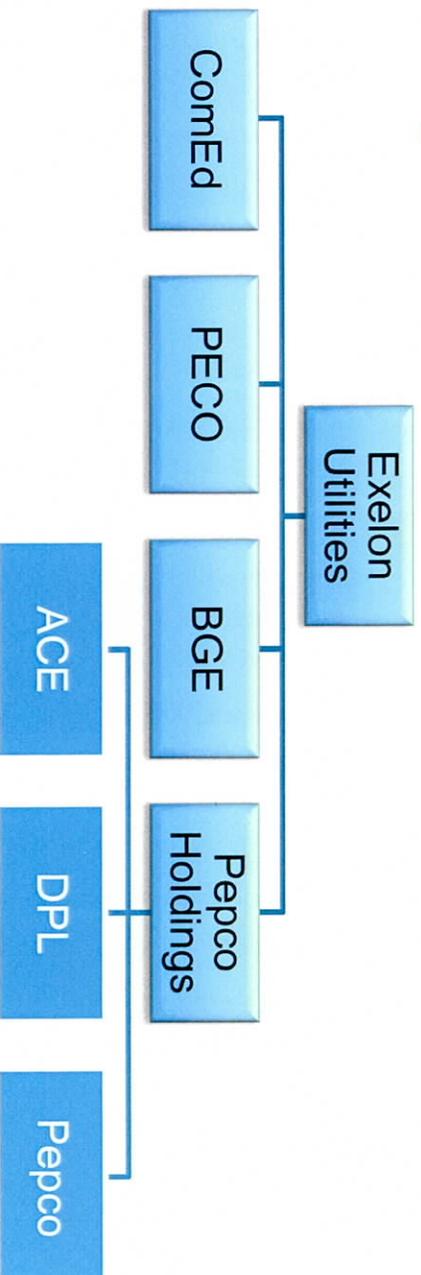
- We are now part of a leading mid-Atlantic electric and gas utility company – with 10 million customers across six service territories
- We are completely committed to continuing our community involvement and maintaining local leadership
- We are eager to get to work delivering on our merger commitments to customers and communities
- We will work with the settling parties to develop the final benefits package, in line with the Most Favored Nations commitment contained in the merger approval order



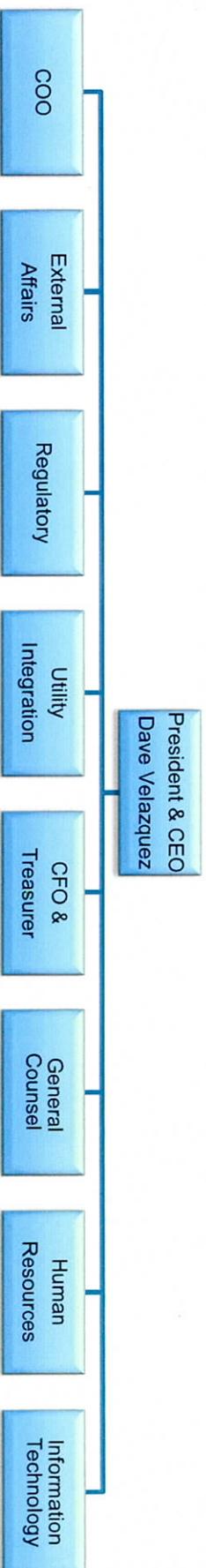
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# Organizational Structure

## Exelon Operating Model



## Pepco Holdings Executive Team



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# Exelon Vision and Values

## Our Vision

At Exelon, we believe that reliable, clean, and affordable energy is essential to a brighter, more sustainable future. That's why we're committed to providing innovation, best-in-class performance and thought leadership to help drive progress for our customers and communities.

## Our Values

- We are dedicated to safety
- We actively pursue excellence
- We innovate to better serve our customers
- We act with integrity and are accountable to our communities and environment
- We succeed as an inclusive and diverse team

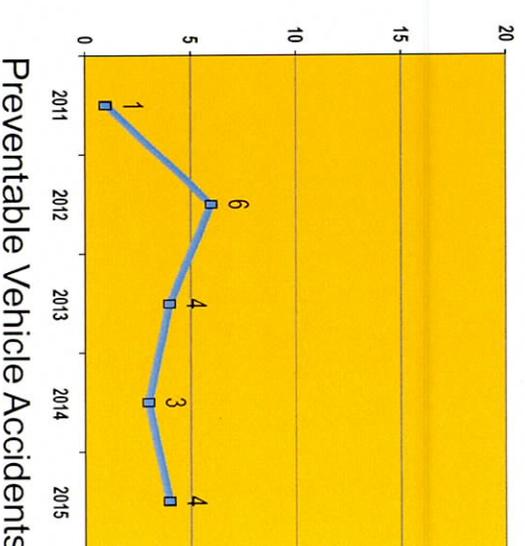
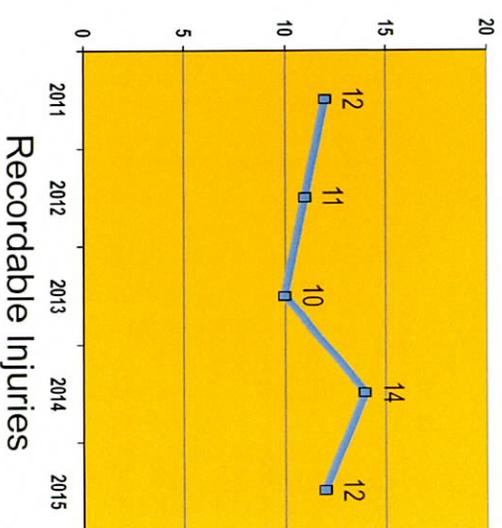


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# Safety – Always our Top Priority

- We are focused on:
  - Leadership and employee involvement
  - Strong supervisory field presence
  - Enhanced job briefing/tailgate conferences
- We are committed to maintaining quality safety standards in 2016

## Delaware Safety Performance



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## Environmentally Responsible Sustainability

- Environmental performance and sustainability are embedded in our culture and are a key part of these areas
  - Investing in green technologies and processes (energy conservation, green buildings and facilities)
  - Transforming our vehicle fleet
  - Environmental planning, avian protection, permitting and natural resource management
  - Preventing pollution (reduce, reuse, recycle)



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## Environmentally Responsible Sustainability Recognition

In a number of areas across the company we have won awards for our performance, such as:



- Top ranked utility in the S&P 500 for Carbon Disclosure and Performance as named by the Carbon Disclosure Program



- Named as a 2014 Natural Capital Leader by GreenBiz Group and Trucost



- Delmarva Power recognized as Tree Line USA utility



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## Evolving Industry Trends

- The evolution, challenges and opportunities with the grid of the future
  - Evolving technology such as distributed generation, micro-grids, etc.
  - Evolving regulation to match evolving technology and customer choices
- Cyber security threats to the electrical grid are growing
- Grid resiliency and reliability are becoming critical issues for our customers and for economic development



## Delmarva Power - Delaware Quick Facts

- Incorporated in 1909
- Service territory:
  - 5,000 Square Miles
- Residential Electric Customers: 197,000
- Commercial and Industrial Electric Customers: 34,300
- Gas Customers: 129,000
- DPL DE Employees:
  - 1,174 Total
  - 480 Union Employees
  - 694 Non-Union/Management
  - 567 Retirees in DE



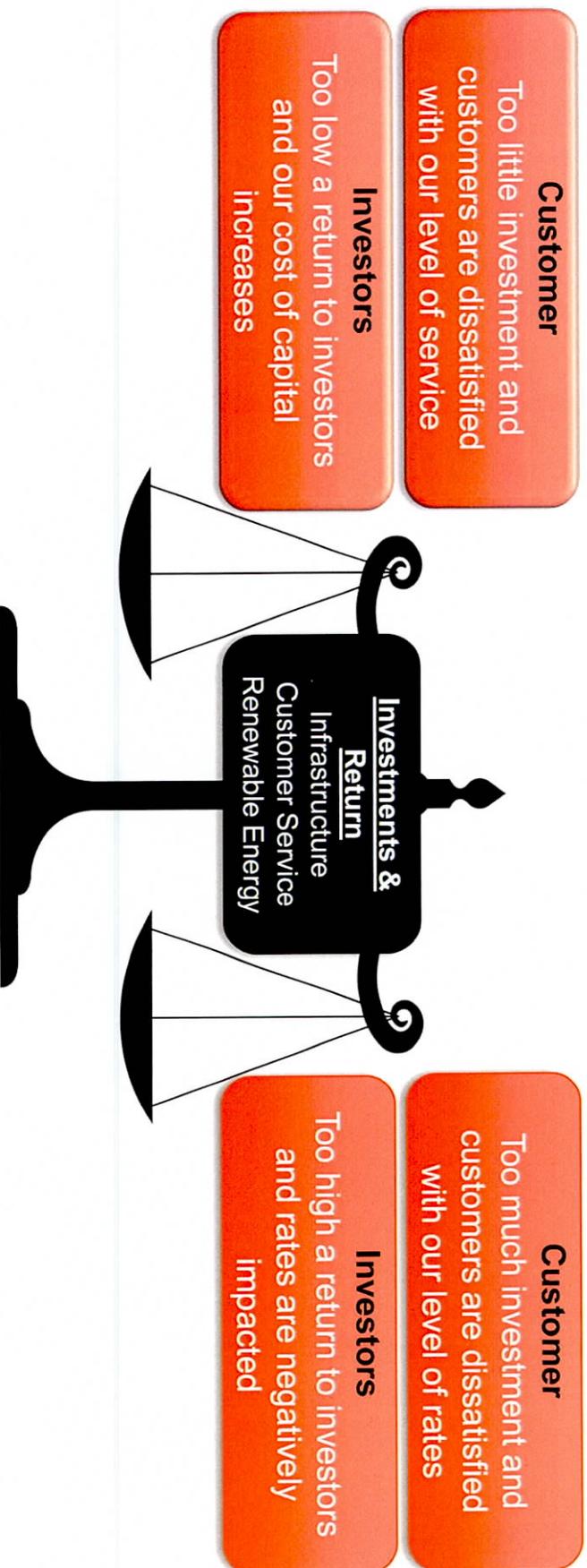


## At Delmarva Power, every year, on average we ...

- Handle 5,500 customer phone calls per day
- Connect approximately 8,000 additional electric customers
- Connect approximately 2,500 additional natural gas customers
- Transfer service for approximately 50 customers moving in/out per day
- Replace 2,800 poles, 2,500 transformers and 120 miles of cable as a result of maintenance and storms
- Trim trees along 1,600 miles of lines
- Develop and implement detailed reliability improvement plans for our 20 most challenged circuits
- Maintain 184 substations and 239 substation transformers



# Managing utility investments to Achieve the Right Balance



The right balance provides a good level of satisfaction with the services we provide, a reasonable impact to rates and an appropriate cost of capital for the substantial investments we make every year in our system



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# Customer Satisfaction Trends are Positive

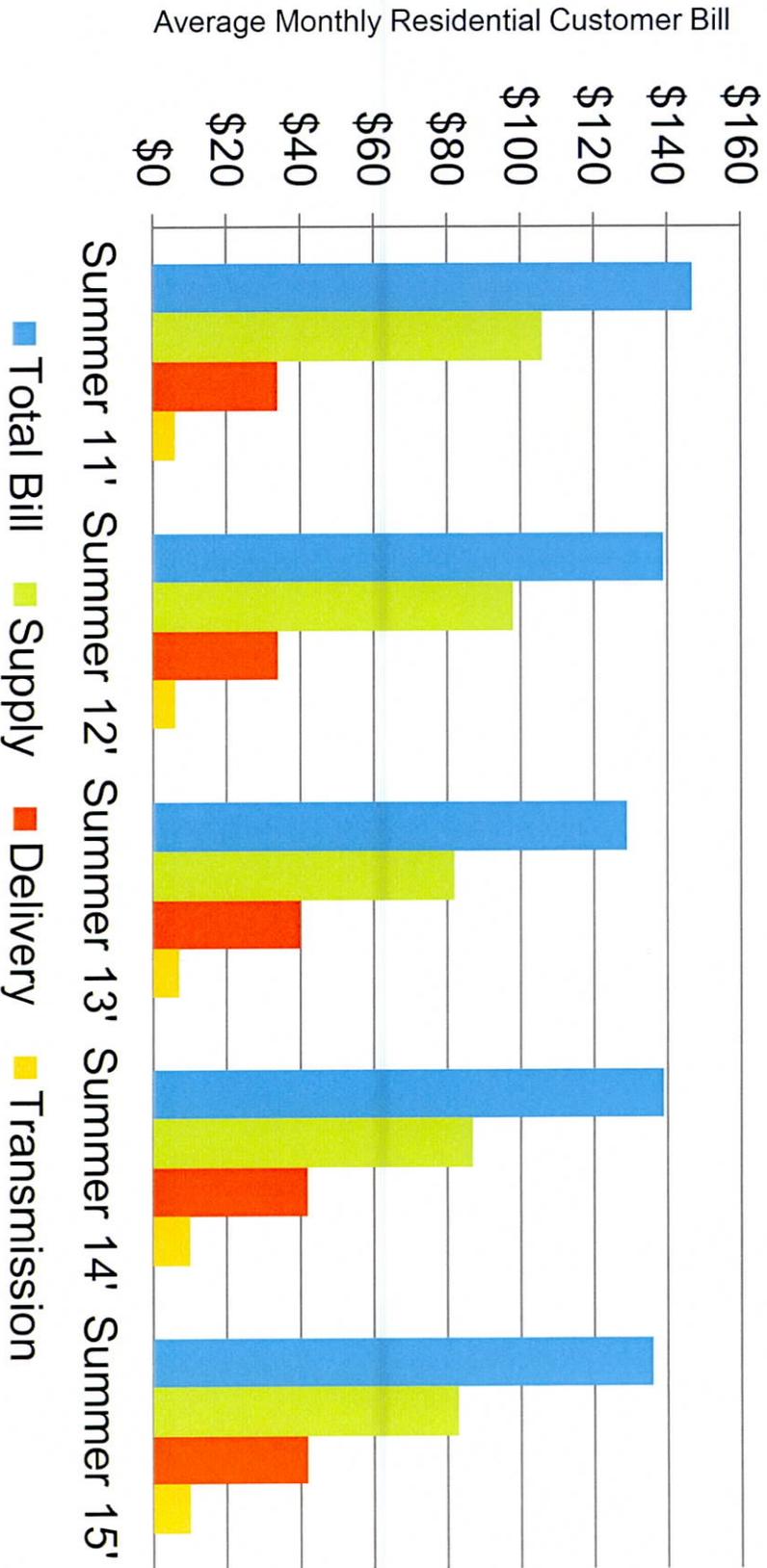
- Delaware overall satisfaction levels as well as our reliability satisfaction levels have been increasing over the years on our annual customer survey
- Delmarva Power has ranked in top three for our peer group over the past two years on JD Power results for business customers

Delaware		
	Overall Satisfaction	Reliability
2012	73%	86%
2013	74%	90%
2014	78%	91%
2015	78%	90%
2015 Mid-Atlantic Average	78%	90%

Source: MSI

# Electric Rates for Delmarva Delaware

Total bill has decreased by \$11 (7.5%) between 2011 and 2015



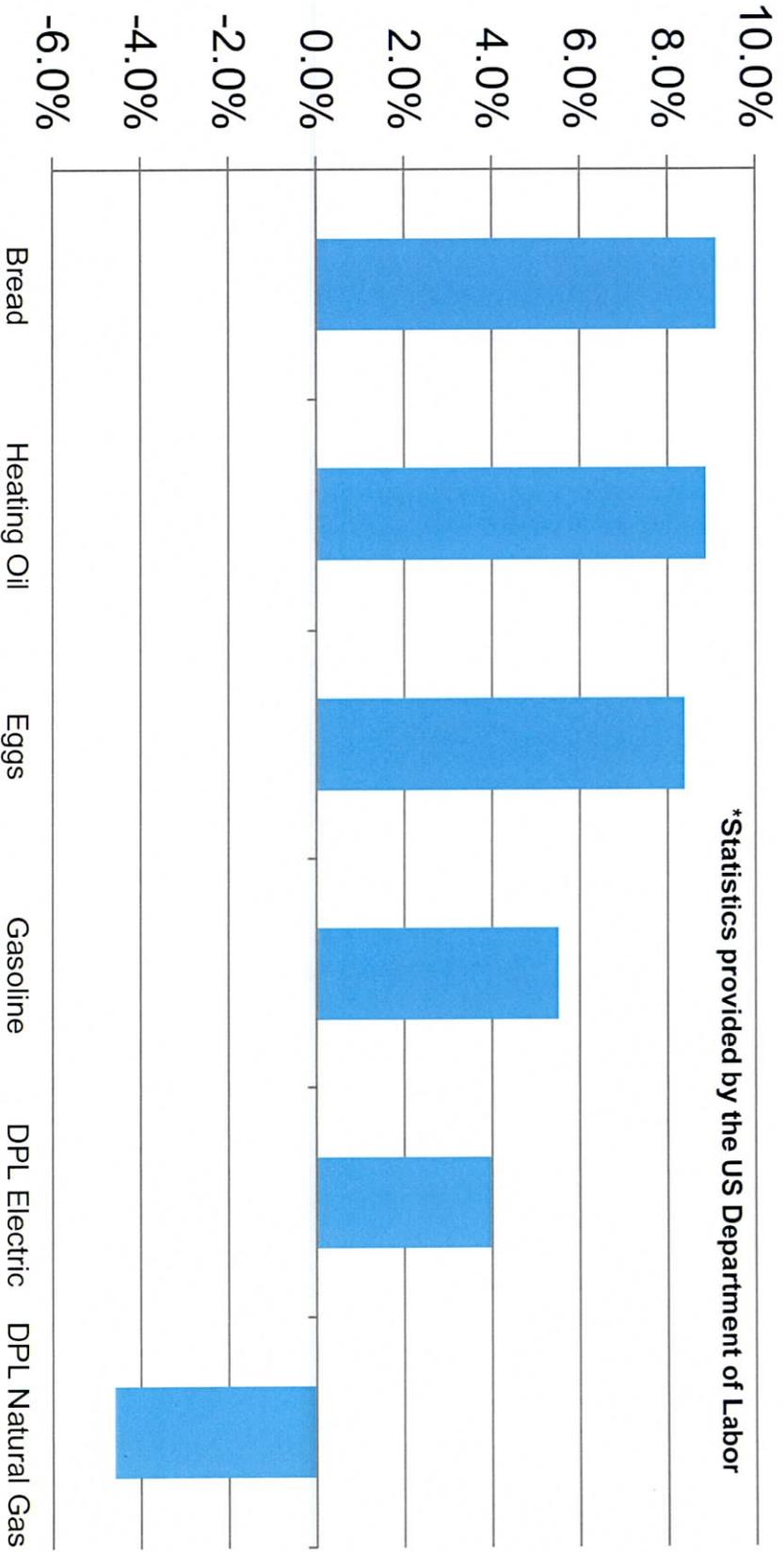
Average monthly residential customer Bill based on 1,000 KWH.



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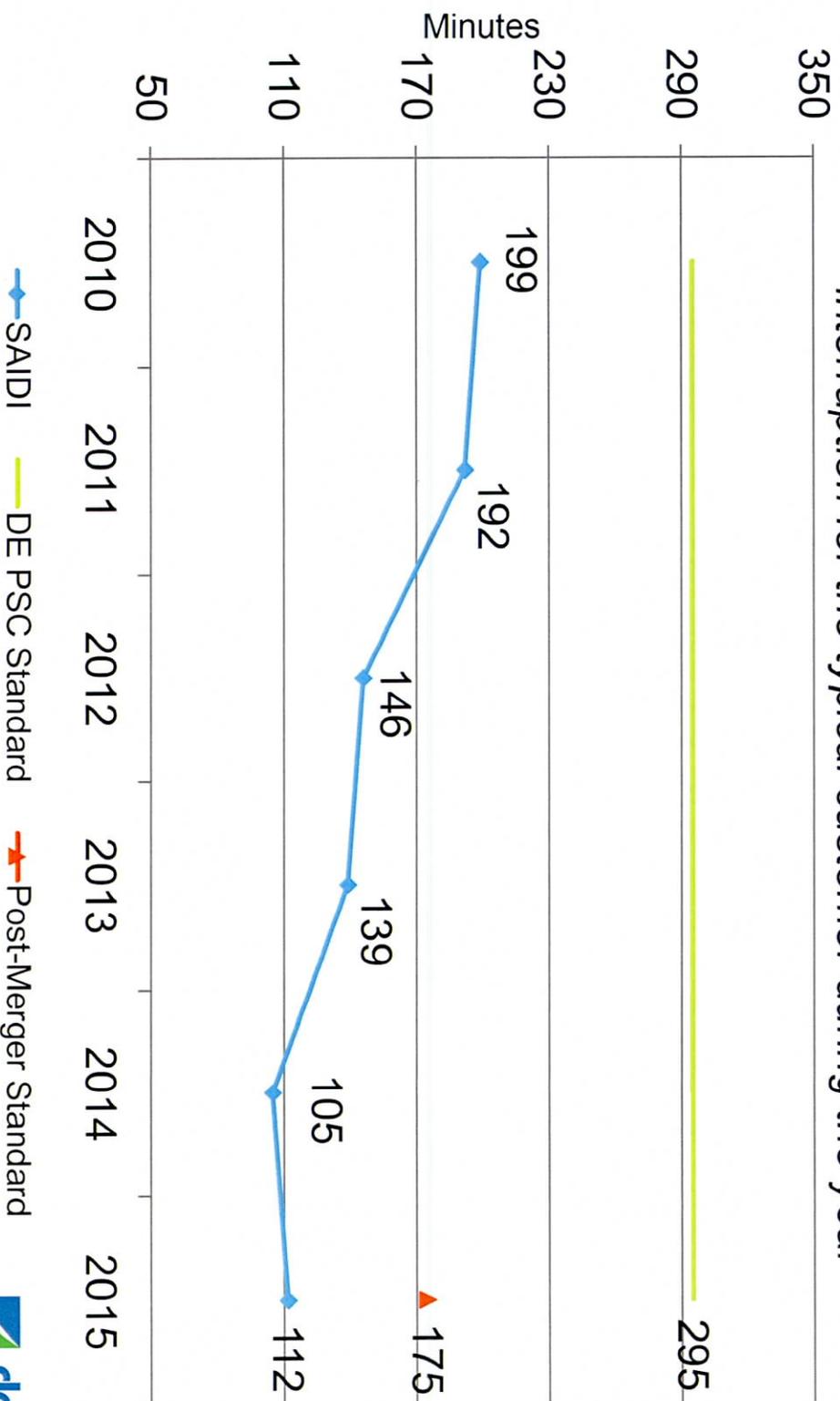
# Relative Pricing Over the Years

Average annual percentage change (2000 to 2014)



# Delmarva Delaware SAIDI Performance Trend

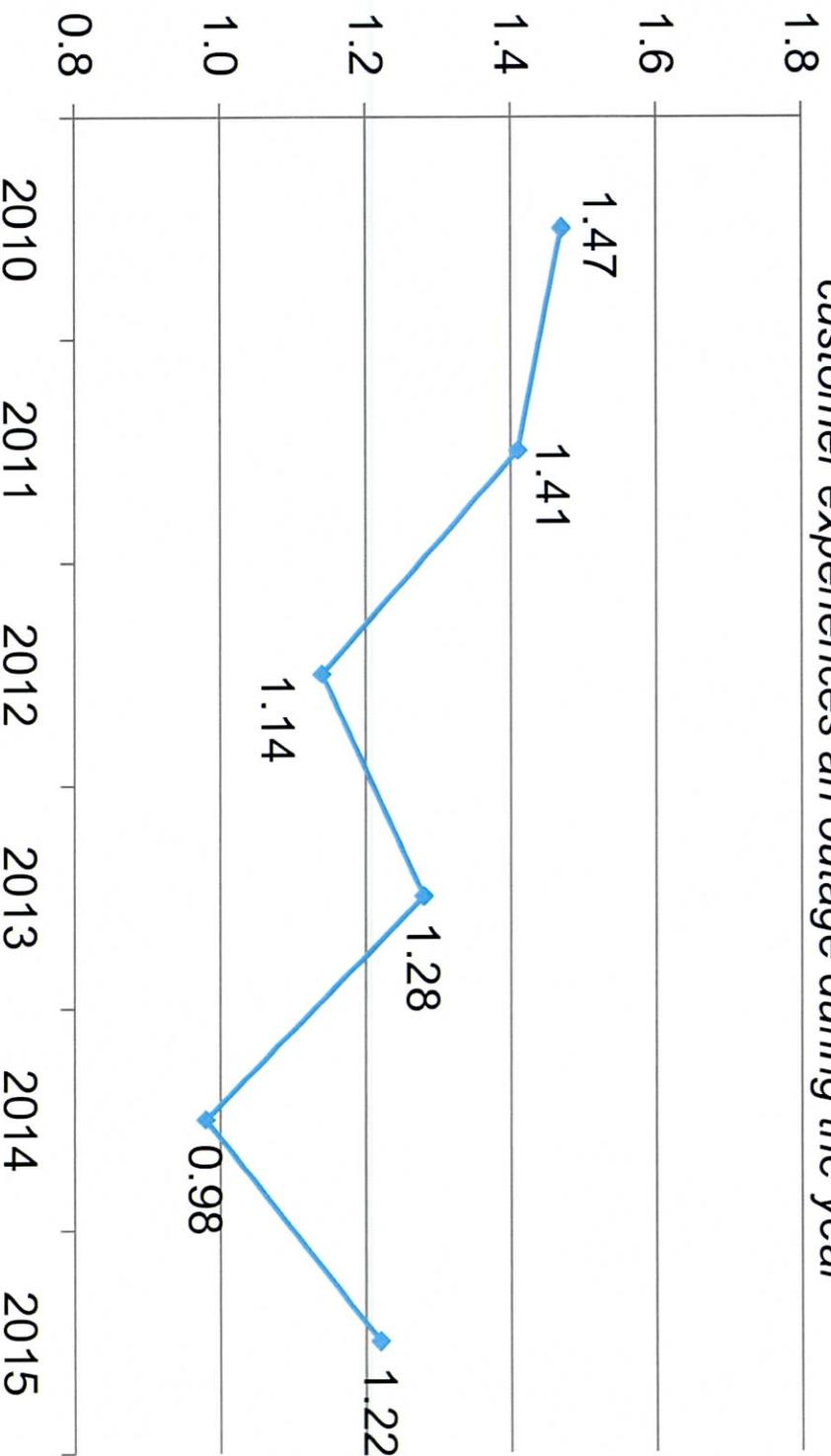
*This index measures the total average duration in minutes of an interruption for the typical customer during the year*



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# Delmarva Delaware SAIPI Performance Trend

*This index is the average number of times that a typical customer experiences an outage during the year*



Note: DE PSC has not established a standard for SAIPI



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# Delmarva Power Delaware Reliability Performance

	2012	2013	2014
SAIFI (All IEEE)	3 <sup>rd</sup> Quartile	3 <sup>rd</sup> Quartile	2 <sup>nd</sup> Quartile
SAIFI (Mid Atlantic)	3 <sup>rd</sup> Quartile	3 <sup>rd</sup> Quartile	2 <sup>nd</sup> Quartile
SAIDI (All IEEE)	2 <sup>nd</sup> Quartile	3 <sup>rd</sup> Quartile	1 <sup>st</sup> Quartile
SAIDI (Mid Atlantic)	2 <sup>nd</sup> Quartile	3 <sup>rd</sup> Quartile	2 <sup>nd</sup> Quartile

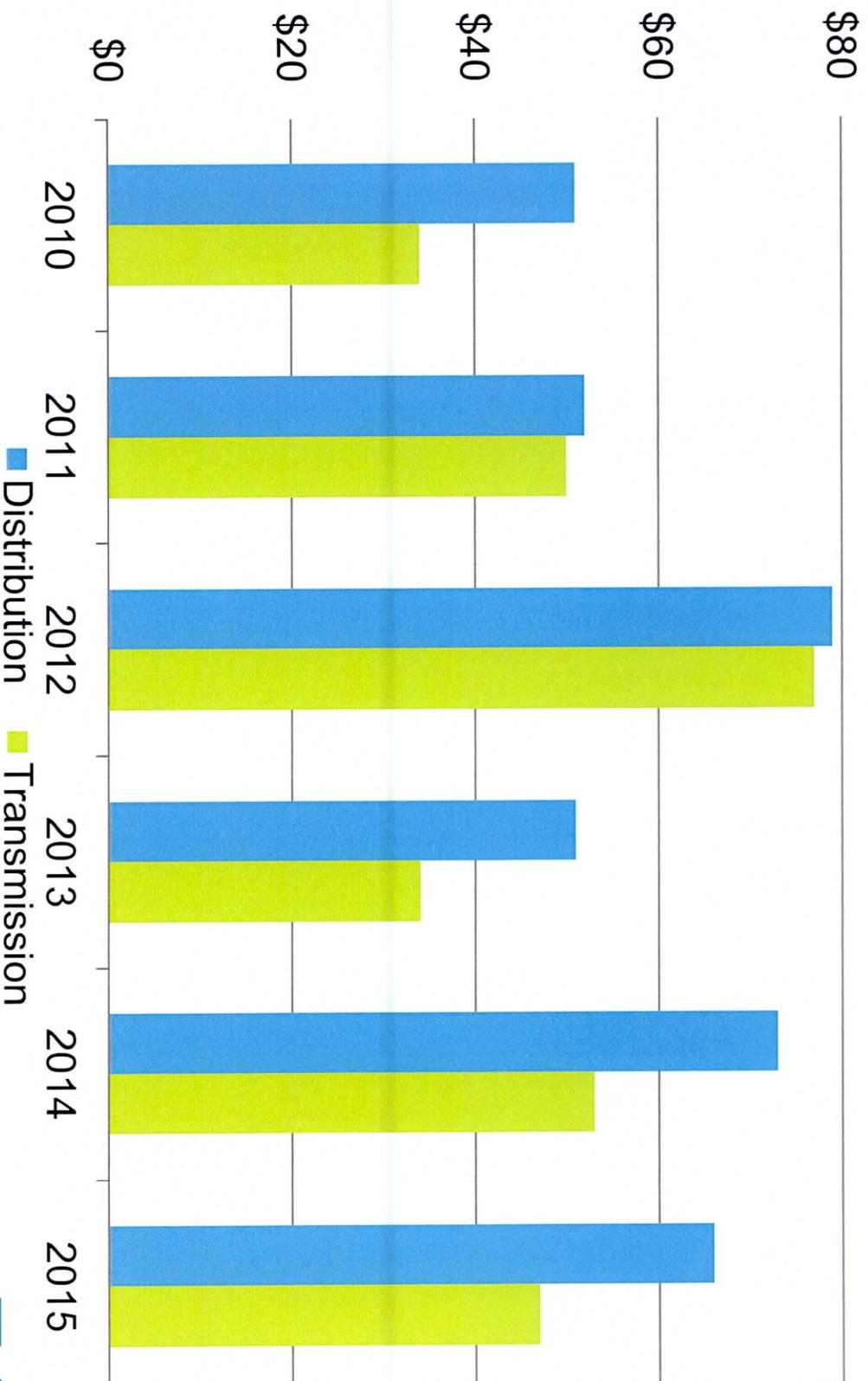
Investments over the years have resulted in a steady improvement in reliability relative to other utilities

Source: IEEE Survey Data



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# Delmarva Delaware Transmission & Distribution Capital Investments



\*Amount in Millions

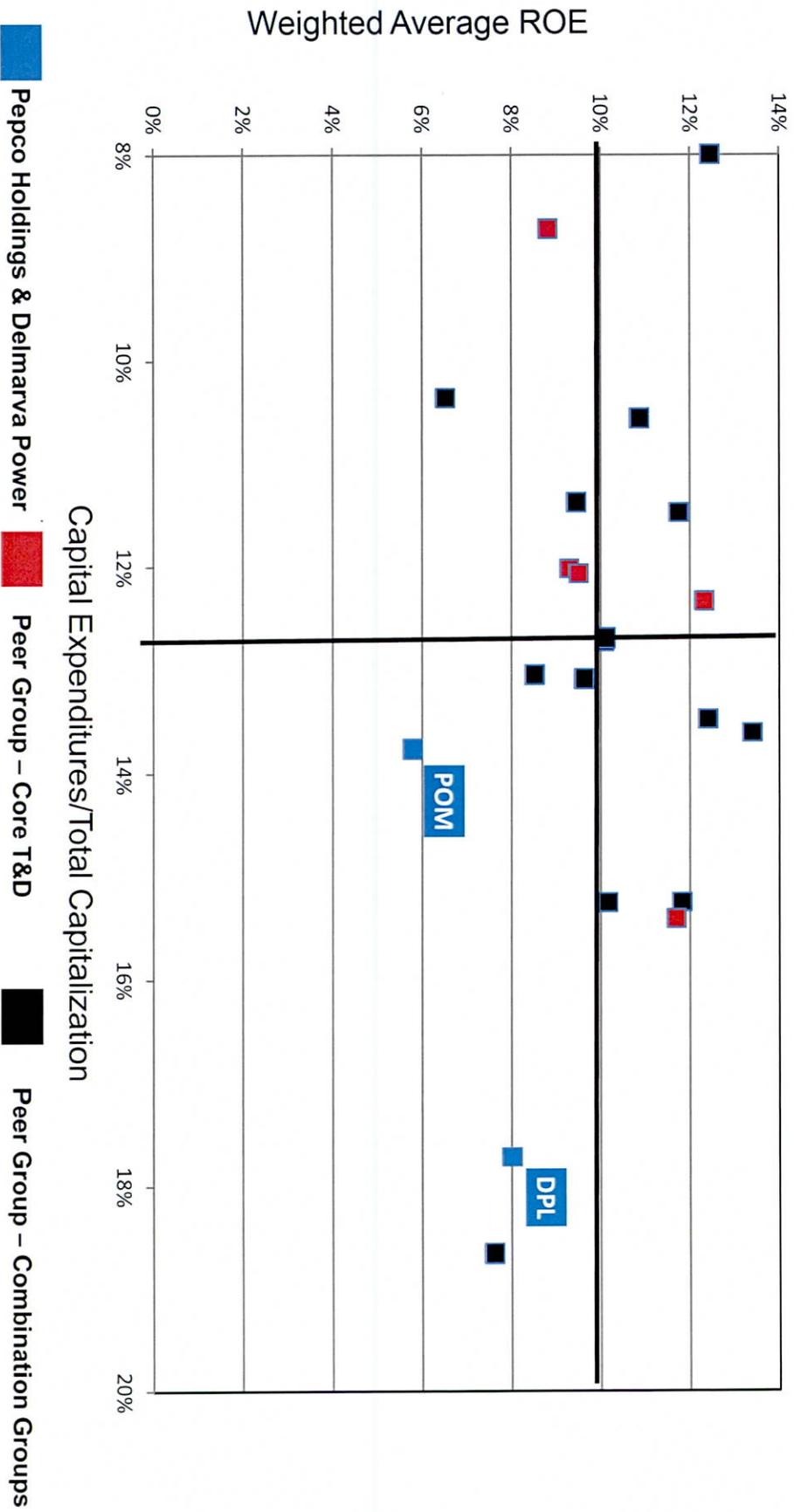


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# Delmarva Power Financial Performance

## Peer ROE vs. Capital Expenditures

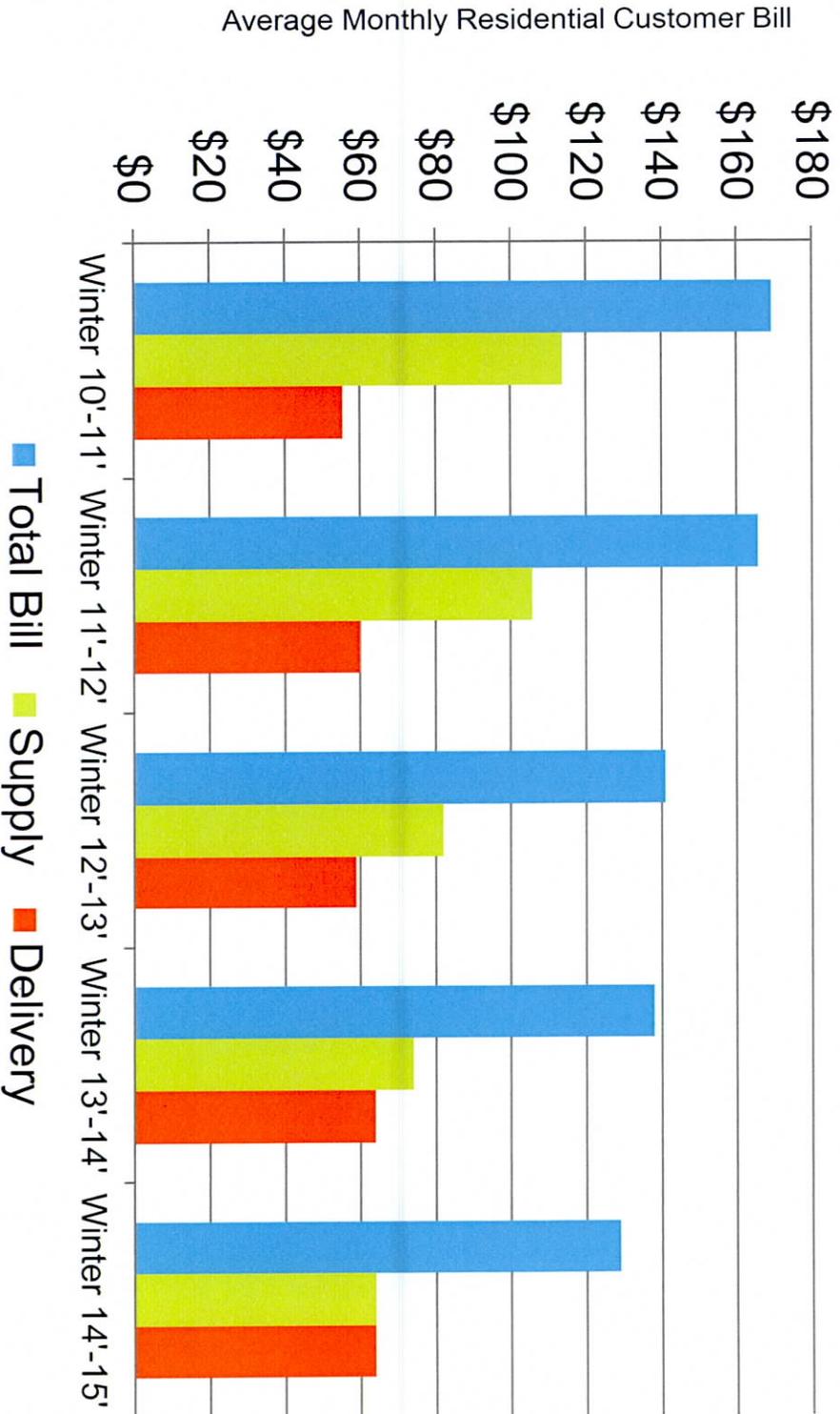
September 30, 2012 – September 30, 2015



Source: Bloomberg

# Delmarva Power Natural Gas Trends

Total bill has decreased by \$40 (24%) between 2011 and 2015

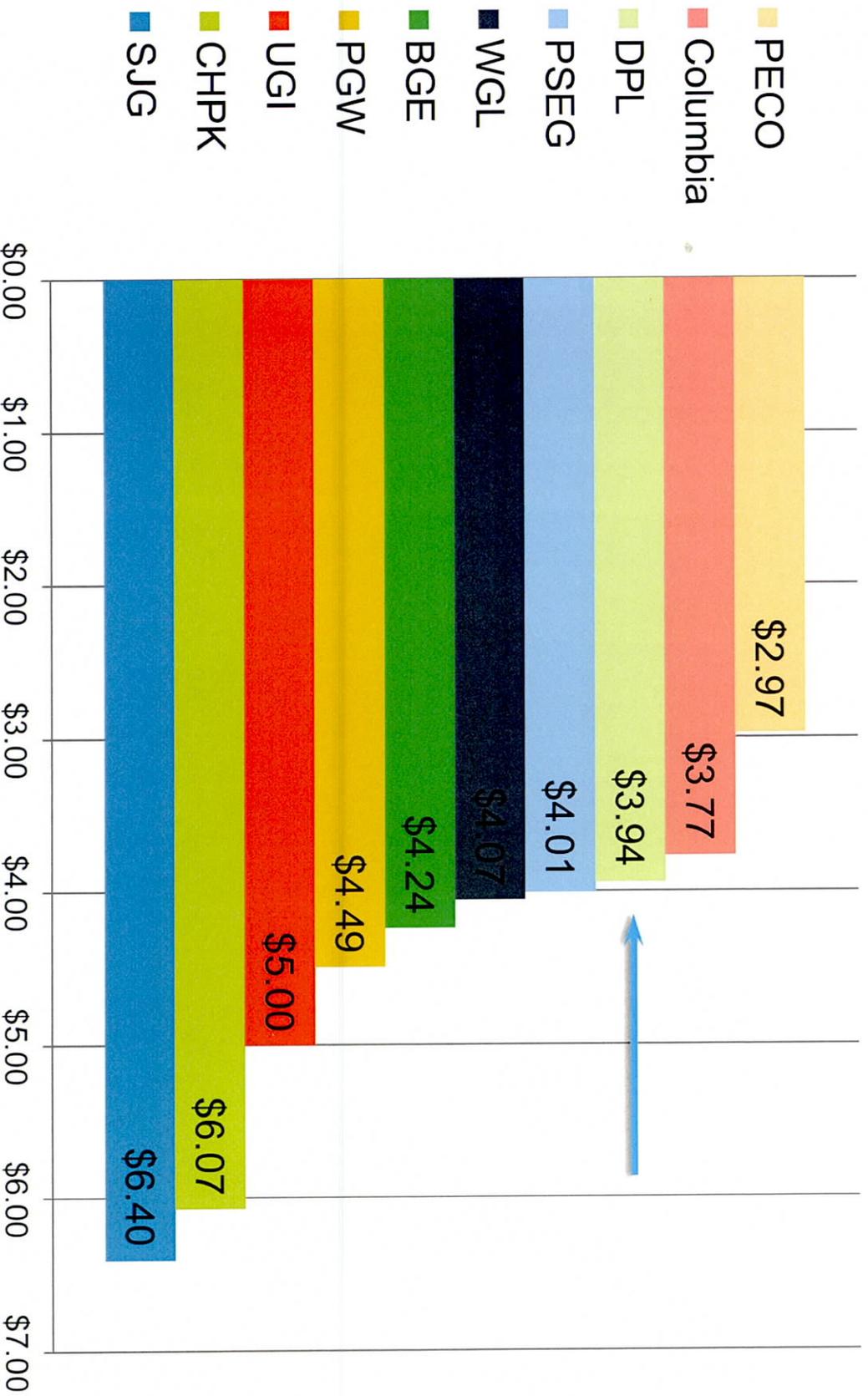


Average monthly residential customer Bill based on 120 ccf usage.



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# Regional Natural Gas Supply Cost Comparison – 2015

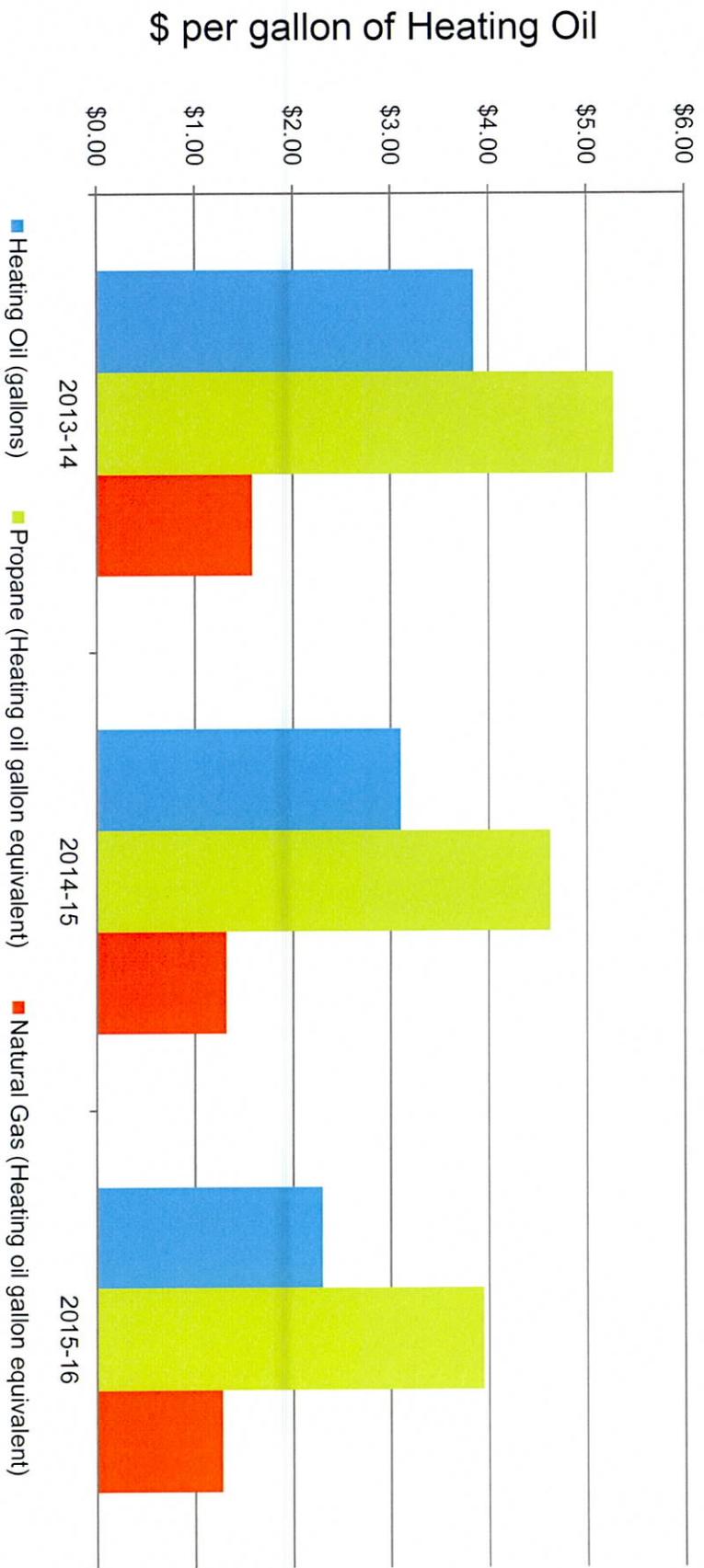


\*Price per ccf—equals the price per volume of 100 cubic feet (cf) of natural gas



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# Natural Gas Remains Best Home Heating Value



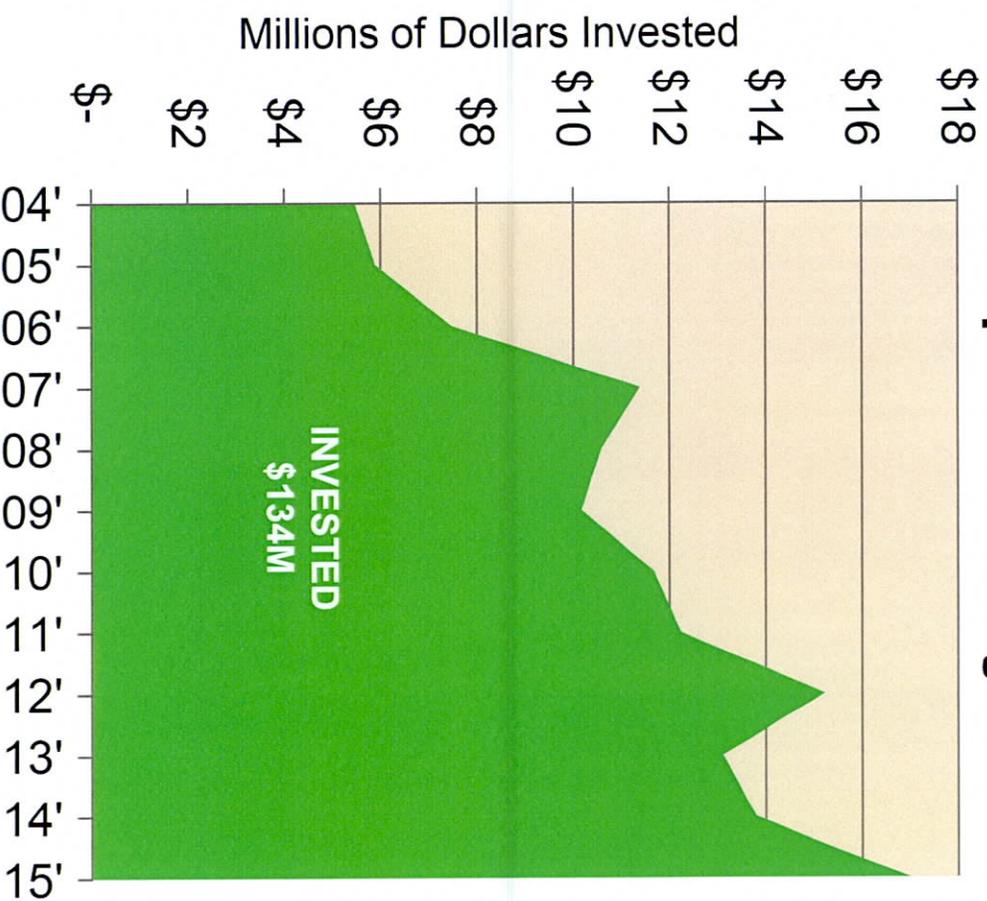
BTU conversion factors from US Energy Information System



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# Investing to Improve Pipeline Integrity

## Pipeline Rehabilitation and Replacement Program

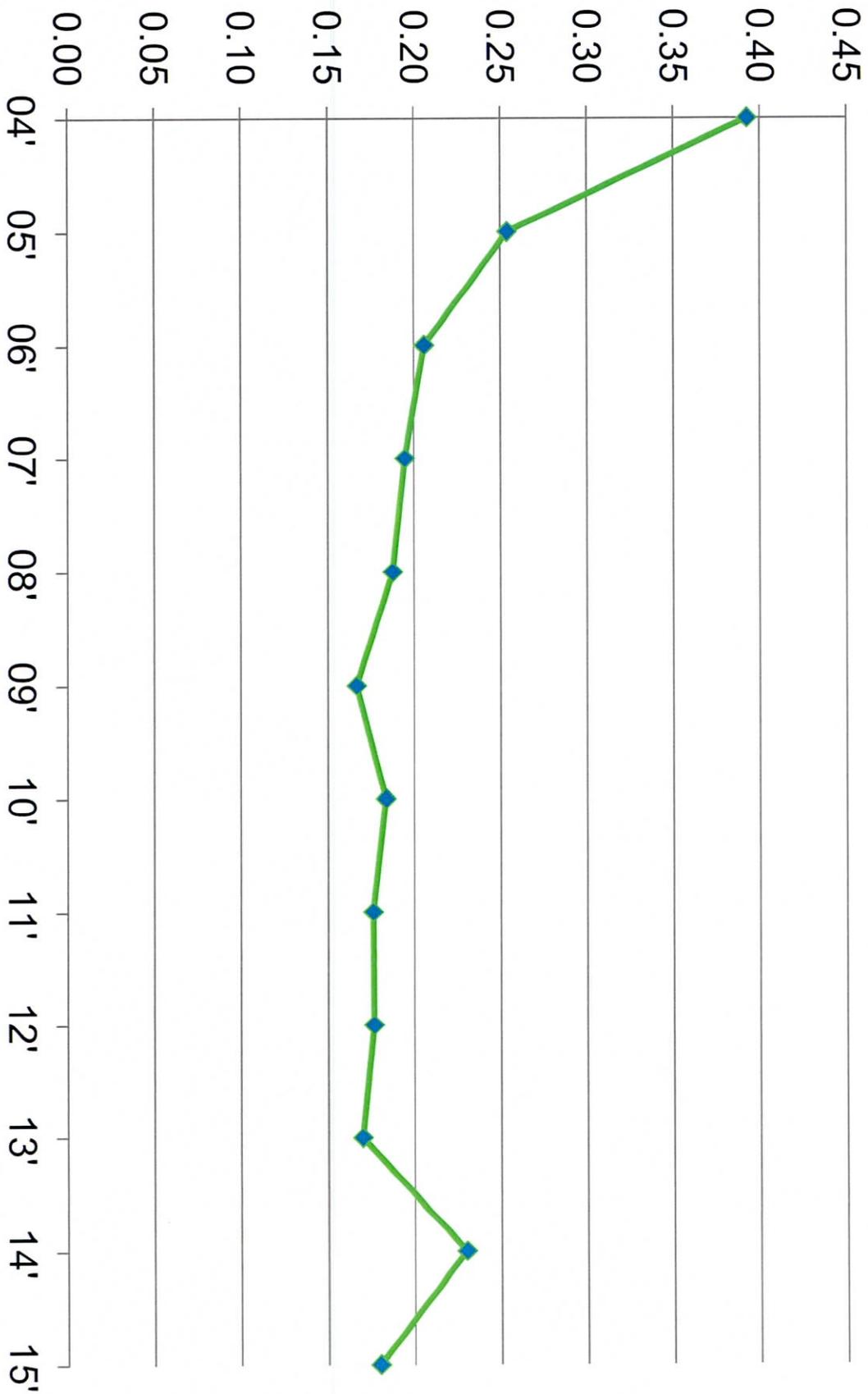


- Eliminated over 20 miles of steel mains (typically replaced with plastic mains)
- Eliminated 53 miles of cast iron low pressure mains (typically replaced with high pressure plastic mains) with 76 miles of cast iron remaining to be replaced
- Eliminated over 10,000 metallic service lines (typically replaced with HP plastic services with excess flow valves - under 30,000 metallic services remain)
- Installed approximately 280 miles of plastic mains and 18,000 services for reliability and new load



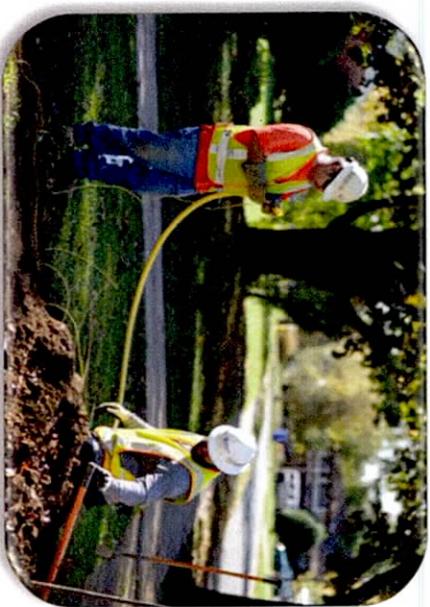
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# Delmarva Delaware Gas System Leaks Per Mile



## Natural Gas New Business

- The Company launched its My Switch To Gas Program in the spring of 2014; customer response has well exceeded expectations, producing nearly 4,000 inquiries since that time resulting in a 75% increase in conversions
- Sixty-eight percent of those new fuel conversions were for gas heat; 12 percent for a water heater; 12 percent for cooking; 5 percent for a fireplace; 3 percent for a dryer; less than 1 percent for a pool heater



## Community Involvement

- **Peppo Holdings** and **Delmarva Power** infuse a substantial amount of charitable contributions into the community every year
- In addition to the roughly \$1 million annually, at Delmarva Power we seek to support our dollars with volunteers, especially in roughly 70 board leadership roles helping guide non-profit boards across the state (we also provide in kind services where possible)
- We were a 2015 Jefferson Award winner with some of our most significant community involvement going to:
  - Boys & Girls Club
  - American Heart Association
  - Junior Achievement of Delaware
  - Boy Scouts and Girl Scouts
  - American Red Cross
  - Various Community Centers
  - Grand Opera House



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# Community Involvement



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## Emergency Preparedness a 24x7x365 Day Process

Across Delmarva Power, preparing for the worst is what we do, key components of this planning include:

- Assuring all employees that do not have a critical front line storm role will be trained and placed in a storm “Second Role” position
- We conduct and participate in multiple annual drills from a national “Grid Ex” to a local table top exercise
- We use a nationally recognized emergency management structure to easily fit into regional and national events with our partners



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## Emergency Services Partnership Program

Delmarva Power created the Emergency Services Partnership Program (ESPP) in 2000 in order to build and maintain positive relationships with police departments, fire departments, offices of emergency management and other public safety entities

- ESPP recognizes the value of proactive contact with our public safety partners
- The program provides both targeted financial as well as intellectual support to areas of need
- Since the inception of ESPP we have worked cooperatively to place 21,850 smoke alarms, 1,042 special-needs smoke alarms for the hearing impaired and 2,300 carbon monoxide detectors in homes across our territory
- Together, we promote safety as a PHI core value in our communities



**FOCUS ON  
SAFETY**

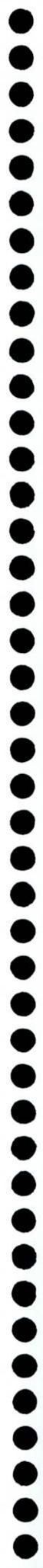


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## The year ahead...

- Stay focused on the basics of customer service
  - Meet our reliability targets
  - Prepare and execute well on significant events that come our way
- Meet all merger related commitments
- Continue to leverage our technology to enhance service to our customers
  - Propose additional programs to help our customers manage their energy use
  - Move forward and explore innovative customer programs such as pre-paid metering and demand based rates to use our technology to support wise energy use
- Help advance the policy objectives of the state
  - Meet our increasing renewable portfolio standards
  - Integrate solar energy - driving in-state job creation
  - Work with Energy Efficiency Advisory council to develop Delmarva Power programs





# Questions?



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