For PSC Use Only:

Docket No. _____
Filing Date: _____
Reviewer: _____
Given To: _____

DELAWARE PUBLIC SERVICE COMMISSION
FILING COVER SHEET

1. Name of Applicant: **Delmarva Power & Light Company**

2. Type of Filing:

| | |
|---|---|
| Rate Change | |
| Fuel Adjustment | |
| Administrative | |
| CPCN | |
| New Service Offering | |
| Other | **X** |

If a telecommunications filing, what type of service is impacted? (Please check)
Basic _____ Competitive _____ Discretionary _____

3. Proposed Effective Date: **January 13, 2015**

Is expedited treatment requested _____ (Yes) _____ (No)

4. Short synopsis of filing: Application seeking approval of proposed merger between Pepco Holdings, Inc., Exelon Corporation, and Purple Acquisition Corp.

5. Does this filing relate to pending dockets? _____ (Yes) **X** (No)

If so, please list Docket(s) No(s): _____

6. Is public notice required: **X** (Yes) _____ (No)

If yes, please attach copy of proposed public notice.

7. Applicant's contact person:
(Name) **Todd L. Goodman, Esq.**
(Title) **Associate General Counsel, Pepco Holdings, Inc.**
(Tele. No.) **302-429-3786**
(Fax no.) **302-429-3801**
(E-mail) **todd.goodman@pepcoholdings.com**

8. Did you provide a complete copy of the filing to the public advocate?
**X** (Yes) _____ (No) If so, when? June 18, 2014

9. Filing fee enclosed: **$100.00** (Amount)

**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 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)** | ) | **PSC DOCKET NO. 14-** |

## PUBLIC NOTICE OF FILING

**TO: ALL ELECTRIC CUSTOMERS OF DELMARVA POWER & LIGHT COMPANY**

On June 18, 2014, Delmarva Power & Light Company filed an Application with the Delaware Public Service Commission ("Commission"). The Application seeks approval of a proposed merger between Pepco Holdings, Inc., Exelon Corporation, and Purple Acquisition Corporation.

The Commission will consider the request for approval of the proposed merger after evidentiary hearings and further proceedings.

Any person or group wishing to participate formally as a party in this docket (PSC Docket No. 14-___), with the right to submit evidence and to be represented by counsel must, in accordance with Rule 11, petition the Commission for and be granted leave to intervene in the proceedings in this docket by the Hearing Examiner. To be timely, all such petitions must be filed with the Delaware Public Service Commission at 861 Silver Lake Boulevard, Suite 100, Cannon Building, Dover, Delaware 19904 on or before _____ __, 2014. Petitions received thereafter will not be considered except for good cause shown.

The Commission will consider the Application, including any settlement that might be reached by the parties to the proceeding, in hearings to be held at the times and locations to be determined by the Commission.

Copies of the Application, testimony and attachments will be available for public inspection at the Commission's Dover office at the above address, or, by appointment, in the Division of the Public Advocate located on the 4th Floor, Carvel State Office Building, 820 North French Street, Wilmington. Please call for an appointment at (302) 577-5077.

Individuals with disabilities who wish to participate in these proceedings or to review these filings may contact the Commission to discuss any auxiliary aids or services needed to facilitate such review or participation. Such contact may be in person, by writing, telephonically,

by use of the Telecommunications Relay Service, or otherwise. The Commission Staff is available for questions concerning this Application and other documents. The Commission's toll-free telephone number within Delaware is 1-800-282-8574. The Commission can also be reached at (302) 739-4333 and that number should also be used for Text Telephone ("TT") calls. Inquiries can also be sent to the Commission by Internet e-mail to "**[insert Staff name]** @state.de.us."

**BEFORE THE**
**DELAWARE PUBLIC SERVICE COMMISSION**

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

**JOINT APPLICATION OF**
**DELMARVA POWER & LIGHT COMPANY,**
**EXELON CORPORATION, PEPCO HOLDINGS, INC.,**
**PURPLE ACQUISITION CORPORATION, EXELON ENERGY DELIVERY COMPANY, LLC AND NEW SPECIAL PURPOSE ENTITY, LLC**

Delmarva Power & Light Company ("Delmarva Power"), Exelon Corporation ("Exelon"), Pepco Holdings, Inc. ("PHI"), Purple Acquisition Corporation ("Merger Sub"), Exelon Energy Delivery Company, LLC ("EEDC") and New Special Purpose Entity, LLC ("New SPE") (collectively, the "Joint Applicants") submit this Joint Application to obtain the approval of the Delaware Public Service Commission (the "Commission") pursuant to 26 *Del.C.* §§ 215 and 1016 for a change of control of Delmarva Power to be effected by the merger of PHI with Merger Sub, a wholly-owned subsidiary of Exelon (the "Merger"). The Joint Applicants respectfully request approval in accordance with the procedural schedule set forth in the Proposed Order attached hereto as Appendix A.[1] If such Proposed Order is adopted, the Joint Applicants will waive the 120-day deadline established in 26 *Del.C.* § 1016. In order to complete the regulatory process in the 7 month (or 210 day) period requested in the Proposed

[1] During the Joint Applicants' discussions with the Division of the Public Advocate ("Public Advocate") and Commission Staff regarding the procedural schedule for this proceeding, Commission Staff stated that it supports the proposed schedule with the caveat that there may be other intervenors that raise concerns with the proposed schedule.

Order, rather than the 4 month (or 120 day) period provided for in 26 *Del.C.* § 1016, the Joint Applicants further request that the Commission preside over the evidentiary hearing, rather than assigning a hearing examiner to perform that task. In support of the Joint Application, the Joint Applicants state as follows:

## I. INTRODUCTION

1. The Merger will combine Exelon's and PHI's electric and gas utilities, which share a focus on safety, operational excellence, environmental stewardship, customer service, employee diversity and a commitment to local communities. Specifically, Delmarva Power and PHI's other utilities will join an organization that includes three outstanding utilities – Baltimore Gas and Electric Company ("BGE"), Commonwealth Edison Company ("ComEd") and PECO Energy Company ("PECO") – with a proven track record of furnishing safe, reliable and efficient energy delivery services. The Merger will allow Delmarva Power to build upon the additional resources to improve safety and service, achieve operational improvements, and deploy efficient innovative technology to help customers reduce their energy use and carbon footprint.

2. Delmarva Power's Delaware customers will realize substantial tangible benefits from an Exelon-funded Customer Investment Fund in the amount of $17 million – equivalent to a value of more than $50 per Delmarva Power distribution customer. At the Commission's discretion and contingent upon consummation of the Merger, this fund can be used for direct rate credits, or directed toward assistance for low income customers and/or other programs designed to benefit Delmarva Power's Delaware customers in a manner determined by the Commission in a separate proceeding. As part of the Merger, in Delaware, Exelon also commits that, during the ten-year period following the Merger, it and its subsidiaries will provide at least an annual

average of charitable contributions and traditional local community support that exceeds the 2013 level of $699,000. In addition to committing to maintain system reliability, Exelon is offering a firm reliability performance guaranty for Delmarva Power's Delaware customers. Exelon recognizes and respects the current stage of the Reliability Capital Investigation Docket (Docket No. 13-152) in Delaware and supports the ongoing dialogue with the Commission, Commission Staff and the Public Advocate to determine the desired balance between reliability investment and the corresponding impact on rates, and looks forward to engaging in that discussion, including as it relates to the reliability performance guaranty offered here.

3. As discussed in detail in Section VI *infra*, and in the testimony being submitted herewith, the Customer Investment Fund, enhanced reliability over current levels and other benefits and commitments proposed by the Joint Applicants are expected to generate between 982 and 1,538 new jobs in Delaware and have a total economic value to Delaware of not less than a range of $88.6 million – $142.4 million.

## II. DESCRIPTION OF THE JOINT APPLICANTS AND THE OTHER COMPANIES INVOLVED IN THE PROPOSED TRANSACTION

### A. Exelon

4. Exelon is a utility services holding company that is incorporated in Pennsylvania, maintains its corporate headquarters in Chicago, Illinois, and operates through its principal subsidiaries, Exelon Generation Company, LLC ("Exelon Generation"), BGE, ComEd, and PECO. Exelon was formed in 2000 by the merger of PECO and Unicom Corporation, the parent of ComEd. In 2012, Exelon acquired Constellation Energy Group, Inc. ("Constellation"), which added BGE to Exelon's family of energy distribution utilities. Exelon, through its subsidiaries, both generates electricity and delivers electricity and natural gas to customers. Its energy

delivery companies serve approximately 7.8 million customers in central Maryland, northern Illinois and southeastern Pennsylvania, as described below.

5. EEDC is the Exelon subsidiary that directly owns 100 percent of the common stock of ComEd and PECO. EEDC also indirectly owns 100 percent of the common stock of BGE through EEDC's subsidiary RF Holdco, LLC. RF Holdco, LLC is a bankruptcy-remote special purpose entity created specifically to "ring fence" BGE.

6. New SPE is a bankruptcy-remote special purpose entity being created to ring-fence PHI and PHI's three energy distribution utilities, including Delmarva Power, as discussed in Section V, *infra*.

7. Exelon's energy delivery business is conducted through PECO, ComEd and BGE. PECO distributes electricity and natural gas within its authorized service territory in southeastern Pennsylvania. PECO is the largest utility in Pennsylvania, providing electric delivery service to approximately 1.6 million customers throughout an area of approximately 2,100 square miles, in and around the City of Philadelphia and includes a total population served of approximately 2.4 million people.[2] It also supplies natural gas service to more than 500,000 customers outside the City of Philadelphia. ComEd provides electric distribution service to more than 3.8 million customers in northern Illinois and has a service area of approximately 11,400 square miles that includes the City of Chicago. BGE is the largest utility in Maryland, providing electric delivery service to over 1.2 million customers and gas service to over 655,000 customers in a 2,300-square mile territory that encompasses Baltimore City and all or part of ten central Maryland

[2] PECO and Delmarva Power have contiguous electric service territories along the Pennsylvania-Delaware border.

counties. Like Delmarva Power, the territories of ComEd, PECO and BGE each encompass urban, suburban and rural territories.

8. Exelon's generation business includes its generation fleet, wholesale energy marketing operations and a competitive retail sales business. The Merger will not have any adverse effects on the wholesale market or Delaware's retail energy markets, as will be discussed in detail in Section VII, *infra*. Exelon's generation business is conducted by Exelon Generation, a wholly-owned subsidiary of Exelon Ventures Company, LLC.[3] Through various subsidiaries, Exelon Generation is also a retail competitive energy provider.

**B. PHI**

9. PHI is a public utility holding company incorporated in Delaware and headquartered in Washington, D.C. PHI was created in 2002 as a new holding company to effect the merger of Potomac Electric Power Company ("Pepco") and the predecessor of the entity that is today Conectiv, LLC ("Conectiv"). As a result of that transaction, PHI owns directly or indirectly three public utility subsidiaries operating in three states and the District of Columbia: Delmarva Power (Delaware and Maryland); Atlantic City Electric Company ("ACE") (New Jersey); and Pepco (Maryland and the District of Columbia) (collectively, the "PHI Utilities"). In addition, PHI, through Pepco Energy Services, Inc. and its subsidiaries (collectively, "PES"), provides energy efficiency and other energy-related services.

10. As noted above, PHI's energy delivery business is conducted through its three regulated utilities. Delmarva Power provides electric utility service to approximately 506,000 electric customers, of which approximately 305,000 reside in Delaware and 201,000 reside on

[3] Exelon Ventures Company, LLC is scheduled to be dissolved later this year, at which point Exelon Generation will become a direct subsidiary of Exelon.

the Eastern Shore of Maryland. Delmarva Power also provides natural gas service to approximately 126,000 customers in a 275 square-mile service area that encompasses a major portion of New Castle County, Delaware.[4] ACE, a New Jersey corporation, serves approximately 545,000 electric customers in a 2,700 square-mile area of southern New Jersey. Pepco, a District of Columbia and Virginia corporation with its headquarters in the District of Columbia, distributes electricity to approximately 801,000 customers in the District of Columbia and Montgomery and Prince George's Counties in Maryland. Pepco's service area covers approximately 640 square miles and, as of December 31, 2013, had a population of approximately 2.2 million.

11. PES is an energy services company with a focus on energy savings performance contracting, underground transmission and distribution services and integrated power and thermal projects. PES is also a licensed retail electricity supplier in eight jurisdictions (including Delaware) and a licensed retail natural gas supplier in four jurisdictions. As of the date of this Joint Application, however, PES does not have any active retail accounts in Delaware, or any jurisdiction, because it discontinued all of its retail marketing activities in 2009. As of June 2013, PES fulfilled all of its contractual service obligations to Delaware retail electric customers. On May 19, 2014, PES filed a request with the Commission to withdraw its existing electric supplier license, and by letter dated June 4, 2014, the Commission indicated that the license would be deemed withdrawn as of that date.

[4] Approximately 117,000 of these customers also receive electric service from Delmarva Power.

### C. Merger Sub

12. Merger Sub is a wholly owned subsidiary of Exelon that was formed for the sole purpose of effecting the Merger. Upon completion of the Merger, Merger Sub will be merged into PHI and will cease to exist as a separate legal entity.

## III. OVERVIEW OF THE PROPOSED TRANSACTION

13. Pursuant to the terms of an Agreement and Plan of Merger (the "Merger Agreement"), a copy of which is attached hereto as Appendix B, and subject to regulatory approvals and the satisfaction of certain obligations of the parties, PHI will merge with Merger Sub. As the surviving corporation, PHI will become an indirect, wholly-owned subsidiary of Exelon, and PHI's stock will no longer be publicly traded. Specifically, PHI will become the subsidiary of New SPE.[5] Upon completion of the Merger, PHI's subsidiaries will operate as part of Exelon's holding company system. Charts illustrating the pre-Merger organizational structures of Exelon and PHI and the planned post-Merger corporate organization of the combined company are attached hereto as Appendix C.

14. Exelon will acquire PHI in an all-cash transaction for $6.8 billion. Upon consummation of the Merger, each PHI shareholder will be entitled to receive $27.25 in cash for each outstanding share of PHI common stock not held by PHI, Exelon, Merger Sub, a PHI or Exelon affiliate, or a dissenting PHI stockholder properly asserting appraisal rights. The common stock of Exelon will be unaffected by the Merger, with each issued and outstanding share thereof remaining outstanding following the Merger. There will be no change in the outstanding debt of Delmarva Power or PHI as a result of the Merger.

[5] New SPE will be a subsidiary of EEDC, which, as discussed above, owns Exelon's regulated public utility companies.

15. In connection with the Merger, the Joint Applicants are providing twelve principal commitments, which are set forth in Appendix D hereto. As explained in Sections V and VI, *infra*, and the direct testimony accompanying this Joint Application (*see* Section VIII, *infra*), those commitments include significant tangible benefits to Delmarva Power's customers and the State of Delaware.

16. On or about the effective date of the Merger, PHI will be converted from a corporation to a limited liability company or "LLC." Currently, Exelon anticipates that PHI will have a seven-member board of directors with three outside members from Delmarva Power, ACE and Pepco service areas and four members who will consist of some combination of officers or directors of Exelon and officers of one or more of Delmarva Power, ACE and Pepco. The PHI board of directors will select the board of directors of each of Delmarva Power, ACE and Pepco, and the boards of each of those PHI utilities will choose that utility's officers.

17. Following the Merger, PHI will no longer be a publicly traded company and, as a consequence, a number of corporate functions associated with public status (e.g., investor relations) will no longer be performed at the PHI level. However, PHI will continue to play substantially the same role in the day-to-day operations of Delmarva Power as it does today. To that end, PHI will continue to be headquartered in Washington, D.C. and Delmarva Power will retain its regional headquarters in Newark, Delaware. PHI's senior management will continue to establish priorities and respond to local conditions as it does today. Delmarva Power's local management will continue to have the authority and responsibility to provide input into the development of Delmarva Power's capital and operating and maintenance expense budgets and implement the approved budgets. While Delmarva Power's budgets will be reviewed by

Exelon's CEO and Executive Committee, they would have to be approved by the PHI board of directors.

18. Christopher M. Crane, the current Chief Executive Officer and President of Exelon, will serve as Chief Executive Officer and President of the combined company following the Merger. PHI's current Chief Executive Officer and President, Joseph M. Rigby, who previously announced his retirement in January 2014, will retire at closing.

19. Upon consummation of the Merger, Delmarva Power will continue to operate as a Delaware electric and gas public utility subject to the continuing jurisdiction of the Commission without any reduction in the Commission's existing oversight or authority over Delmarva Power. In addition, the Joint Applicants confirm their ongoing commitment to comply with all applicable Delaware and federal requirements related to affiliate transactions. Thus, the Merger will not adversely impact any of the day-to-day operations of Delmarva Power. Indeed, as set forth in more detail below, the Merger will enhance the capabilities of Delmarva Power to fulfill its obligations to provide safe, adequate and reliable service to its customers in Delaware.

## IV. REQUESTED COMMISSION APPROVALS AND LEGAL STANDARDS

### A. Change Of Control

20. Pursuant to 26 *Del.C.* § 215(b), no person or entity may acquire control of any public utility doing business in Delaware without first having obtained approval of the Commission. Pursuant to 26 *Del.C.* § 215(d), "[t]he Commission shall approve any such proposed merger, . . . when it finds that the same is to be made in accordance with law, for a proper purpose and is consistent with the public interest." In addition, 26 *Del.C.* § 1016(a) provides:

> "The Commission's regulatory authority over [Delmarva Power] shall not be affected by a subsequent change in stock ownership.... In approving any proposed merger . . ., the Commission shall, in addition to considering the factors set forth in § 215 of Title 26, take such steps or condition any transfer in such a manner as to insure that any successor will continue safe and reliable transmission and distribution services."

21. As explained in Sections V and VI, *infra*, and in the prefiled direct testimony attached hereto, the Merger is in accordance with Delaware law, is for a proper purpose and is consistent with the public interest, as mandated by 26 *Del.C.* § 215(d). Additionally, Joint Applicants have proposed a package of guarantees and customer benefits to be incorporated into a Commission order approving the Merger that will ensure that after the Merger, safe and reliable transmission and distribution service will continue, as required by 26 *Del.C.* § 1016(a). After the Merger, Delmarva Power will continue to furnish safe, adequate and proper service and keep and maintain its property and equipment in such condition as to enable it to do so, as required by 26 *Del. C.* § 209(a)(2). As provided for herein and in the prefiled direct testimony filed in support hereof, after the Merger, all of Delmarva Power's collective bargaining agreements will continue to be recognized as required by 26 *Del. C.* § 1016(b) and the Joint Applicants will comply with all other requirements of 26 *Del. C.* § 1016(b).

### B. Affiliated Interest Transactions

22. Both PHI and Exelon have service company subsidiaries that make available to their respective operating company affiliates a broad range of accounting, financial, legal and other services. At Exelon, employees that perform core utility functions are employed by the Exelon utilities, while employees that provide administrative and technical support, or corporate support, services are employed by Exelon Business Services Company ("EBSC"). Given the operational structure of PHI and the PHI Utilities, the PHI Service Company employs personnel

who provide corporate support services as well as personnel who provide services that would be considered core utility functions for Exelon and its utilities. Upon completion of the Merger, it is expected that EBSC will continue to provide administrative and technical support services for various Exelon companies and will also provide similar services to PHI and its subsidiaries. PHI Service Company will remain in place for an undetermined period of time during post-merger integration. As integration proceeds and systems and functions are combined in phases, Delmarva Power may receive different services from EBSC and PHI Service Company until all shared corporate support functions are consolidated under EBSC. Thereafter, Delmarva Power will file with the Commission any necessary amendments to the Code of Conduct and Cost Allocation Manual approved by the Commission in Order No. 5469.

23. Exelon Generation is currently a participant in Delmarva Power's Standard Offer Service ("SOS") competitive bid process, and following the closing of the Merger intends to continue to participate in those solicitations. The Joint Applicants acknowledge that Delmarva Power is required to have in place standards and procedures to prevent preferences and the improper flow of information between Delmarva Power and PHI or any affiliates, known as the "Code of Conduct" (approved in Commission Order No. 5469, Docket No. 99-582, on June 20, 2000), and Exelon and its subsidiaries and affiliates will be bound by the Code of Conduct upon the closing of the Merger.

## V. IMPACT OF THE MERGER ON SERVICE, RATES, JOBS AND LOCAL COMMUNITIES

24. The Joint Applicants are committed to providing adequate, efficient, safe and reliable electric and natural gas service, and the Merger will not diminish in any way Delmarva Power's current plan to maintain system reliability. To the contrary, the Merger combines the

resources of Exelon and PHI, which will permit the sharing of best practices and thereby lead to operational and infrastructure improvements, strengthen emergency response capabilities, and facilitate the use of efficient and innovative technology to improve service. Accordingly, Delmarva Power will be better positioned to ensure that high quality service is maintained.

25. Exelon understands and respects the fact that the balance between reliability investment and customer rate impact is an important issue in Delaware, as evidenced by the Reliability Capital Investigation docket (Docket 13-152) and the testimony in the most recent Delmarva Power electric base rate case (Docket 13-115). As previously stated above, Exelon recognizes and respects the current stage of Docket No. 13-152 and supports the ongoing dialogue with the Commission, Commission Staff and the Public Advocate to determine the desired balance between reliability investment and the corresponding impact on rates. Exelon and Delmarva Power look forward to participating in that Docket No. 13-152 dialogue, which could include the reliability performance guaranty offered as part of the Merger. The Joint Applicants are proposing additional reliability guarantees in each of the service territories of the PHI utilities, including for Delmarva Power's Delaware customers, as explained by Mark F. Alden (Exhibit No. 4), subject to return on equity penalties for non-compliance as described in the prefiled testimony of Carim V. Khouzami (Exhibit No. 6). Specifically, by 2020, Exelon will guarantee that Delmarva Power's System Average Interruption Duration Index ("SAIDI") in its Delaware operational area does not exceed 122 minutes. As explained in the prefiled testimony of Mr. Alden, compliance will be measured using the Commission's current methodology for calculating SAIDI and inclusion or exclusion of storm events and will be determined on the basis of a three-year historical average (2018-2020) to account for any abnormal weather variability that may occur in a given year.

26. Delmarva Power's rates, rules and regulations and the terms and conditions of service in effect prior to the Merger will not change as a result of the Merger. In fact, Delmarva Power distribution customers will realize an immediate and direct benefit because, as previously noted, Delmarva Power's Customer Investment Fund will provide tangible customer benefits with an aggregate value of $17 million, or more than $50 per distribution customer. The disposition of this Customer Investment Fund is at the Commission's discretion, subject, of course, to consummation of the Merger. For example, the Commission might determine, in this proceeding, to use the Customer Investment Fund to provide a bill credit to customers. Alternatively, the Commission might choose, in a separate proceeding following the Merger, to utilize the Fund to assist low income customers or to support other programs designed to benefit Delmarva Power's Delaware customers. As explained in the accompanying testimony of Mr. Khouzami, the Joint Applicants also expect that the Merger will enable them to achieve efficiencies and cost savings in the future, an allocable portion of which will accrue to Delmarva Power. Those economies will help to offset the increase in the costs of providing regulated electric and natural gas distribution service and, thus, are expected to give rise, over time, to lower rates than otherwise would be the case. Notably, the Joint Applicants are not waiting for anticipated efficiencies to be realized before providing those benefits to customers. The Customer Investment Fund (of which $17 million is allocated to Delaware) will be established to provide Delmarva Power's customers, in advance, with net savings that the Joint Applicants anticipate will be achieved over the first five years after the Merger is completed. In addition, annual merger savings will continue beyond five years following the completion of the Merger, allowing Delmarva Power customers to realize additional benefits, in future rate cases, beyond

the $17 million tangible benefit the Joint Applicants propose to provide immediately following the Merger.

27. The Merger also will not have any adverse impact on Delmarva Power's rates for two primary reasons. First, there will be no change in the outstanding debt of PHI or Delmarva Power as a result of the Merger. Delmarva Power will not incur or assume any debt, including the provision of guarantees or collateral support, directly related to the Merger. Second, Delmarva Power will not seek rate recovery of any acquisition premium or "goodwill" associated with the Merger or of merger transaction costs incurred by the Joint Applicants or their subsidiaries.

28. Delmarva Power is well-positioned to continue to provide safe, reliable and efficient service to its customers based on its existing capitalization and credit rating. Delmarva Power's capital structure will not change as a result of the Merger. The Joint Applicants have also committed to implement robust ring-fencing measures for at least five years following completion of the Merger, which provide further assurances that Delmarva Power will continue to have direct access to credit markets at reasonable rates. Those ring-fencing provisions will expand upon those established by the Commission in Order No. 8011 in Docket No. 09-414[6] and

[6] The ring fencing requirements for Delmarva Power were established in PSC Order No. 8011 (Docket No. 09-414) are as follows:

1. Delmarva Power shall not make any distributions that would cause its equity capital to fall below 40% of permanent capital.
2. Delmarva Power shall continue to maintain cash management practices that are distinct from PHI and any affiliate.
3. Delmarva Power shall not enter into any inter-company loans, guarantees or credit support agreements with PHI or any affiliate, or that create any expectation of any form of utility support for non-utilities.
4. Delmarva Power shall continue to maintain accounting books and records separate from those of PHI and any affiliate.
5. Delmarva Power and PHI provide the Commission with access to all books, records, documents, data, board minutes, presentations and forecasts of the Company, PHI

include creating a bankruptcy-remote special purpose entity as a subsidiary of EEDC to hold the equity interests in PHI, as described in detail in the direct testimony of Mr. Khouzami.[7]

29. The Merger will result in some reductions in force over time. For example, certain positions in the managerial and administrative ranks will no longer be necessary as duplicative positions are consolidated. However, in the two years following consummation of the Merger, Exelon commits to ensure no net reduction in the employment levels at Delmarva Power due to involuntary attrition resulting from the Merger integration process and to provide current and former Delmarva Power employees with compensation and benefits at least as favorable in the aggregate as the compensation those employees received immediately before the date of the Merger Agreement. Exelon also commits to ensure that Delmarva Power honors all existing collective bargaining contracts and continues its commitments to workforce diversity. Notably, Local 1238 and Local 1307 of the International Brotherhood of Electrical Workers, which represent Delmarva Power unionized employees, recently agreed to three-year contract extensions and agree that the Merger is in the best interest of Delmarva Power and its employees.

30. Delmarva Power plays a vital role in Delaware's local communities through the financial support of numerous civic and charitable organizations. Delmarva Power's commitment to remain a good corporate citizen and an active member of the communities it

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and all PHI subsidiaries and affiliates; provided, however, that PHI affiliates shall not be required to disclose their business forecasts unless the Commission orders otherwise.

6. No Delmarva Power asset, financial support, or cash flow shall be pledged or used as collateral for the benefit of any entity except Delmarva Power, and any PHI and affiliate financing agreements and arrangements shall disclaim any informal representation, commitment, or expectation of such support.
7. Delmarva Power shall file a report with the Commission on an annual basis, commencing for the year, 2011, addressing the status of its compliance with each of these ring fencing requirements.

[7] The time period that the special purpose entity interposed between PHI and EEDC will remain in place is not limited.

serves will continue unabated after the Merger. To that end, during the ten-year period following the Merger, Exelon and its subsidiaries commit to provide at least an annual average of charitable contributions and traditional local community support in Delaware that exceeds the 2013 annual level of $699,000. Moreover, Delmarva Power will maintain its low income customer assistance programs such as the Good Neighbor Energy Fund and supplier diversity programs.

## VI. BENEFITS OF THE MERGER

31. By combining six outstanding utilities in a single holding company structure, the Merger will create the Mid-Atlantic region's premier electric and natural gas distribution utility, serving approximately ten million utility customers. The combined entity will possess the management, employee experience, technical expertise, retail customer base, and financial resources to succeed in an increasingly challenging environment for energy distribution companies. The sharing of resources and best practices among the combined companies, as well as their comparable business models, will produce substantial benefits in several important ways.

**a. Increased Scale and Scope; Diversification.** There are many benefits that will be derived from the increased scale, scope and diversification of the combined company, including improved service, reliability, operational flexibility and financial stability for all Exelon and PHI public utility subsidiaries. As explained in the prefiled testimony of Mr. Crane and Denis P. O'Brien (Exhibit Nos. 1 and 3), Exelon will provide additional resources and support to the PHI Utilities leading to an enhanced overall customer experience, while allowing each of the PHI Utilities, including Delmarva Power, to maintain its local identity.

**b. Local Control.** The Merger will not result in multiple tiers of management that will have to be penetrated to access decision-makers in the organization. PHI will continue to be

headquartered in Washington, D.C. and the Commission and Delaware stakeholders will enjoy the same access to Delmarva Power and PHI personnel after the Merger. In addition, Delmarva Power's Regional President, who works closely with the operational side of the business, will continue to provide a strong local connection and will maintain close relationships within Delaware.

**c. Reliability.** Exelon and PHI share a strong commitment to reliability. The Merger will facilitate and build upon Exelon's expertise in transmission and distribution operations. The combined companies will work to maintain and, where appropriate, enhance Delmarva Power's current level of reliability without increasing Delmarva Power's reliability-related capital expenditures or operating and maintenance expense. Previous Exelon mergers have built upon the resources of combining companies to strengthen operating utilities, leading to improvements in service to their customers. As explained in the accompanying prefiled testimony of Mr. Alden (Exhibit No. 4), under Exelon ownership, BGE has achieved an almost 32% decline (from 2012 to 2013) in the average time to restore service to BGE customers who experienced a sustained interruption. This improvement was achieved without increasing either BGE's capital expenditures or operating and maintenance expense. While the Joint Applicants recognize the need to balance infrastructure investment with customer rate impact, the combined companies will work to bring performance improvements to Delmarva Power's customers that can be achieved without the need for increased capital or operating expenditures.

**d. Enhanced Expertise in Renewable Energy, Energy Efficiency, and Demand Response.** The combined company will draw upon the intellectual capital, technical expertise and experience of a deeper and more diverse workforce, with particular skills in renewable energy solutions and energy savings programs. Under Exelon's 2020 Plan, each Exelon utility

has taken a variety of additional actions to reduce its own carbon footprint, such as reducing internal building electricity use through aggressive building modernization efforts, using clean technologies and alternative fuels in fleet vehicles and delivering customer energy efficiency savings through PECO's and ComEd's award winning "Smart Ideas" programs. Through these combined efforts, Exelon achieved and surpassed its ambitious Exelon 2020 goal of reducing its carbon footprint by more than 17.5 million metric tons of greenhouse gas emissions seven years early, in 2013.

Each of the Exelon utilities is also installing smart meters for residential and commercial customers to provide customers increased information regarding their usage and to enable them to make smarter energy choices. Through Order No 8105 in Docket No. 09-311 and Order No. 8253 in Docket No. 11-330, the Commission approved Delmarva Power's proposed demand response programs (Dynamic Pricing and Direct Load Control), both of which have been implemented with respect to Delmarva Power's residential and small commercial customers. After the Merger, Delmarva Power will continue to actively support and pursue the success of its demand response programs. The Joint Applicants anticipate that combining their knowledge and experience in operating successful demand response programs will serve to strengthen Delmarva Power's current demand response programs.

**e. Commitment to Employees.** Exelon has committed that, upon approval of this Joint Application as described herein and for a period of two years after consummation of the Merger, there will be no net reductions due to involuntary attrition as a result of the Merger integration process in the employment levels of Delmarva Power. Further, consistent with the terms of the Merger Agreement, Exelon has committed to honor all Delmarva Power collective bargaining agreements, including all terms and conditions of those agreements. Also consistent

with the Merger Agreement, Exelon has agreed that for at least two years after the closing, 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 the Merger.

**f. Synergies, Efficiencies and Cost Savings.** The Merger will have no immediate effect on customer rates, rules, or terms of service. However, the Merger will confer direct benefits, through the Exelon-funded Customer Investment Fund, of more than $50 for each Delmarva Power Delaware distribution customer. The Joint Applicants are also confident that the Merger will generate synergies and result in overall aggregate cost saving opportunities for the combined company. The synergies that will accrue to Delmarva Power over time should, at least in part, offset the increasing cost of providing regulated utility service and, thereby, mitigate the need for or reduce the size of future rate increases that would have otherwise been requested absent the Merger.

On a broader scale, the Joint Applicants requested Susan F. Tierney, Ph.D. of the Analysis Group (Exhibit No. 7) to evaluate the likely economic impact of the Merger on the jurisdictions served by the PHI utilities. Using widely-accepted analytic techniques, Dr. Tierney concluded that the total economic value to the State of Delaware of: (1) the Customer Investment Fund; and (2) the increase in reliability over current levels to which Exelon is committing approximates $88.6-142.4 million, on a net present value basis (2014), over the period 2015-2020, depending on how the Commission utilizes the Customer Investment Fund. In addition, Dr. Tierney found that the Merger could create up to 1,538 new jobs in Delaware.

The realization of the benefits described above will have no adverse impact on the continued abilities of Delmarva Power to provide safe and adequate utility service to its

customers, nor will it in any way affect the Commission's jurisdiction over the adequacy and reliability of customer service provided by Delmarva Power. To the contrary, the sharing of "best practices" will benefit utility operations and customer service at all levels. In addition, the rules, regulations, terms and conditions of service that are currently effective for retail customers in Delmarva Power's service territories will not change as a result of Commission approval of this Joint Application and the completion of the Merger. Delmarva Power will continue to be fully subject to, and accountable for, the safeguards and standards promulgated by the Commission to foster safe, adequate and reliable service.

**g. Strong Leadership In Local Communities.** The Joint Applicants have deep commitments to the communities they serve. As part of Exelon, Delmarva Power will continue to play an important role in the economic growth of Delaware and remain a significant employer and responsible corporate citizen. The prefiled testimony of Calvin G. Butler, Jr. (Exhibit No. 8) describes the types of community commitments made by the Exelon companies and their employees and the civic and charitable activities of BGE after its merger with Exelon.

As a further indication of its continuing commitment to the local communities served by Delmarva Power, for the decade following consummation of the Merger, Exelon and its subsidiaries have agreed to provide at least an annual average of charitable contributions and traditional local community support in Delaware that exceeds the 2013 annual level of $699,000. By working to attain operational excellence and to seek deployment of new technologies that benefit its customers, Delmarva Power will continue to be a strong and productive leader in contributing to Delaware's economic growth.

## VII. IMPACT ON COMPETITION

32. The Merger will not have any adverse competitive effects on either the wholesale market or Delaware's retail energy markets. Each of the PHI Utilities, including Delmarva Power, has divested all of its generation facilities and purchases power only pursuant to SOS supply contracts overseen and approved by the Commission. Additionally, all of the PHI Utilities' transmission assets are under the operational control of PJM Interconnection, L.L.C. ("PJM") under PJM's Open Access Transmission Tariff. For these reasons, the Merger will not have any impact on wholesale competition and does not raise any market power concerns.

33. In 2009, PES discontinued all of its retail electric and gas activities and, in 2013, it ceased providing retail electric service to customers in Delaware. As noted in Section II above, PES, on May 19, 2014, filed a request with the Commission to withdraw its existing license, which request was granted on June 4, 2014. Moreover, as discussed in Section IV.B above, the Joint Applicants acknowledge that, following consummation of the Merger, they will be bound by Delmarva Power's standards and procedures to prevent preferences and unauthorized information sharing. As a consequence, the Merger will not have any impact on retail competition.

## VIII. SUPPORTING TESTIMONY

34. With this Joint Application, the Joint Applicants are submitting the written testimony and supporting exhibits of eight witnesses, which, subject to possible supplementation in response to positions, inquiries and issues set forth in the filings by other parties or in interim orders of the Commission, will comprise the Joint Applicants' case-in-chief:

**Christopher M. Crane** is Exelon's President and Chief Executive Officer. Mr. Crane describes the Merger and summarizes the substantial benefits that it will produce. He also explains the factors that make Exelon and PHI a good fit. (Exhibit No. 1)

**Joseph M. Rigby** is PHI's President and Chief Executive Officer. He describes the shared vision and values of PHI and Exelon and explains why the Merger is in the best interests of the PHI utilities, its customers and the communities they serve. (Exhibit No. 2)

**Denis P. O'Brien** is Senior Executive Vice President of Exelon and Chief Executive Officer of Exelon Utilities. Mr. O'Brien describes how the PHI utilities will be managed following the Merger, including how the operational structure, governance principles and delegation of authority will remain in substantially local control. Mr. O'Brien also discusses the experience of integrating utility operations following the merger of PECO and Unicom that formed Exelon and the merger of Exelon and Constellation that brought BGE into the Exelon family of utility companies. Finally, Mr. O'Brien describes Exelon's commitments regarding employment levels and employee compensation. (Exhibit No. 3)

**Mark F. Alden** is the Vice President of Utility Oversight and Integration for Exelon. Mr. Alden explains Exelon's commitment to maintaining reliability in Delaware and discusses Exelon's track record of service excellence. (Exhibit No. 4)

**William M. Gausman** is Senior Vice President, Strategic Initiatives of PHI. Mr. Gausman describes the regulatory requirements for reliability that currently apply to Delmarva Power in Delaware and the on-going reliability proceedings at the Commission. (Exhibit No. 5)

**Carim V. Khouzami** is a Senior Vice President of BGE and Exelon's Chief Integration Officer. Until recently assuming the position of Chief Integration Officer, he served as BGE's Chief Financial Officer and Treasurer. Mr. Khouzami discusses the financial impacts of the Merger, the merger accounting principles that will apply, the measures Exelon is committing to implement to ring-fence the PHI utilities and the financial penalty Exelon is proposing in the event Pepco fails to meet Exelon's reliability commitments. Additionally, Mr. Khouzami provides an overview of the planned integration of Exelon and PHI and describes the estimated merger savings and the costs to achieve those savings. (Exhibit No. 6)

**Susan F. Tierney, Ph.D.** is a Senior Advisor with the Analysis Group. Dr. Tierney discusses the quantitative and qualitative economic benefits to Delmarva Power customers and the State of Delaware from the Merger. (Exhibit No. 7)

**Calvin G. Butler, Jr.** is BGE's Chief Executive Officer. Mr. Butler discusses Exelon's approaches to electric system reliability, charitable giving, community involvement and supplier diversity and explains how BGE has been able to benefit from Exelon's programs in these areas since merging with Exelon in 2012. (Exhibit No. 8)

## IX. OTHER REQUIRED APPROVALS

35. In addition to approval by the Commission, several other regulatory approvals will be required before the Merger can be concluded. These include expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as well as approvals from the Federal Energy Regulatory Commission ("FERC"), the Federal Communications Commission, the District of Columbia Public Service Commission, the Maryland Public Service Commission, the New Jersey Board of Public Utilities and the Virginia

State Corporation Commission. The Joint Applicants will provide the Commission, under separate cover, with a copy of the FERC filing.

36. The Merger also is subject to the affirmative vote of PHI's shareholders.

## X. PROPOSED SCHEDULE

37. The Joint Applicants wish to close the proposed Merger as expeditiously as possible so that the benefits described herein may begin to flow to Delmarva Power, its customers and the State of Delaware. Consistent with that goal and keeping in mind the legitimate review rights of affected parties, the Joint Applicants respectfully request that the Commission preside directly over the evidentiary hearings, rather than referring the matter to a Hearing Examiner for purposes of conducting the evidentiary hearings. Consistent with past Commission practice in matters where the Commission has directly presided over evidentiary hearings, an assigned Hearing Examiner could still preside over motions, discovery issues, interventions, and other prehearing matters. The Joint Petitioners believe that having the Commission preside directly over the evidentiary hearings will help to expedite and streamline the review process, allow the Commission to retain a greater degree of control over any substantive and procedural issues that may arise, and enhance the Commission's understanding of the issues and the commitments the Joint Applicants have made.

38. It is further requested that the Commission adopt the procedural schedule set forth in the Proposed Order attached hereto as Appendix A. Under that proposed schedule, the Joint Applicants request that a final decision be rendered by the Commission by December 16, 2014. If such Proposed Order is adopted, Joint Applicants will waive the 120-day deadline established in 26 *Del.C.* § 1016.

## XI. SERVICE

39. All communications and notices with respect to this proceeding should be served on the Joint Applicants' attorneys, as follows:

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## XII. CONCLUSION

40. For all of the reasons set forth in and supported by this Joint Application, the Merger will provide substantial benefits for customers, the State of Delaware and the Mid-Atlantic region. Therefore, the Merger is in the public interest and satisfies the legal requirements for approval by this Commission.

WHEREFORE, the Joint Applicants respectfully request that the Commission:

(a) grant approval of the Merger and any other approvals as it may determine are necessary in order for the Merger to be lawfully consummated;

(b) retain this matter for hearing by the Commission directly and adopt the procedural schedule set forth in the Proposed Order attached hereto as Appendix A with a decision to be rendered by December 16, 2014; and

(c) grant such other relief as be reasonable and necessary.

Respectfully submitted,

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*Counsel for the Joint Applicants*

Dated: June 18, 2014

# APPENDIX A

**BEFORE THE**
**DELAWARE PUBLIC SERVICE COMMISSION**

| | | |
|---|---|---|
| **IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY, EXELON CORPORATION, PEPCO HOLDINGS, INC., PURPLE ACQUISITION CORPORATION, EXELON 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)** | ) | **PSC DOCKET NO. 14-** |

## SCHEDULING ORDER

**AND NOW**, this ____ day of _____, 2014:

**WHEREAS**, the proposed merger among Pepco Holdings, Inc., Exelon Corporation, and Purple Acquisition Corp. was announced on April 30, 2014 (the applicants listed in the above caption will hereinafter be referred to as the "Applicants"); and

**WHEREAS**, the Joint Application Seeking Approval of the Merger and Supporting Testimony was filed on June 18, 2014; and

**WHEREAS**, the Commission issued an opening order (Order No. _____) on June 26, 2014.[1]

**NOW, THEREFORE, IT IS HEREBY ORDERED BY THE AFFIRMATIVE VOTE OF NOT FEWER THAN THREE COMMISSIONERS:**

1. Intervention. Petitions to intervene must be filed on or before July 28, 2014.

2. Scheduling Conference. A Scheduling Conference will be held by July 30, 2014, at a time and location to be determined by the parties.

3. Discovery. Discovery issued to the Applicants will consist of two phases: the Initial Phase, and the Follow-Up Phase, as follows:

[1] A proposed form of Opening Order is attached hereto as Exhibit A-1.

a. Initial Phase. Initial discovery requests to the Applicants must be served by July 31, 2014 and responses must be served by August 18, 2014.

b. Follow-Up. Follow-up discovery must be served upon the Applicants by August 29, 2014 and responses must be served by September 12, 2014.

4. Public Comment. Public Comment Sessions will be held in each of New Castle, Kent, and Sussex Counties on dates and times to be determined between September 1, 2014 and September 12, 2014.

5. Direct Testimony. Staff, DPA, and any intervenors must serve any direct testimony on or before September 22, 2014.

6. Discovery. Any discovery on Staff, DPA, or intervenors must be initiated by October 7, 2014 and responses must be served by October 17, 2014.

7. Settlement Discussion. Initial settlement discussions shall take place on or before October 7, 2014.

8. Rebuttal Testimony. Applicants must serve any rebuttal testimony on or before October 24, 2014.

9. Evidentiary Hearing. The Commission will hold an evidentiary hearing on November 11-13, 2014.

10. Post-Hearing Briefs. Post-Hearing Briefs shall be filed on or before December 5, 2014.

11. Minute Order. A Minute Order regarding a Decision by the Commission will be entered on or before December 16, 2014.

12. Final Order. The Final Order of the Commission will be issued on or before January 13, 2015.

BY ORDER OF THE COMMISSION:

_____
Chairman

_____
Commissioner

_____
Commissioner

_____
Commissioner

_____
Commissioner

ATTEST:

_____
Alisa Carrow Bentley
Secretary

# EXHIBIT A-1

**BEFORE THE**
**DELAWARE PUBLIC SERVICE COMMISSION**

| | | |
|---|---|---|
| **IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY, EXELON CORPORATION, PEPCO HOLDINGS, INC., PURPLE ACQUISITION CORPORATION, EXELON 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)** | ) ) ) ) ) ) ) | **PSC DOCKET NO. 14-** |

**ORDER NO. _____**

**AND NOW**, this ____ day of _____, 2014;

**WHEREAS**, on June 18, 2014, the applicants listed in the above caption (the "Applicants") filed an application (the "Application") seeking approval of the proposed merger between Pepco Holdings, Inc., Exelon Corporation, and Purple Acquisition Corp.; and

**WHEREAS**, the Applicants have requested that the Commission preside directly over the evidentiary hearings rather than referring the matter to a Hearing Examiner for purposes of conducting the evidentiary hearings.

**NOW, THEREFORE, IT IS HEREBY ORDERED BY THE AFFIRMATIVE VOTE OF NOT FEWER THAN THREE COMMISSIONERS:**

1. That the Applicants shall give public notice of the filing of this Application and this action by the Commission, by publishing notice in the form attached hereto as Exhibit "A" in two-column format, outlined in black, in the legal classified section of The News Journal and The Delaware State News on _____, 2014 and _____, 2014. The Applicants shall submit proof of such publication as soon as possible, but no later than the commencement of the evidentiary hearings concerning this matter.

2. That the Commission will preside directly over the evidentiary hearings rather than referring the matter to a Hearing Examiner for purposes of conducting the evidentiary hearings.

3. That an assigned Hearing Examiner could still preside over motions, discovery issues, interventions, and other prehearing matters.

4. That _____ is designated as Hearing Examiner for this matter pursuant to the terms of 26 *Del. C.* § 502 and 29 *Del. C.* ch. 101. Hearing Examiner _____ is specifically delegated the authority to grant or deny petitions seeking leave to intervene and for admission of counsel *pro hac vice*. In addition, Hearing Examiner _____ is delegated the authority, under 26 *Del. C.* § 102(A), to determine the form and manner of any further public notice in this matter.

5. That the deadline for filing petitions to intervene pursuant to Rule 21 of the Commission's Rules of Practice and Procedure shall be July 28, 2014. Late-filed petitions to intervene will not be granted unless good cause is shown.

6. The Applicants are hereby placed on notice that the costs of the proceedings will be charged to them under the provisions of 26 *Del. C.* § 114(b)(1).

7. That the Commission reserves the jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary and proper.

BY ORDER OF THE COMMISSION:

_____
Chairman

_____
Commissioner

_____
Commissioner

_____
Commissioner

_____
Commissioner

ATTEST:

_____
Alisa Carrow Bentley
Secretary

# APPENDIX B

EXECUTION VERSION

# AGREEMENT AND PLAN OF MERGER

Among

PEPCO HOLDINGS, INC.,

EXELON CORPORATION

and

PURPLE ACQUISITION CORP.

Dated as of April 29, 2014

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# AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER (hereinafter called this "Agreement"), dated as of April 29, 2014, among Pepco Holdings, Inc., a Delaware corporation (the "Company"), Exelon Corporation, a Pennsylvania corporation ("Parent"), and Purple Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of Parent ("Merger Sub," the Company and Merger Sub sometimes being hereinafter collectively referred to as the "Constituent Corporations").

## RECITALS

WHEREAS, the respective boards of directors of each of Parent, Merger Sub and the Company have approved and declared advisable this Agreement and the merger of Merger Sub with and into the Company (the "Merger") upon the terms and subject to the conditions set forth in this Agreement and have authorized the execution hereof, and the board of directors of the Company has adopted a resolution recommending that the plan of merger set forth in this Agreement be adopted by the stockholders of the Company;

WHEREAS, pursuant to a subscription agreement between the Company and Parent entered into on the date hereof (the "Subscription Agreement"), the Company will issue, sell and deliver to Parent, and Parent will subscribe for and purchase from the Company, up to 18,000 new shares of preferred stock, par value $0.01 per share, having the relative rights, preferences, limitations and restrictions as set forth in a certificate of designation substantially in the form of Exhibit C hereto (the "Nonvoting Preferred Stock"), on the terms and subject to the conditions set forth in the Subscription Agreement (as of any date of determination, the purchase price actually paid to the Company for such shares is referred to as the "Nonvoting Preferred Stock Purchase Price"); and

WHEREAS, the Company, Parent and Merger Sub desire to make certain representations, warranties, covenants and agreements in connection with this Agreement.

NOW, THEREFORE, in consideration of the premises, and of the representations, warranties, covenants and agreements contained herein, the parties hereto agree as follows:

## ARTICLE I

### The Merger; Closing; Effective Time

1.1. The Merger. Upon the terms and subject to the conditions set forth in this Agreement, at the Effective Time, Merger Sub shall be merged with and into the

Company and the separate corporate existence of Merger Sub shall thereupon cease. The Company shall be the surviving corporation in the Merger (sometimes hereinafter referred to as the "Surviving Corporation"), and the separate corporate existence of the Company, with all of its rights, privileges, immunities, powers and franchises, shall continue unaffected by the Merger, except as set forth in Article II. The Merger shall have the effects specified in the Delaware General Corporation Law, as amended (the "DGCL").

1.2. Closing. Unless otherwise mutually agreed in writing between the Company and Parent, the closing for the Merger (the "Closing") shall take place at the offices of Sullivan & Cromwell LLP, 1700 New York Avenue, N.W. Suite 700, Washington, D.C., at 9:00 a.m. (Eastern Time) on the second business day (the "Closing Date") following the day on which the last to be satisfied or waived of the conditions set forth in Article VII (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the fulfillment or waiver of those conditions) shall be satisfied or waived in accordance with this Agreement. For purposes of this Agreement, the term "business day" shall mean any day ending at 11:59 p.m. (Eastern Time) other than a Saturday or Sunday or a day on which banks are required or authorized to close in the City of New York.

1.3. Effective Time. At the Closing, the Company and Parent will cause a certificate of merger (the "Certificate of Merger") to be executed, acknowledged and filed with the Secretary of State of the State of Delaware as provided in Section 251 of the DGCL. The Merger shall become effective at the time when the Certificate of Merger has been duly filed with the Secretary of State of the State of Delaware or at such later time as may be agreed by the parties in writing and specified in the Certificate of Merger (the "Effective Time").

## ARTICLE II

## Certificate of Incorporation and Bylaws of the Surviving Corporation

2.1. The Certificate of Incorporation. At the Effective Time, the certificate of incorporation of the Surviving Corporation (the "Charter") shall be amended in its entirety to read as set forth in Exhibit A hereto, until thereafter amended as provided therein or by applicable Law.

2.2. The Bylaws. The parties hereto shall take all actions necessary so that the bylaws of the Company in effect immediately prior to the Effective Time shall be the bylaws of the Surviving Corporation (the "Bylaws"), until thereafter amended as provided therein or by applicable Law.

ARTICLE III

Directors and Officers of the Surviving Corporation

3.1. Directors. The parties hereto shall take all actions necessary so that the board of directors of Merger Sub at the Effective Time shall, from and after the Effective Time, consist of the directors of the Surviving Corporation until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Charter and the Bylaws.

3.2. Officers. The officers of the Company at the Effective Time shall, from and after the Effective Time, be the officers of the Surviving Corporation until their successors shall have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Charter and Bylaws.

ARTICLE IV

Effect of the Merger on Capital Stock;
Exchange of Certificates

4.1. Effect on Capital Stock. At the Effective Time, as a result of the Merger and without any action on the part of the holder of any capital stock of the Company or the sole stockholder of Merger Sub:

(a) Merger Consideration. Each share of the common stock, par value $0.01 per share, of the Company (a "Share" or, collectively, the "Shares") issued and outstanding immediately prior to the Effective Time other than (i) Shares owned by Parent, Merger Sub or any other direct or indirect wholly-owned Subsidiary of Parent and Shares owned by the Company or any direct or indirect wholly-owned Subsidiary of the Company, and in each case not held on behalf of third parties (but not including Shares held by the Company in any "rabbi trust" or similar arrangement in respect of any compensation plan or arrangement) and (ii) Shares that are owned by stockholders ("Dissenting Stockholders") who have perfected and not withdrawn a demand for appraisal rights pursuant to Section 262 of the DGCL (each Share referred to in clause (i) or clause (ii) being an "Excluded Share" and collectively, "Excluded Shares") shall be converted into the right to receive $27.25 per Share in cash, without interest (the "Per Share Merger Consideration"). At the Effective Time, all of the Shares shall cease to be outstanding, shall be cancelled and shall cease to exist, and each certificate (a "Certificate") formerly representing any of the Shares (other than Excluded Shares) and each non-certificated Share represented by book-entry (a "Book Entry Share") (other than Excluded Shares) shall thereafter represent only the right to receive the Per Share Merger Consideration, without interest, and each Certificate formerly representing Shares or Book Entry Shares owned by Dissenting Stockholders shall thereafter only represent the right to receive the payment to which reference is made in Section 4.2(f).

(b) Cancellation of Excluded Shares. Each Excluded Share shall, by virtue of the Merger and without any action on the part of the holder thereof, cease to be outstanding, shall be cancelled without payment of any consideration therefor and shall cease to exist, subject to any rights the holder thereof may have under Section 4.2(f).

(c) Merger Sub. At the Effective Time, each share of common stock, par value $0.01 per share, of Merger Sub issued and outstanding immediately prior to the Effective Time shall be converted into one share of common stock, par value $0.01 per share, of the Surviving Corporation.

(d) Nonvoting Preferred Stock. Each share of Nonvoting Preferred Stock issued and outstanding at the Effective Time shall remain outstanding following the Effective Time.

4.2. Exchange of Shares.

(a) Paying Agent. Immediately prior to the Effective Time, Parent shall deposit, or shall cause to be deposited, with a paying agent selected by Parent with the Company's prior approval (such approval not to be unreasonably withheld or delayed) (the "Paying Agent"), for the benefit of the holders of Shares, a cash amount in immediately available funds necessary for the Paying Agent to make payments under Section 4.1(a) (such cash being hereinafter referred to as the "Exchange Fund"). The Paying Agent agreement pursuant to which Parent shall appoint the Paying Agent shall be in form and substance reasonably acceptable to the Company. The Paying Agent shall invest the Exchange Fund as directed by Parent; provided that such investments shall be in obligations of or guaranteed by the United States of America, in commercial paper obligations rated A-1 or P-1 or better by Moody's Investors Service, Inc. or Standard & Poor's, respectively, in certificates of deposit, bank repurchase agreements or banker's acceptances of commercial banks with capital exceeding $1 billion, or in money market funds having a rating in the highest investment category granted by a recognized credit rating agency at the time of investment. Any interest and other income resulting from such investment shall become a part of the Exchange Fund, and any amounts in excess of the amounts payable under Section 4.1(a) shall be promptly returned to the Surviving Corporation. To the extent that there are any losses with respect to any such investments, or the Exchange Fund diminishes for any reason below the level required for the Paying Agent to make prompt cash payment under Section 4.1(a), Parent shall, or shall cause the Surviving Corporation to, promptly replace or restore the cash in the Exchange Fund so as to ensure that the Exchange Fund is at all times maintained at a level sufficient for the Paying Agent to make such payments under Section 4.1(a).

(b) Exchange Procedures. (i) Promptly after the Effective Time (and in any event within two business days), the Surviving Corporation shall cause the Paying Agent to mail to each holder of record of a Certificate representing Shares (other than holders of Excluded Shares) (A) a letter of transmittal in customary form specifying that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates (or affidavits of loss in lieu thereof as provided in

Section 4.2(e)) to the Paying Agent, such letter of transmittal to be in such form and have such other provisions as Parent and the Company may reasonably agree, and (B) instructions for use in effecting the surrender of the Certificates (or affidavits of loss in lieu thereof as provided in Section 4.2(e)) in exchange for the Per Share Merger Consideration. Upon surrender of a Certificate (or affidavit of loss in lieu thereof as provided in Section 4.2(e)) to the Paying Agent in accordance with the terms of such letter of transmittal, duly executed, the holder of such Certificate shall be entitled to receive in exchange therefor a cash amount in immediately available funds (after giving effect to any required Tax withholdings as provided in Section 4.2(g)) equal to (x) the number of Shares represented by such Certificate (or affidavit of loss in lieu thereof as provided in Section 4.2(e)) multiplied by (y) the Per Share Merger Consideration, and the Certificate so surrendered shall forthwith be cancelled. No interest will be paid or accrued on any amount payable upon due surrender of the Certificates. In the event of a transfer of ownership of Shares that is not registered in the transfer records of the Company, a check for any cash to be exchanged upon due surrender of the Certificate may be issued to such transferee if the Certificate formerly representing such Shares is presented to the Paying Agent, accompanied by all documents reasonably required to evidence and effect such transfer and to evidence that any applicable stock transfer taxes have been paid or are not applicable.

(ii) Notwithstanding anything to the contrary in this Agreement, any holder of Book Entry Shares shall not be required to deliver a Certificate or an executed letter of transmittal to the Paying Agent to receive the Per Share Merger Consideration that such holder is entitled to receive pursuant to this Article IV. In lieu thereof, each holder of record of one or more Book Entry Shares whose Shares were converted into the right to receive the Per Share Merger Consideration shall upon receipt by the Paying Agent of an "agent's message" in customary form (or such other evidence, if any, as the Paying Agent may reasonably request), be entitled to receive, and Parent shall cause the Paying Agent to pay and deliver as promptly as reasonably practicable after the Effective Time, the Per Share Merger Consideration in respect of each such Share and the Book Entry Shares of such holder shall forthwith be cancelled.

(c) Transfers. From and after the Effective Time, there shall be no transfers on the stock transfer books of the Company of the Shares that were outstanding immediately prior to the Effective Time. If, after the Effective Time, any Certificate or Book Entry Share is presented to the Surviving Corporation, Parent or the Paying Agent for transfer, it shall be cancelled and exchanged for the cash amount in immediately available funds to which the holder thereof is entitled pursuant to this Article IV.

(d) Termination of Exchange Fund. Any portion of the Exchange Fund (including the proceeds of any investments thereof) that remains unclaimed by the stockholders of the Company 180 days after the Effective Time shall be delivered to the Surviving Corporation. Any holder of Shares (other than Excluded Shares) who has not theretofore complied with this Article IV shall thereafter look only to the Surviving Corporation for payment of the Per Share Merger Consideration (after giving effect to

any required Tax withholdings as provided in Section 4.2(g)) upon due surrender of its Certificates (or affidavits of loss in lieu thereof as provided in Section 4.2(e)) or Book Entry Shares, without any interest thereon. Notwithstanding the foregoing, none of the Surviving Corporation, Parent, the Paying Agent or any other Person shall be liable to any former holder of Shares for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat or similar Laws. For the purposes of this Agreement, the term "Person" shall mean any individual, corporation (including not-for-profit), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, Governmental Entity or other entity of any kind or nature.

(e) Lost, Stolen or Destroyed Certificates. In the event any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by Parent, the posting by such Person of a bond in customary amount and upon such terms as may be required by Parent as indemnity against any claim that may be made against it or the Surviving Corporation with respect to such Certificate, the Paying Agent will issue a check in the amount (after giving effect to any required Tax withholdings as provided in Section 4.2(g)) equal to (i) the number of Shares represented by such lost, stolen or destroyed Certificate multiplied by (ii) the Per Share Merger Consideration.

(f) Appraisal Rights. No Person who has perfected a demand for appraisal rights pursuant to Section 262 of the DGCL shall be entitled to receive the Per Share Merger Consideration with respect to the Shares owned by such Person unless and until such Person shall have effectively withdrawn or lost such Person's right to appraisal under the DGCL. Each Dissenting Stockholder shall be entitled to receive only the payment provided by Section 262 of the DGCL with respect to Shares owned by such Dissenting Stockholder. The Company shall give Parent (i) prompt notice of any demands for appraisal, threatened demands for appraisal, attempted withdrawals of such demands, and any other instruments that are received by the Company relating to stockholders' rights of appraisal (any of the foregoing, a "Demand") and (ii) the opportunity to participate in and control all negotiations and proceedings with respect to any Demand. The Company shall not, except with the prior written consent of Parent, voluntarily make any payment with respect to any Demand, offer to settle or settle any such Demand.

(g) Withholding Rights. Each of the Company, Parent, the Surviving Corporation and the Paying Agent shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of Shares, Company RSUs, Company PSUs and Company Awards (each as defined in Section 4.3) such amounts as it is required to deduct and withhold with respect to the making of such payment under the Internal Revenue Code of 1986, as amended (the "Code") or any other applicable state, local or foreign Tax Law. To the extent that amounts are so withheld by the Company, the Surviving Corporation, Parent or the Paying Agent, as the case may be, such withheld amounts (i) shall be remitted by the Company, Parent, the Surviving Corporation or the Paying Agent, as applicable, to the applicable Governmental Entity, and (ii) shall be treated for all purposes of this Agreement as having been paid to the

holder of Shares in respect of which such deduction and withholding was made by the Company, the Surviving Corporation, Parent or the Paying Agent, as the case may be.

4.3. Treatment of Stock Plans.

(a) Company Restricted Stock Units. At the Effective Time, each outstanding Company restricted stock unit that vests based solely on continued service to the Company and its Subsidiaries (a "Company RSU") under the Stock Plans (as defined in Section 5.1(b)), vested or unvested, shall be cancelled and converted into the right of the holder thereof to receive, as soon as reasonably practicable (but no later than three business days) after the Effective Time (or, to the extent such Company RSU is deferred compensation subject to Section 409A of the Code, at the earliest time permitted under the applicable Stock Plan or Benefit Plan that will not trigger a tax or penalty under Section 409A of the Code, with interest at the U.S. prime rate as shown at the end of the day on Bloomberg screen BTMM or PRIME INDEX HP, whichever is higher (the "Interest Rate") from the Closing Date through such payment date), an amount in cash equal to the product of (x) the total number of Shares subject to such Company RSU immediately prior to the Effective Time, multiplied by (y) the Per Share Merger Consideration; provided, however, that any Company RSUs granted after the date hereof will only payout on a prorated basis based on the number of days elapsed from the grant date (or, in the case of the annual 2015 grants, January 1, 2015) through the Closing Date relative to 1,095 days (and the remainder of such awards will be cancelled without payment).

(b) Company Performance Stock Units. At the Effective Time, each outstanding Company restricted stock unit that vests, in whole or in part, based on the achievement of performance objectives (a "Company PSU") under the Stock Plans, vested or unvested, shall be cancelled and converted into the right of the holder thereof to receive, as soon as reasonably practicable (but no later than three business days) after the Effective Time (or, to the extent such Company PSU is deferred compensation subject to Section 409A of the Code, at the earliest time permitted under the applicable Stock Plan or Benefit Plan that will not trigger a tax or penalty under Section 409A of the Code, with interest at the Interest Rate from the Closing Date through such payment date), an amount in cash equal to the product of (x) the total number of Shares subject to such Company PSU immediately prior to the Effective Time, determined (without proration) based on achievement of applicable performance objectives at the greater of (1) actual performance as reasonably determined by the compensation committee of the board of directors of the Company prior to the Effective Time based on performance through a day that is no more than five business days prior to the Effective Time and (2) the target level of 100%, multiplied by (y) the Per Share Merger Consideration; provided, however, that any Company PSUs granted after the date hereof will have performance determined based on the greater of (1) actual performance (determined as described above) and (2) the target level of 100%, and will only payout on a prorated basis based on the number of days elapsed from the grant date (or, in the case of the annual 2015 grants, January 1, 2015) through the Closing Date relative to 1,095 days (and the remainder of such awards will be cancelled without payment).

(c) Company Awards. At the Effective Time, each right of any kind, contingent or accrued, vested or unvested, to acquire or receive Shares or benefits measured by the value of Shares, and each award of any kind consisting of Shares that may be held, awarded, outstanding, payable or reserved for issuance under the Stock Plans and any other Benefit Plans, other than Company RSUs and Company PSUs (the "Company Awards"), shall be cancelled and shall only entitle the holder thereof to receive, as soon as reasonably practicable after the Effective Time (or, to the extent such Company Award is deferred compensation subject to Section 409A of the Code, at the earliest time permitted under the applicable Stock Plan or Benefit Plan that will not trigger a tax or penalty under Section 409A of the Code, with interest at the Interest Rate from the Closing Date through such payment date), an amount in cash equal to (x) the number of Shares subject to such Company Award immediately prior to the Effective Time determined (without proration) based on achievement of any applicable performance objectives at the greater of (1) actual performance as reasonably determined by the compensation committee of the board of directors of the Company prior to the Effective Time based on performance through a day that is no more than five business days prior to the Effective Time and (2) the target level of 100%, multiplied by (y) the Per Share Merger Consideration (or, if the Company Award provides for payments to the extent the value of the Shares exceeds a specified reference or exercise price, the amount, if any (or zero, if no such excess), by which the Per Share Merger Consideration exceeds such reference or exercise price).

(d) Corporate Actions. At or prior to the Effective Time, the Company, the board of directors of the Company and the compensation committee of the board of directors of the Company, as applicable, shall adopt any resolutions and take any actions which are necessary to effectuate the provisions of Sections 4.3(a) through 4.3(c).

4.4. Adjustments to Prevent Dilution. In the event that the Company changes the number of Shares or securities convertible or exchangeable into or exercisable for Shares issued and outstanding prior to the Effective Time as a result of a reclassification, stock split (including a reverse stock split), stock dividend or distribution, recapitalization, merger, issuer tender or exchange offer, or other similar transaction, the Per Share Merger Consideration shall be equitably adjusted.

## ARTICLE V

## Representations and Warranties

5.1. Representations and Warranties of the Company. Except as set forth in (x) the Company Reports filed with or furnished to the Securities and Exchange Commission (the "SEC") by the Company on or after January 1, 2012 and prior to the date hereof (excluding any disclosures of information, factors or risks contained or referenced therein under the captions "Risk Factors," "Forward-Looking Statements," or "Quantitative and Qualitative Disclosures About Market Risk," to the extent they are statements that are predictive, cautionary or forward-looking in nature, and provided that nothing in the Company Reports shall be deemed to modify or qualify the representations

and warranties set forth in Sections 5.1(a) (Organization, Good Standing and Qualification), 5.1(b) (Capital Structure), Section 5.1(c) (Corporate Authority; Approval and Fairness), 5.1(l) (Takeover Statutes) or 5.1(s) (Brokers and Finders), or (y) the corresponding sections or subsections of the disclosure letter delivered to Parent by the Company prior to entering into this Agreement (the "Company Disclosure Letter") (it being agreed that disclosure of any item in any section or subsection of the Company Disclosure Letter shall be deemed disclosure with respect to any other section or subsection to which the relevance of such item is reasonably apparent), the Company hereby represents and warrants to Parent and Merger Sub that:

(a) Organization, Good Standing and Qualification. Each of the Company and its Subsidiaries is a legal entity duly organized, validly existing and in good standing under the Laws of its respective jurisdiction of organization and has all requisite corporate or similar power and authority to own, lease and operate its properties and assets and to carry on its business as presently conducted and is qualified to do business and is in good standing as a foreign corporation or similar entity in each jurisdiction where the ownership, leasing or operation of its assets or properties or conduct of its business requires such qualification, except where the failure to be so organized, qualified or in good standing, or to have such power or authority, are not, individually or in the aggregate, reasonably likely to have a Company Material Adverse Effect. The Company has made available to Parent complete and correct copies of the Company's and its Significant Subsidiaries' certificates of incorporation and bylaws or comparable governing documents, each as amended to the date hereof, and each as so made available is in effect on the date hereof.

As used in this Agreement, the term (i) "Subsidiary" means, with respect to any Person, any other Person of which at least a majority of the securities or ownership interests having by their terms ordinary voting power to elect a majority of the board of directors or other persons performing similar functions is directly or indirectly owned or controlled by such Person and/or by one or more of its Subsidiaries; (ii) "Significant Subsidiary" has the meaning set forth in Rule 1.02(w) of Regulation S-X under the Securities Exchange Act of 1934, as amended (the "Exchange Act"); (iii) "Affiliate" means, with respect to any Person, any other Person, directly or indirectly, controlling, controlled by, or under common control with, such Person. For purposes of this definition, the term "control" (including the correlative terms "controlling," "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise; and (iv) "Company Material Adverse Effect" means any change, event, occurrence or effect that, individually or taken together with other changes, events, occurrences or effects, has a material adverse effect on the financial condition, business or results of operations of the Company and its Subsidiaries, taken as a whole; provided, however, that none of the following shall constitute or be taken into account in determining whether there is or, where applicable, has been a Company Material Adverse Effect:

(A) changes in general economic or political conditions or the securities, credit, commodities or financial markets in general in the United States or the geographic area within which PJM Interconnection, LLC ("PJM") operates as a regional transmission organization (the "PJM Region"), or the Mid-Atlantic Area Council within the PJM Region;

(B) (i) acts of war or terrorism or (ii) changes, events, circumstances or developments that are weather-related or result from any natural disasters, "acts of God" or other "force majeure" events;

(C) any adoption, implementation, promulgation, repeal, modification, reinterpretation or proposal of any rule, regulation, ordinance, order, protocol or any other Law of or by any national, regional, state or local Governmental Entity or of or by the North American Electric Reliability Corporation ("NERC") or PJM;

(D) changes, events or developments in the (x) electric generating, transmission or distribution industries or natural gas transmission or distribution industries (including any changes in the operations thereof), (y) engineering or construction industries, or (z) wholesale or retail markets for commodities, materials or supplies (including equipment supplies, steel, concrete, electric power, fuel, coal, natural gas, water or coal transportation) or the hedging markets therefor;

(E) changes or developments in wholesale or retail electric power prices;

(F) system-wide changes or developments in electric transmission or distribution systems (other than changes solely affecting the Company or any of its Subsidiaries);

(G) any changes in customer usage patterns or customer selection of third-party suppliers for electricity;

(H) any loss or overtly threatened loss, or adverse change or overtly threatened adverse change, in the relationship of the Company or any of its Subsidiaries with its customers, employees, regulators, financing sources, labor unions or suppliers caused by the pendency or the announcement of the transactions contemplated by this Agreement;

(I) changes or effects from the entry into, the announcement or pendency of, or the performance of obligations required by this Agreement or consented to or requested by Parent or Merger Sub, including any change resulting from a failure to file rate cases as planned or to receive orders from State Commissions approving rate increases as contemplated by the Company's financial plans, any change in the Company's credit ratings and any actions taken by the Company and its Subsidiaries that is expressly permitted or required

pursuant to this Agreement or is consented to or requested by Parent to obtain approval from any Governmental Entity for consummation of the Merger (including (i) any actions taken by Parent, the Company or any of their respective Subsidiaries to settle the Rate Cases as permitted by Section 6.5(f), (ii) any actions required to be taken by Parent, the Company or any of their respective Affiliates to obtain any Parent Approval or any Company Approval, (iii) any action by any Governmental Entity that requires Parent or the Company or any of their respective Subsidiaries or Affiliates to accept the commitments and agreements set forth in Exhibit B hereto (the "Regulatory Commitments"), (iv) the issuance, sale and delivery of the Nonvoting Preferred Stock to Parent pursuant to the Subscription Agreement and (v) any agreements consented to by Parent to obtain the Regulatory Approvals, including to implement the Regulatory Commitments);

(J) changes in GAAP or interpretation thereof after the date hereof;

(K) any failure by the Company to meet any internal or public projections or forecasts or estimates of revenues or earnings for any period ending on or after the date of this Agreement, provided that the exception in this clause shall not prevent or otherwise affect a determination that any change, event, occurrence, effect, circumstance or development underlying such failure has resulted in, or contributed to, a Company Material Adverse Effect;

(L) changes that arise out of or relate to the identity of Parent or any of its Affiliates as the acquirer of the Company;

(M) a decline in the price or trading volume of the Company common stock on the New York Stock Exchange (the "NYSE") on or after the date of this Agreement, provided that the exception in this clause shall not prevent or otherwise affect a determination that any change, event, occurrence, effect, circumstance or development underlying such decline has resulted in, or contributed to, a Company Material Adverse Effect; and

(N) changes that result from any shutdown or suspension of operations at the power plants from which the Company obtains electricity or facilities from which the Company obtains natural gas;

provided, further, however, that matters, changes, events, occurrences, effects or developments set forth in clauses (A), (B), (C), (D), (E), (F), and (G), above may be taken into account in determining whether there has been or is a Company Material Adverse Effect to the extent such matters, changes, events, occurrences, effects or developments have a materially disproportionate adverse effect on the Company and its Subsidiaries, taken as a whole, as compared to other entities (if any) engaged in the relevant business in the geographic area affected by such matters, changes, events, occurrences, effects or developments.

(b) Capital Structure. The authorized capital stock of the Company consists of 400,000,000 Shares, of which 251,025,051 Shares were outstanding as of the close of business on April 28, 2014 and 40,000,000 shares of preferred stock, par value $0.01 per share, none of which are outstanding as of the close of business on April 28, 2014, of which 9,000 shares of Nonvoting Preferred Stock are to be authorized, issued and outstanding pursuant to the Subscription Agreement on the Initial Closing Date (as such term is defined in the Subscription Agreement). All of the outstanding Shares have been duly authorized and are validly issued, fully paid and nonassessable. When issued pursuant to the Subscription Agreement, the shares of Nonvoting Preferred Stock issued to Parent will be validly issued, fully paid and nonassessable. As of April 28, 2014, other than 774,201 Shares reserved for issuance in respect of Company RSUs, 2,468,233 Shares reserved for issuance in respect of Company PSUs, and 5,725,564 Shares reserved for issuance under the Direct Stock Purchase and Dividend Reinvestment Plan, and 20,143,400 Shares reserved for issuance in respect of Company Awards under the Pepco Holdings, Inc. Long-Term Incentive Plan, the Pepco Holdings, Inc. 2012 Long-Term Incentive Plan, the Pepco Holdings, Inc. Non-Management Directors Compensation Plan, and the Pepco Holdings, Inc. Retirement Savings Plan (collectively, the "Stock Plans"), the Company has no Shares reserved for issuance. Each of the outstanding shares of capital stock or other equity securities of each of the Company's Subsidiaries is duly authorized, validly issued, fully paid and nonassessable and owned by the Company or by a direct or indirect wholly-owned Subsidiary of the Company, free and clear of any lien, charge, pledge, security interest, claim, or other encumbrance (each, a "Lien"). Except as set forth above, there are no preemptive or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, performance units, redemption rights, repurchase rights, agreements, arrangements, calls, commitments or rights of any kind that obligate the Company or any of its Subsidiaries to issue or sell any shares of capital stock or other equity securities of the Company or any of its Subsidiaries or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any equity securities of the Company or any of its Subsidiaries, and no securities or obligations evidencing such rights are authorized, issued or outstanding. Upon any issuance of any Shares in accordance with the terms of the Stock Plans, such Shares will be duly authorized, validly issued, fully paid and nonassessable and free and clear of any Liens. The Company does not have outstanding any bonds, debentures, notes or other obligations the holders of which have the right to vote (or convertible into or exercisable for securities having the right to vote) with the stockholders of the Company on any matter. For purposes of this Agreement, a wholly-owned Subsidiary of the Company shall include any Subsidiary of the Company of which all of the shares of capital stock of such Subsidiary are owned by the Company (or a wholly-owned Subsidiary of the Company).

(c) Corporate Authority; Approval and Fairness.

(i) The Company has all requisite corporate power and authority and has taken all corporate action necessary in order to execute and deliver this Agreement and, subject only to adoption of this Agreement by the holders of a majority of the outstanding Shares entitled to vote on such matter at a

stockholders' meeting duly called and held for such purpose (the "Company Requisite Vote"), to perform its obligations under this Agreement and to consummate the Merger. This Agreement has been duly executed and delivered by the Company and constitutes a valid and binding agreement of the Company enforceable against the Company in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws of general applicability relating to or affecting creditors' rights and to general equity principles (the "Bankruptcy and Equity Exception").

(ii) The board of directors of the Company has (A) unanimously determined that the Merger is in the best interests of the Company and its stockholders, approved and declared advisable this Agreement and the Merger and resolved to recommend adoption of this Agreement to the holders of Shares (the "Company Recommendation"), (B) directed that this Agreement be submitted to the holders of Shares for their adoption and (C) received the opinion of its financial advisors, Lazard Frères & Co. LLC and Morgan Stanley & Co. LLC, to the effect that the Per Share Merger Consideration to be received by the holders of Shares in the Merger is fair from a financial point of view, as of the date of such opinions, to such holders. It is agreed and understood that such opinions are for the benefit of the Company's board of directors and may not be relied on by Parent or Merger Sub. The board of directors of the Company has taken all action so that Parent will not be an "interested stockholder" or prohibited from entering into or consummating a "business combination" with the Company (in each case as such term is used in Section 203 of the DGCL) as a result of the execution of this Agreement or the consummation of the transactions in the manner contemplated hereby.

(d) Governmental Filings and Approvals; No Violations; Certain Contracts.

(i) Other than the filings, approvals and/or notices (A) pursuant to Section 1.3, (B) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), (C) under the Exchange Act, (D) under stock exchange rules, (E) with the Federal Energy Regulatory Commission (the "FERC") under the Federal Power Act (the "FERC Approval"), (F) with the Federal Communications Commission (the "FCC") (the "FCC Approval"), (G) with the Delaware Public Service Commission, the District of Columbia Public Service Commission, the Maryland Public Service Commission, the New Jersey Board of Public Utilities, the Virginia State Corporation Commission (collectively, the "State Commissions") under applicable state Laws (the "State Approvals") and (H) the filings, approvals and/or notices listed in Section 5.1(d)(i) of the Company Disclosure Letter (together with the other approvals referred to in clauses (B) through (G) of this Section 5.1(d)(i), the "Company Approvals"), no notices, reports or other filings are required to be made by the Company or any of its Subsidiaries with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by the Company

from, any domestic or foreign governmental or regulatory authority, agency, commission, body, court or other legislative, executive or judicial governmental entity (each, a "Governmental Entity"), NERC or PJM, in connection with the execution, delivery and performance of this Agreement by the Company and the consummation of the Merger, except those, the failure to make or obtain are not, individually or in the aggregate, reasonably likely to have a Company Material Adverse Effect or prevent, materially delay or materially impair the consummation of the Merger.

(ii) The execution, delivery and performance of this Agreement by the Company do not, and the consummation of the Merger will not, constitute or result in (A) a breach or violation of, or a default under, the certificate of incorporation or bylaws of the Company or the comparable governing documents of any of its Subsidiaries, (B) with or without notice, lapse of time or both, a breach or violation of, a termination (or right of termination) or a default under, the creation or acceleration of any obligations under, or the creation of a Lien on any of the assets of the Company or any of its Subsidiaries pursuant to, any agreement, lease, license, contract, note, mortgage, indenture, arrangement or other obligation (each, a "Contract") not otherwise terminable by the other party thereto on 90 days' or less notice without penalty, binding upon the Company or any of its Subsidiaries or (C) assuming compliance with the matters referred to in Section 5.1(d)(i), a violation of any Law to which the Company or any of its Subsidiaries is subject, except, in the case of clause (B) or (C) of this Section 5.1(d)(i), for any such breach, violation, termination, default, creation, acceleration or change that, individually or in the aggregate, is not reasonably likely to have a Company Material Adverse Effect or prevent, materially delay or materially impair the consummation of the Merger.

(e) Company Reports; Financial Statements.

(i) The Company has filed or furnished, as applicable, on a timely basis, all forms, statements, certifications, reports and documents required to be filed or furnished by it with the SEC pursuant to the Exchange Act or the Securities Act of 1933, as amended (the "Securities Act"), since December 31, 2011 (the "Applicable Date") (the forms, statements, certifications, reports and documents filed or furnished since the Applicable Date and those filed or furnished subsequent to the date hereof, including any amendments thereto, the "Company Reports"). Each of the Company Reports, at the time of its filing or being furnished complied or, if not yet filed or furnished, will comply in all material respects with the applicable requirements of the Securities Act and the Exchange Act and any rules and regulations promulgated thereunder applicable to the Company Reports. As of their respective dates (or, if amended prior to the date hereof, as of the date of such amendment), the Company Reports did not, and any Company Reports filed with or furnished to the SEC subsequent to the date hereof will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements

made therein, in light of the circumstances in which they were made, not misleading.

(ii) The Company is in compliance in all material respects with the applicable listing and corporate governance rules and regulations of the NYSE.

(iii) Each of the consolidated balance sheets included in or incorporated by reference into the Company Reports (including the related notes and schedules) fairly presents in all material respects, or, in the case of Company Reports filed after the date hereof, will fairly present in all material respects the consolidated financial position of the Company and its consolidated Subsidiaries as of its date and each of the consolidated statements of (loss) income, comprehensive (loss) income, cash flows and equity included in or incorporated by reference into the Company Reports (including any related notes and schedules) fairly presents in all material respects, or, in the case of Company Reports filed after the date hereof, will fairly present in all material respects, the financial position, results of operations and cash flows, as the case may be, of the Company and its consolidated Subsidiaries for the periods set forth therein (subject, in the case of unaudited statements, to notes and year-end adjustments), in each case in accordance with U.S. generally accepted accounting principles ("GAAP") applied consistently during the periods presented, except as may be noted therein.

(iv) The Company maintains internal control over financial reporting (as defined in Rule 13a-15 or 15d-15, as applicable, under the Exchange Act). Such internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP in all material respects. Except as has not had, and would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect, (A) the Company maintains disclosure controls and procedures required by Rule 13a-15 or 15d-15 under the Exchange Act that are effective to ensure that information required to be disclosed by the Company is recorded and reported on a timely basis to the individuals responsible for the preparation of the Company's filings with the SEC and other public disclosure documents and (B) the Company has disclosed, based on its most recent evaluation prior to the date of this Agreement, to the Company's outside auditors and the audit committee of the board of directors of the Company (1) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information and (2) any fraud, known to the Company, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.

(f) Absence of Certain Changes. Since December 31, 2013, the Company and its Subsidiaries have conducted their respective businesses only in, and have not engaged in any material transaction other than according to, the ordinary and usual course of such businesses and there has not been:

(i) any change, event, occurrence or effect in the financial condition, business or results of operations that, individually or in the aggregate, has had or is reasonably likely to have, a Company Material Adverse Effect;

(ii) any material damage, destruction or other casualty loss with respect to any material asset or property owned, leased or otherwise used by the Company or any of its Subsidiaries, whether or not covered by insurance that, individually or in the aggregate, has had or is reasonably likely to have, a Company Material Adverse Effect;

(iii) other than regular quarterly dividends on Shares, any declaration, setting aside or payment of any dividend or other distribution with respect to any shares of capital stock of the Company or any of its Subsidiaries (except for dividends or other distributions by any direct or indirect wholly-owned Subsidiary to the Company or to any other wholly-owned Subsidiary of the Company);

(iv) any material change in any method of accounting or accounting practice by the Company or any of its Subsidiaries; or

(v) any action taken that, if taken after the date of this Agreement without Parent's consent, would constitute a breach of the covenants set forth in clauses (v), (vii), (viii) or (xiv) of Section 6.1.

(g) Litigation and Liabilities.

(i) There are no civil, criminal or administrative actions, suits, claims, hearings, arbitrations, investigations or other proceedings pending or, to the Knowledge of the Company, threatened against the Company or any of its Subsidiaries that, individually or in the aggregate, has or are reasonably likely to have a Company Material Adverse Effect. Neither the Company nor any of its Subsidiaries is a party to or subject to the provisions of any judgment, order, settlement, writ, injunction, decree or award of any Governmental Entity specifically imposed upon the Company or any of its Subsidiaries which, individually or in the aggregate, has or is reasonably likely to have a Company Material Adverse Effect.

(ii) Neither the Company nor any of its Subsidiaries has any liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) required by GAAP to be set forth on a consolidated balance sheet of the Company and its Subsidiaries, other than liabilities and obligations (A) set forth in the Company's consolidated balance sheet (and the notes thereto) included in the Company Reports filed prior to the date of this Agreement, (B) incurred in the

ordinary course of business since December 31, 2013, (C) incurred in connection with the Merger or any other transaction or agreement contemplated by this Agreement, or (D) that are not, individually or in the aggregate, reasonably likely to have a Company Material Adverse Effect.

The term "Knowledge" when used in this Agreement with respect to the Company shall mean the actual knowledge of those persons set forth in Section 5.1(g) of the Company Disclosure Letter.

(h) Employee Benefits.

(i) All material benefit and compensation plans, contracts (including employment and consulting contracts), policies or arrangements covering current or former employees, directors or other individual service providers of the Company and its Subsidiaries that are maintained, sponsored or administered by the Company or its Subsidiaries, under which the Company or its Subsidiaries is subject to continuing financial obligations or with respect to which the Company or its Subsidiaries could reasonably be expected to incur any liability, including, but not limited to, "employee benefit plans" within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and deferred compensation, severance, pension, retirement, bonus, health and welfare, stock option, stock purchase, stock appreciation rights, stock based, and incentive plans (whether or not material, the "Benefit Plans") are listed on Section 5.1(h)(i) of the Company Disclosure Letter. True and complete copies of all Benefit Plans listed on Section 5.1(h)(i) of the Company Disclosure Letter and, as applicable, the most recent actuarial valuation and audit reports, and the IRS determination letter currently in effect have been made available to Parent.

(ii) All Benefit Plans, other than "multiemployer plans" within the meaning of Section 3(37) of ERISA (each, a "Multiemployer Plan") have been established, maintained, funded and administered and are in compliance with their terms, the terms of any applicable collective bargaining agreement, ERISA, the Code and other applicable Laws, except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. No Benefit Plan is a Multiemployer Plan. Each Benefit Plan (other than any Multiemployer Plan) which is subject to ERISA (an "ERISA Plan") that is an "employee pension benefit plan" within the meaning of Section 3(2) of ERISA intended to be qualified under Section 401(a) of the Code, has received a favorable determination or opinion letter from the Internal Revenue Service (the "IRS") or has applied to the IRS for such favorable determination or opinion letter under Section 401(b) of the Code. To the Knowledge of the Company, neither the Company nor any of its Subsidiaries nor any other Person has engaged in a transaction with respect to any ERISA Plan that, assuming the taxable period of such transaction expired as of the date hereof, would reasonably be expected to subject the Company or any Subsidiary to a tax or penalty imposed by either

Section 4975 of the Code or Section 502(i) of ERISA in an amount which would be material.

(iii) Neither the Company nor any of its Subsidiaries has or is reasonably expected to incur any liability under Subtitle C or D of Title IV of ERISA with respect to any ongoing, frozen or terminated "single-employer plan", within the meaning of Section 4001(a)(15) of ERISA, currently or formerly maintained by any of them, or the single-employer plan of any entity which is considered one employer with the Company under Section 4001 of ERISA or Section 414 of the Code (an "ERISA Affiliate"), except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. The Company and its Subsidiaries have not incurred and do not expect to incur any withdrawal liability with respect to a Multiemployer Plan under Subtitle E of Title IV of ERISA (regardless of whether based on contributions of an ERISA Affiliate) that has not been satisfied, except as would not reasonably be expected, individually or in the aggregate, to have a Company Material Adverse Effect.

(iv) There are no pending or, to the Knowledge of the Company threatened, claims, audits, investigations, proceedings or litigation relating to the Benefit Plans, other than routine claims for benefits, except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. Other than pursuant to an existing collective bargaining or similar agreement between the Company and any labor union, neither the Company nor any of its Subsidiaries has any obligations for retiree health and life benefits under any ERISA Plan.

(v) Neither the execution of this Agreement, the approval of the Merger by the stockholders of the Company nor the consummation of the Merger will (A) entitle any Designated Officer to severance pay or any material increase in severance pay upon any termination of employment after the date hereof (other than severance pay required by any Law) or (B) accelerate the time of payment or vesting or result in any material payment or funding (through a grantor trust or otherwise) of compensation or benefits under, increase the amount payable or result in any other material obligation pursuant to, any of the Benefit Plans.

(vi) No amount that could be received (whether in cash or property or the vesting of property), as a result of the consummation of the Merger, by any employee, director or other individual service provider of the Company or its Subsidiaries under any Benefit Plan or otherwise would not be deductible by reason of Section 280G of the Code or would be subject to an excise tax under Section 4999 of the Code, except as would not individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. Neither the Company nor any of its Subsidiaries has any indemnity obligation on or after the Effective Time for any Taxes imposed under Section 4999 or 409A of the Code.

The term "Designated Officer" when used in this Agreement shall mean an "officer" of the Company for purposes of Rule 16a-1(f) under the Exchange Act. Section 5.1(h) of the Company Disclosure Letter contains a correct and complete list of the Designated Officers as of the date of this Agreement.

(i) Compliance with Laws; Licenses. The businesses of each of the Company and its Subsidiaries have not been since the Applicable Date, and are not being, conducted in violation of any federal, state, local or foreign law, statute or ordinance, common law, or any rule, regulation, standard, judgment, order, writ, injunction, decree, arbitration award, agency requirement, license or permit of any Governmental Entity (collectively, "Laws"), except for violations that, individually or in the aggregate, are not reasonably likely to have a Company Material Adverse Effect. Except with respect to regulatory matters covered by Section 6.5, no investigation or review by any Governmental Entity, NERC or PJM with respect to the Company or any of its Subsidiaries is pending or, to the Knowledge of the Company, threatened, nor has any Governmental Entity indicated an intention to conduct the same, except for such investigations or reviews, the outcome of which is not, individually or in the aggregate, reasonably likely to have a Company Material Adverse Effect. The Company and its Subsidiaries each has obtained and is in compliance with all permits, certifications, approvals, registrations, consents, authorizations, franchises, variances, exemptions and orders issued or granted by a Governmental Entity, NERC or PJM ("Licenses") necessary to conduct its business as presently conducted, except those the absence of which would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(j) Company Material Contracts. Except as has not had (since December 31, 2013) or would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, (i) neither the Company nor any Subsidiary of the Company is in breach of or default under the terms of any Contract that would be required to be filed by the Company as a "material contract" (as such term is defined in item 601(b)(10) of Regulation S-K of the Securities Act, except for any such Contract that is a Benefit Plan or would be a Benefit Plan but for the word "material" in the definition thereof) (each such Contract a "Company Material Contract"), (ii) as of the date hereof, to the Knowledge of the Company, no other party to any Company Material Contract is in breach of or default under the terms of any Company Material Contract and (iii) each Company Material Contract is a valid and binding obligation of the Company or its Subsidiary that is a party thereto and, to the Knowledge of the Company, is in full force and effect unless terminated in accordance with its terms.

(k) Real Property. Except as would not be reasonably expected to have, individually or in the aggregate, a Company Material Adverse Effect, the Company and its Subsidiaries have either good title, in fee or valid leasehold, easement or other rights, to the land, buildings, wires, pipes, structures and other improvements thereon and fixtures thereto, necessary to permit the Company and its Subsidiaries to conduct their business as currently conducted free and clear of any Liens.

(l) Takeover Statutes. No "fair price," "moratorium," "control share acquisition" or any anti-takeover statute or regulation (each, a "Takeover Statute") or any anti-takeover provision in the Company's certificate of incorporation or bylaws is applicable to the Company, the Shares or the Merger.

(m) Environmental Matters. Except for such matters that, individually or in the aggregate, have not had a Company Material Adverse Effect: (A) the Company and its Subsidiaries are and since the Applicable Date have been in compliance with applicable Environmental Laws; (B) the Company and its Subsidiaries possess all permits, licenses, registrations, identification numbers, authorizations and approvals required under applicable Environmental Laws for the operation of the business as presently conducted; (C) neither the Company nor any Subsidiary has received any written claim, notice of violation or citation concerning any violation or alleged violation of, or liability under, any applicable Environmental Law during the past two years which has not been fully resolved without future obligation; and (D) there are no writs, injunctions, decrees, orders or judgments outstanding, or any judicial actions, suits or proceedings pending or, to the Knowledge of the Company, threatened, concerning compliance by the Company or any Subsidiary with, or liability under, any Environmental Law; and (E) neither the Company nor any Subsidiary has any obligation or liability for the disposal, handling or release of, contamination by, or exposure of any Person to, any Hazardous Substance in violation of any Environmental Laws in the case of (A) or (B) that has given rise to liabilities under any Environmental Laws.

Notwithstanding any other representation or warranty in Article V of this Agreement, the representations and warranties contained in this Section 5.1(m) constitute the sole representations and warranties of the Company relating to any Environmental Law.

As used herein, the term "Environmental Law" means any applicable Law, regulation, code, license, permit, order, judgment, decree or injunction from any Governmental Entity concerning (A) pollution or the protection of the environment (including air, water, soil and natural resources), (B) the use, storage, handling, release or disposal of, or exposure to, Hazardous Substances or (C) public or worker health and safety as it relates to Hazardous Substance exposure, in each case in effect on or prior to Closing.

As used herein, the term "Hazardous Substance" means any substance presently listed, defined, designated or classified as hazardous, toxic, a pollutant, or radioactive under any applicable Environmental Law, including petroleum and any derivative or by-products thereof.

(n) Taxes. Except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect:

(i) The Company and each of its Subsidiaries (A) have prepared in good faith and duly and timely filed (taking into account any extension of time

within which to file) all Tax Returns required to be filed by any of them, and all such filed Tax Returns are true, complete and accurate; (B) have paid all Taxes that are shown as due on such filed Tax Returns or that the Company or any of its Subsidiaries are obligated to withhold from amounts owing to any employee, creditor or third party, (C) have adequate accruals and reserves, in accordance with GAAP, on the Company Reports for all Taxes payable by the Company and each of its Subsidiaries for all taxable periods and portions thereof through the date of such Company Reports; (D) have not, since the date of the Company Reports, incurred any liability for Taxes outside the ordinary course of business or otherwise inconsistent with past custom and practice (unless adequate accruals and reserves, in accordance with GAAP, have been established on the Company Reports in advance of, and with respect, to the incurrence of such liability); and (E) have not waived any statute of limitations with respect to any material amount of Taxes or agreed to any extension of time with respect to any material amount of Tax assessment or deficiency.

(ii) As of the date hereof, there are not pending or, to the Knowledge of the Company, threatened in writing, any audits (or other similar proceedings initiated by a Governmental Entity) in respect of Taxes or Tax matters to which the Company is a party.

(iii) Neither the Company nor any of its Subsidiaries is obligated by any written contract, agreement or other agreement to indemnify any other person (other than the Company and its Subsidiaries) with respect to Taxes. Neither the Company, nor any of its Subsidiaries is a party to or bound by any written Tax allocation, indemnification or sharing agreement (other than an agreement with the Company or its Subsidiaries). To the knowledge of the Company, neither the Company nor any of its Subsidiaries is liable under Treasury Regulation Section 1.1502-6 (or any similar provision of the Tax Laws of any state, local or foreign jurisdiction) or as a transferee or successor for any Tax of any person other than the Company and its Subsidiaries.

(iv) Notwithstanding any other representation or warranty in Article V of this Agreement, the representations and warranties contained in this Section 5.1(n) constitute the sole representations and warranties of the Company relating to any Tax, Tax Return or Tax matter.

As used in this Agreement, (A) the term "Tax" (including, with correlative meaning, the term "Taxes") includes all federal, state, local and foreign income, profits, franchise, gross receipts, environmental, customs duty, capital stock, severances, stamp, payroll, sales, employment, unemployment, disability, use, property, withholding, excise, production, value added, occupancy and other taxes, duties or assessments of any nature whatsoever, together with all interest, penalties and additions imposed with respect to such amounts and any interest in respect of such penalties and additions, and (B) the term "Tax Return" includes all returns and reports (including elections, declarations,

disclosures, schedules, estimates and information returns) required to be supplied to a Tax authority relating to Taxes.

(o) Labor Matters. As of the date of this Agreement: (i) neither the Company nor any of its Subsidiaries is a party to or otherwise bound by any collective bargaining agreement or other Contract with a labor union or labor organization (a "CBA"), nor is the Company or any of its Subsidiaries the subject of any material proceeding asserting that the Company or any of its Subsidiaries has committed an unfair labor practice or seeking to compel it to bargain with any labor union or labor organization and (ii) there is no pending or, to the Knowledge of the Company, threatened, labor strike, dispute, walk-out, work stoppage or lockout involving the Company or any of its Subsidiaries, except in either case of clause (i) or (ii) as would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect.

(p) Intellectual Property. (i) To the Knowledge of the Company, (A) the Company and its Subsidiaries have sufficient rights to use all material Intellectual Property used in its business as presently conducted, and (B) no person is violating any material Intellectual Property owned by the Company except as would not be reasonably likely to have, individually or in the aggregate, a Company Material Adverse Effect.

(ii) For purposes of this Agreement, the following term has the following meaning:

"Intellectual Property" means any intellectual property, including trademarks, service marks, Internet domain names, logos, trade dress, trade names, and all goodwill associated therewith and symbolized thereby, inventions, discoveries, patents, processes, technologies, confidential information, trade secrets, know-how, copyrights and copyrightable works, software, databases and related items.

(q) Insurance. All material fire and casualty, general liability, director and officer, business interruption, product liability, and sprinkler and water damage insurance policies maintained by the Company or any of its Subsidiaries ("Insurance Policies") are in full force and effect and all premiums due with respect to all Insurance Policies have been paid as of the date of this Agreement, with such exceptions that, individually or in the aggregate, are not reasonably likely to have a Company Material Adverse Effect.

(r) Regulatory Matters.

(i) The Company is not subject to regulation as an "electric utility" or a "gas utility", a "public utility" or "utility" under applicable state Law. Each of Atlantic City Electric Company, Delmarva Power & Light Company and Potomac Electric Power Company is a "public utility" under and as defined in the Federal Power Act and as such each is subject to regulation thereunder. Atlantic City Electric Company is also regulated as a "public utility" under New Jersey state

Law; Delmarva Power & Light Company is also regulated as a "public utility" under Delaware state Law and Virginia state Law and as an "electric company" under Maryland state Law; and Potomac Electric Power Company is also regulated as a "public utility" under the Laws of the District of Columbia, and as an "electric company" under Maryland state Law, and as a "public utility" under Virginia state Law. Pepco Energy Services is licensed as a retail electricity supplier in the jurisdictions set forth on Section 5.1(r) of the Company Disclosure Letter and is subject to the regulations generally applicable to retail electricity suppliers operating in those jurisdictions. Except for regulation of the Company and its Subsidiaries as set forth in this Section, neither the Company nor any of its Subsidiaries is subject to regulation as a public utility or public service company (or similar designation) by the FERC, any state in the United States or in any foreign nation.

(ii) Except for the Rate Cases, neither the Company nor any of its Subsidiaries (A) has rates which have been or are being collected subject to refund, pending final resolution of any proceedings pending before a Governmental Entity or on appeal to the courts, or (B) is a party (solely with respect to the business of the Company and its Subsidiaries) to any proceeding before a Governmental Entity or on appeal from orders of a Governmental Entity, in each case which individually or in the aggregate, has had or is reasonably likely to have a Company Material Adverse Effect.

(s) Brokers and Finders. Neither the Company nor any of its officers, directors or employees has employed any broker or finder or incurred any liability for any brokerage fees, commissions or finders' fees in connection with the Merger other than Lazard Frères & Co. LLC and Morgan Stanley & Co. LLC.

5.2. Representations and Warranties of Parent and Merger Sub. Except as set forth in any forms, statements, certifications, reports or documents filed with or furnished to the SEC by Parent prior to the date hereof, or the corresponding sections or subsections of the disclosure letter delivered to the Company by Parent prior to entering into this Agreement (the "Parent Disclosure Letter") (it being agreed that disclosure of any item in any section or subsection of the Parent Disclosure Letter shall be deemed disclosure with respect to any other section or subsection to which the relevance of such item is reasonably apparent), Parent and Merger Sub each hereby represent and warrant to the Company that:

(a) Organization, Good Standing and Qualification. Each of Parent and Merger Sub is a legal entity duly organized, validly existing and in good standing under the Laws of its respective jurisdiction of organization and has all requisite corporate or similar power and authority to own, lease and operate its properties and assets and to carry on its business as presently conducted and is qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the ownership, leasing or operation of its assets or properties or conduct of its business requires such qualification, except where the failure to be so organized, qualified or in such good

standing, or to have such power or authority, would not, individually or in the aggregate, reasonably be expected to prevent, materially delay or impair the ability of Parent and Merger Sub to consummate the Merger and the other transactions contemplated by this Agreement. Parent has made available to the Company a complete and correct copy of the certificate of incorporation and bylaws or comparable governing documents of Parent and Merger Sub, each as in effect on the date of this Agreement.

(b) Corporate Authority. No vote of holders of capital stock of Parent is necessary to approve this Agreement and the Merger and the other transactions contemplated hereby. Each of Parent and Merger Sub has all requisite corporate power and authority and has taken all corporate action necessary in order to execute, deliver and perform its obligations under this Agreement, subject only to the adoption of this Agreement by Parent as the sole stockholder of Merger Sub, which will occur immediately following the execution of this Agreement, and to consummate the Merger. This Agreement has been duly executed and delivered by each of Parent and Merger Sub and is a valid and binding agreement of Parent and Merger Sub, enforceable against each of Parent and Merger Sub in accordance with its terms, subject to the Bankruptcy and Equity Exception.

(c) Governmental Filings and Approvals; No Violations; Etc.

(i) Other than the filings, approvals and/or notices (A) pursuant to Section 1.3, (B) under the HSR Act, (C) under the Exchange Act, (D) under stock exchange rules, (E) with the FERC under the Federal Power Act (the "Parent FERC Approval") and (F) the State Approvals (collectively, the "Parent Approvals"), no notices, reports or other filings are required to be made by Parent or Merger Sub with, nor are any consents, registrations, approvals, permits or authorizations required to be obtained by Parent or Merger Sub from, any Governmental Entity in connection with the execution, delivery and performance of this Agreement by Parent and Merger Sub and the consummation by Parent and Merger Sub of the Merger and the other transactions contemplated hereby, except those, the failure to make or obtain are not, individually or in the aggregate, reasonably likely to have a material adverse effect on Parent and its subsidiaries, taken as a whole, or prevent, materially delay or materially impair the ability of Parent and Merger Sub to consummate the Merger and the other transactions contemplated by this Agreement.

(ii) The execution, delivery and performance of this Agreement by Parent and Merger Sub do not, and the consummation by Parent and Merger Sub of the Merger and the other transactions contemplated hereby will not, constitute or result in (A) a breach or violation of, or a default under, the certificate of incorporation, certificate of formation or bylaws or comparable governing documents of Parent or Merger Sub or the comparable governing instruments of any of its Subsidiaries; (B) with or without notice, lapse of time or both, a breach or violation of, a termination (or right of termination) or a default under, the creation or acceleration of any obligations or the creation of a Lien on any of the

assets of Parent or any of its Subsidiaries pursuant to, any Contracts binding upon Parent or any of its Subsidiaries or any Laws or governmental or non-governmental permit or license to which Parent or any of its Subsidiaries is subject; or (C) any change in the rights or obligations of any party under any of such Contracts, except, in the case of clause (B) or (C) above, for any breach, violation, termination, default, creation, acceleration or change that would not, individually or in the aggregate, reasonably be expected to prevent or materially delay the ability of Parent or Merger Sub to consummate the Merger and the other transactions contemplated by this Agreement.

(d) Litigation. There are no civil, criminal or administrative actions, suits, claims, hearings, investigations or proceedings pending or, to the Knowledge of Parent, threatened against Parent or Merger Sub by or before any Governmental Entity that seek to enjoin, or would reasonably be expected to have the effect of preventing, making illegal, or otherwise interfering with, any of the transactions contemplated by this Agreement, except as would not, individually or in the aggregate, reasonably be expected to prevent or materially delay the ability of Parent and Merger Sub to consummate the Merger and the other transactions contemplated by this Agreement.

The term "Knowledge" when used in this Agreement with respect to Parent shall mean the actual knowledge of the Chief Executive Officer, Chief Financial Officer and General Counsel.

(e) Available Funds. Parent and Merger Sub will have available to them on or before the Effective Time all funds necessary for the payment to the Paying Agent of the aggregate Per Share Merger Consideration and to satisfy all of their obligations under this Agreement, including amounts payable under Section 4.3. Parent currently has available to it all funds necessary for the payment to the Company of the aggregate consideration payable for the Nonvoting Preferred Stock to be issued, sold and delivered by the Company to Parent on the date hereof pursuant to the Subscription Agreement.

(f) Capitalization of Merger Sub. The authorized capital stock of Merger Sub consists solely of 1,000 shares of common stock, par value $0.01 per share, all of which are validly issued and outstanding. All of the issued and outstanding capital stock of Merger Sub is, and at the Effective Time will be, owned by Parent or a direct or indirect wholly-owned Subsidiary of Parent. Merger Sub has not conducted any business prior to the date hereof and has no, and prior to the Effective Time will have no, assets, liabilities or obligations of any nature other than those incident to its formation and pursuant to this Agreement and the Merger and the other transactions contemplated by this Agreement.

(g) Regulatory Matters. Each of Parent's Subsidiaries that engages in the sale of electricity at wholesale (other than any such Subsidiaries that own one or more facilities that constitute a "qualifying facility" as such term is defined under the Public Utility Regulatory Policies Act of 1978 and the rules and regulations of FERC that are

entitled to exemption from regulation under Section 205 of the Federal Power Act) is regulated as a "public utility" under the Federal Power Act and has market-based rate authorization to make such sales at market-based rates. Each of Parent's Subsidiaries that directly owns generating facilities and operates their power generation facilities is in compliance with all applicable standards of NERC, other than non-compliance that would not reasonably be expected to prevent, materially delay or impair Parent from consummating the Merger and the other transactions contemplated by the Agreement or have, individually or in the aggregate, a material impact on Parent. There are no pending, or to the Knowledge of Parent, threatened, judicial or administrative proceedings (i) that would reasonably be expected to interfere with Parent's timely receipt of the Regulatory Approvals or (ii) that would revoke a Parent's Subsidiary's market-based rate authorization.

(h) Foreign Ownership, Control or Influence. Each officer and manager of Parent is a U.S. citizen, and to the Knowledge of Parent, none of the holders owning 5% or more of Parent's equity interests is, or is controlled by, a foreign Person or entity.

(i) Brokers. No agent, broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Parent or Merger Sub for which the Company could have any liability.

(j) Non-Reliance on Company Estimates, Projections, Forecasts, Forward-Looking Statements and Business Plans. In connection with the due diligence investigation of the Company by Parent and Merger Sub, Parent and Merger Sub have received and may continue to receive from the Company certain estimates, projections, forecasts and other forward-looking information, as well as certain business plan and cost-related plan information, regarding the Company, its Subsidiaries and their respective businesses and operations. Parent and Merger Sub hereby acknowledge that there are uncertainties inherent in attempting to make such estimates, projections, forecasts and other forward-looking statements, with which Parent and Merger Sub are familiar, that Parent and Merger Sub are taking full responsibility for making their own evaluation of the adequacy and accuracy of all estimates, projections, forecasts and other forward-looking information, as well as such business plans and cost-related plans, so furnished to them (including the reasonableness of the assumptions underlying such estimates, projections, forecasts, forward-looking information, business plans or cost-related plans), and that Parent and Merger Sub will have no claim against the Company or any of its Subsidiaries, or any of their respective stockholders, directors, officers, employees, Affiliates, advisors, agents or representatives, or any other Person, with respect thereto. Accordingly, Parent and Merger Sub hereby acknowledge that neither the Company nor any of its Subsidiaries, nor any of their respective stockholders, directors, officers, employees, Affiliates, advisors, agents or representatives, nor any other Person, has made or is making any representation or warranty with respect to such estimates, projections, forecasts, forward-looking statements, business plans or cost-

related plans (including the reasonableness of the assumptions underlying such estimates, projections, forecasts, forward-looking statements, business plans or cost-related plans).

## ARTICLE VI

## Covenants

6.1. Interim Operations.

(a) The Company covenants and agrees as to itself and its Subsidiaries that, after the date hereof and prior to the Effective Time (unless Parent shall otherwise approve in writing (such approval not to be unreasonably withheld, delayed or conditioned)), and except as otherwise expressly permitted by this Agreement or as required by a Governmental Entity or applicable Laws, the business of it and its Subsidiaries shall be conducted in all material respects in the ordinary course and, to the extent consistent with the foregoing, the Company and its Subsidiaries shall use their respective commercially reasonable efforts to preserve their business organizations substantially intact, maintain satisfactory relationships with Governmental Entities, NERC, PJM, customers and suppliers having significant business dealings with them and keep available the services of their key employees; provided, however, that no action taken by the Company or its Subsidiaries with respect to matters specifically addressed by clauses (i)-(xx) of this Section 6.1(a) shall be deemed a breach of this sentence unless such action would constitute a breach of such other provision. In furtherance of the foregoing, from the date of this Agreement until the Effective Time, except (A) as otherwise expressly permitted by this Agreement, (B) as Parent may approve in writing (such approval not to be unreasonably withheld, delayed or conditioned), (C) as is required by applicable Law or any Governmental Entity or (D) as set forth in Section 6.1(a) of the Company Disclosure Letter, the Company will not and will not permit its Subsidiaries to:

(i) adopt any change in its certificate of incorporation or bylaws or other applicable governing instruments;

(ii) merge or consolidate the Company or any of its Subsidiaries with any other Person or restructure, reorganize or completely or partially liquidate the Company or any of its Subsidiaries, except for any such transactions among wholly-owned Subsidiaries of the Company;

(iii) acquire (including by merger, consolidation or acquisition of equity interests or assets or any other business combination) (A) any other Person or any organization or division of any other Person or (B) any assets outside of the ordinary course of business, other than acquisitions (1) pursuant to Contracts in effect as of the date of this Agreement (copies of which have been made available to Parent), (2) made in connection with any transaction solely between the Company and a wholly-owned Subsidiary of the Company or between

wholly-owned Subsidiaries of the Company or (3) that would be permissible under clause (ix) below;

(iv) issue, sell, pledge, dispose of, grant, transfer, encumber, or authorize the issuance, sale, pledge, disposition, grant, transfer, lease, license, guarantee or encumbrance of, any shares of capital stock or other equity interests of the Company or any of its Subsidiaries (other than (A) the issuance of Shares upon the vesting, exercise or settlement of Company RSUs, Company PSUs, and Company Awards (and dividend equivalents thereon, if applicable) or (B) the issuance of shares by a wholly-owned Subsidiary of the Company to the Company or another wholly-owned Subsidiary), or securities convertible or exchangeable into or exercisable for any shares of such capital stock or other equity interests, or any options, warrants or other rights of any kind to acquire any shares of such capital stock or such convertible or exchangeable securities;

(v) make any loans, advances or capital contributions to or investments in any Person (other than among the Company and any direct or indirect wholly-owned Subsidiary of the Company or among the Company's wholly-owned subsidiaries) in excess of $10,000,000 in the aggregate other than loans, advances, capital contributions or investments made in the ordinary course of business;

(vi) declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of its capital stock (except for (A) regular quarterly dividends paid to holders of Shares in an amount and on a schedule consistent with the Company's past practices and not in excess of $0.27 per Share per quarter, (B) a "stub period" dividend to stockholders of record as of immediately prior to the Effective Time equal to the product of (x) the number of days from the record date for payment of the last quarterly dividend paid by the Company prior to the Effective Time through and including immediately prior to the Effective Time and (y) a daily dividend rate determined by dividing the amount of the last quarterly dividend prior to the Effective Time by ninety-one (91), and (C) dividends paid by any direct or indirect wholly-owned Subsidiary to the Company or to any other direct or indirect wholly-owned Subsidiary) or enter into any agreement with respect to the voting of its capital stock;

(vii) except for transactions among the Company and its wholly-owned Subsidiaries or among the Company's wholly-owned Subsidiaries, reclassify, split, combine, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, any of its capital stock or securities convertible or exchangeable into or exercisable for any shares of its capital stock (other than the retention or acquisition of any Shares tendered by current or former employees or directors in order to pay Taxes in connection with the vesting, exercise or settlement of Company RSUs, Company PSUs, and Company Awards (and dividend equivalents thereon, if applicable));

(viii) incur, assume or otherwise become liable for any indebtedness for borrowed money or guarantee such indebtedness of another Person (other than of a wholly-owned Subsidiary of the Company), or issue or sell any debt securities or warrants or other rights to acquire any debt security of the Company or any of its Subsidiaries, other than (A) in the ordinary course of business (including to fund expenditures permissible under clauses (iii), (v) and (ix) of this Section 6.1(a)) or (B) other indebtedness in an aggregate principal amount not to exceed $50,000,000 outstanding at any time;

(ix) except for expenditures related to operational emergencies, equipment failures or outages make or authorize any capital expenditure in excess of $100,000,000 in the aggregate during any calendar year;

(x) make any material changes with respect to financial accounting policies or procedures, except as required by GAAP;

(xi) other than with respect to Rate Cases and the regulatory approval process, which are addressed in Section 6.5 and Transaction Litigation, which is addressed in Section 6.14, settle, release, waive or compromise any litigation claim, or other pending or threatened proceedings by or before a Governmental Entity if such settlement, release, waiver or compromise (A) with respect to the payment of monetary damages, involves the payment by the Company or any of its Subsidiaries of monetary damages that together with all other settlements, releases, waivers or compromises by the Company or any of its Subsidiaries exceed $50,000,000 individually or in the aggregate during any calendar year, net of any amount covered by insurance or third-party indemnification or (B) with respect to any non-monetary terms and conditions therein, imposes or requires actions that would or would be reasonably likely to have a material effect on the continuing operations of the Company or any of its Subsidiaries or Parent or any of its Subsidiaries after the Closing;

(xii) other than with respect to the Rate Cases, initiate, file or pursue any rate cases, or make any public announcement regarding an intent to file any rate cases;

(xiii) fail to make any regulatory filings required by Law, other than those regulatory filings that are otherwise addressed by this Agreement, except to the extent such failure would not have a material adverse effect on the continuing operations of the Company or any of its Subsidiaries or Parent or any of its Subsidiaries after the Closing;

(xiv) make, revoke or amend any material Tax election, enter into any closing agreement, settlement or compromise of any claim or assessment with respect to any material Tax liability (unless such closing agreement, settlement or compromise is not materially greater than the reserves established in accordance with GAAP in respect of the claim or assessment that is the subject of such

closing agreement, settlement or compromise), amend any material Tax Return, surrender a claim for a material refund of Taxes or consent to any extension or waiver of the statute of limitations period applicable to any material Tax claim or assessment;

(xv) transfer, sell, lease, license, mortgage, pledge, surrender, encumber, divest, cancel, abandon or allow to lapse or expire or otherwise dispose of any material amount of assets, product lines or businesses of the Company or its Subsidiaries, including capital stock of any of its Subsidiaries, other than sales and dispositions of inventory, supplies and other assets (A) in the ordinary course of business or (B) pursuant to Contracts in effect prior to the date of this Agreement (copies of which have been made available to Parent);

(xvi) except as required pursuant to Contracts or Benefit Plans in effect prior to the date of this Agreement (including the Company Change in Control Severance Plan), (A) grant any equity awards, or grant or provide any material severance or material termination payments or benefits to any executive employee of the Company or its Subsidiaries who have individual employment agreements with severance or termination provisions or who participate in the Change of Control Severance Plan ("Executive Employees"), (B) accelerate or materially increase the compensation or employee benefits of any Executive Employee, except for annual merit-based or promotion-based pay increases in the ordinary course of business, (C) establish, adopt, terminate or materially amend any Benefit Plan (other than routine changes to welfare plans or any changes to Benefit Plans that would not result in more than a de minimis increase to the Company's costs under such Benefit Plans), including any severance benefit plan or (D) accelerate or materially increase the compensation of other employees of the Company or its Subsidiaries, except for (1) merit-based or promotion-based pay increases in the ordinary course of business, (2) acceleration or increases required by any CBA, or (3) any acceleration or increase done after consultation with Parent;

(xvii) enter into any Company Material Contract that contains a change of control or similar provision that would require a payment to any Person counterparty thereto in connection with the consummation of the Merger that would not otherwise be due;

(xviii) grant or incur any new Lien material to the Company and its Subsidiaries, other than (A) pledges or deposits by the Company or any of its Subsidiaries in the ordinary course of business under workmen's compensation Laws, unemployment insurance Laws or similar Laws; (B) good faith deposits in connection with Contracts (other than for the payment of indebtedness) to which the Company or one of its Subsidiaries is a party, or (C) in connection with securing indebtedness permitted to be incurred under the terms of this Agreement by granting or incurring Liens on the assets of the utility Subsidiaries of the Company, in each case, in the ordinary course of business; or

(xix) agree, authorize or commit to do any of the foregoing.

(b) Nothing contained in this Agreement is intended to give Parent, directly or indirectly, the right to control or direct the Company's or its Subsidiaries' operations prior to the Effective Time, and nothing contained in this Agreement is intended to give the Company, directly or indirectly, the right to control or direct Parent's or its Subsidiaries' operations. Prior to the Effective Time, each of Parent and the Company shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over its and its Subsidiaries' respective operations.

6.2. Acquisition Proposals.

(a) No Solicitation or Negotiation. The Company agrees that except as expressly permitted by this Section 6.2, neither it nor any of its Subsidiaries, nor any of its or their respective directors, officers or employees, shall, and that it shall instruct and use its reasonable best efforts to cause its and its Subsidiaries' investment bankers, attorneys, accountants and other advisors and representatives not to (such investment bankers, attorneys, accountants and other advisors and representatives, collectively, "Representatives"), directly or indirectly:

(i) initiate, solicit or encourage any inquiries or the making of any proposal or offer that constitutes, or could reasonably be expected to lead to, any Acquisition Proposal;

(ii) engage in, continue or otherwise participate in any discussions or negotiations regarding, or provide any non-public information or data to any Person relating to, or that could reasonably be expected to lead to, any Acquisition Proposal;

(iii) facilitate knowingly any effort or attempt to make an Acquisition Proposal;

(iv) grant any waiver, amendment or release under any standstill agreement, or otherwise fail to enforce any standstill agreement (other than in each case, the right to waive or fail to enforce any prohibition on requests for amendments to any standstill agreement (or other similar "don't ask, don't waive" provisions) with any Person who, or any of whose Affiliates, did not submit an Acquisition Proposal between April 1, 2014 and the date of this Agreement); provided, however, that the Company shall not be prohibited from taking (or, in the case of enforcement, shall not be required to take) any such action if the board of directors of the Company shall have determined in good faith, after consultation with outside legal counsel, that failing to take such action (or in the case of enforcement, taking such action) would be reasonably likely to be inconsistent with the directors' fiduciary duties under applicable Law;

(v) execute or enter into any letter of intent, agreement in principle, term sheet, memorandum of understanding, merger agreement, acquisition

agreement or other similar agreement relating to an Acquisition Proposal (other than an Acceptable Confidentiality Agreement) (an "Alternative Acquisition Agreement"); or

(vi) resolve or agree to do any of the foregoing.

(b) Notwithstanding anything in the foregoing to the contrary, prior to the time, but not after, the Company Requisite Vote is obtained, the Company may (A) provide information in response to a request therefor by a Person who has made an unsolicited *bona fide* written Acquisition Proposal if prior to providing such information the Company receives from the Person so requesting such information an executed confidentiality agreement on terms that are not less restrictive to the other party than those contained in the Confidentiality Agreement, it being understood that such confidentiality agreement need not prohibit the making, or amendment, of an Acquisition Proposal (an "Acceptable Confidentiality Agreement"); and promptly discloses (and, if applicable, provides copies of) any such information to Parent to the extent not previously disclosed or provided; (B) engage or participate in any discussions or negotiations with any Person who has made such an unsolicited *bona fide* written Acquisition Proposal; or (C) after having complied with Section 6.2(d), make a Change of Recommendation or approve, recommend, or otherwise declare advisable or propose to approve, recommend or declare advisable (publicly or otherwise) with respect to such Acquisition Proposal; if and only to the extent that, (x) prior to taking any action described in clause (A), (B) or (C) above, the board of directors of the Company shall have determined in good faith, after consultation with its outside legal counsel, that failure to take such action would be reasonably likely to be inconsistent with the directors' fiduciary duties under applicable Law, (y) in each case referred to in clause (A) and (B), the board of directors of the Company shall have determined in good faith, after consultation with its financial advisors and outside legal counsel, that such Acquisition Proposal either constitutes a Superior Proposal or is reasonably likely to result in a Superior Proposal, and (z) in the case referred to in clause (C) above, the board of directors of the Company determines in good faith (after consultation with its financial advisor and outside legal counsel) that such Acquisition Proposal is a Superior Proposal.

(c) Definitions. For purposes of this Agreement:

"Acquisition Proposal" means (i) any proposal or offer with respect to a merger, joint venture, partnership, consolidation, dissolution, liquidation, tender offer, recapitalization, reorganization, share exchange, business combination or similar transaction involving the Company and/or any of its Significant Subsidiaries or (ii) any direct or indirect acquisition by any Person or "group" (as defined in the Exchange Act) resulting in, or proposal or offer, which if consummated would result in, any Person or "group" (as defined in the Exchange Act) becoming the beneficial owner, directly or indirectly, in one or a series of related transactions, of 15% or more of the total voting power or of any class of equity securities of the Company, or assets representing 15% or more of the net revenues, net income or consolidated total assets (measured by fair

market value) of the Company and its Subsidiaries, taken as a whole (including equity securities of its Subsidiaries), in each case other than the Merger.

"Superior Proposal" means a *bona fide* Acquisition Proposal (for purposes of this definition, replacing all references in the definition of "Acquisition Proposal" to 15% with 75%), that the board of directors of the Company has determined in its good faith judgment is reasonably likely to be consummated in accordance with its terms, after consultation with its financial advisors and outside legal counsel, taking into account all legal, financial, and regulatory aspects of the Acquisition Proposal, and the Person making the Acquisition Proposal, and, if consummated would result in a transaction more favorable to the Company's stockholders from a financial point of view than the transaction contemplated by this Agreement (after taking into account any proposed revisions to the terms of the transactions contemplated by Section 6.2(d) of this Agreement).

(d) No Change in Recommendation or Alternative Acquisition Agreement. The board of directors of the Company and each committee of the board of directors shall not:

(i) (A) withhold, withdraw, qualify or modify (or publicly propose or resolve to withhold, withdraw, qualify or modify), in a manner adverse to Parent, the Company Recommendation (B) fail to include the Company Recommendation in the Proxy Statement, (C) approve, recommend or otherwise declare advisable or propose or resolve to approve, recommend or otherwise declare advisable (publicly or otherwise), any Acquisition Proposal, or (D) fail to publicly reaffirm the Company Recommendation within ten business days after Parent so requests in writing (provided, that Parent shall be entitled to make such a written request for reaffirmation only once for each Acquisition Proposal and once for each material amendment to such Acquisition Proposal) (any action described in clauses (A) and (D) a "Change of Recommendation"); or

(ii) Except as expressly permitted by, and after compliance with this Section 6.2(d), cause or permit the Company to enter into any Alternative Acquisition Agreement.

Notwithstanding anything to the contrary set forth in this Agreement, prior to the time, but not after, the Company Requisite Vote is obtained, the board of directors of the Company (x) may make a Change of Recommendation and in connection therewith, approve, recommend or otherwise declare advisable, and enter into an Alternative Acquisition Agreement in connection with a Superior Proposal made after the date of this Agreement (if such Superior Proposal did not result from a material breach of Section 6.2(a) and such Superior Proposal is not withdrawn) or (y) may make a Change of Recommendation as a result of the occurrence of an Intervening Event, if, the board of directors of the Company determines in good faith, after consultation with its outside legal counsel, that failure to do so would be reasonably likely to be inconsistent with the directors' fiduciary duties under applicable Law; provided, however, that the board of

directors of the Company shall not (i) in the case of clause (x) make a Change of Recommendation with respect to a Superior Proposal and authorize the Company to enter into any Alterative Acquisition Agreement or (ii) in the case of clause (y) make a Change of Recommendation unless:

(i) the Company has notified Parent in writing that it intends to effect a Change of Recommendation, describing in reasonable detail the reasons for such Change of Recommendation (a "Recommendation Change Notice") (it being agreed that the Recommendation Change Notice and any amendment or update to such notice and the determination to so deliver such notice, or update or amend public disclosures with respect thereto shall not constitute a Change of Recommendation for purposes of this Agreement), and if such proposed Change of Recommendation relates to an Acquisition Proposal, has provided copies of the most current version of all documents relating to such Acquisition Proposal, and if such proposed Change of Recommendation relates to an Intervening Event, such Recommendation Change Notice specifies the facts and circumstances of such Intervening Event; and

(ii) (x) if requested by Parent, the Company shall have made its Representatives available to discuss and negotiate in good faith with Parent and its Representatives any proposed modifications to the terms and conditions of this Agreement during the three business days following the date on which the Recommendation Change Notice is delivered to Parent and (y) if Parent shall have delivered to the Company a written, binding and irrevocable offer to alter the terms or conditions of this Agreement during such three business day period, the board of directors of the Company shall have determined in good faith after consultation with its financial advisors and outside legal counsel, after considering the terms of such offer by Parent, that the failure to effect a Change of Recommendation would be reasonably likely to be inconsistent with its fiduciary duties under applicable Law, and that in the case of a Change of Recommendation with respect to an Acquisition Proposal, such Acquisition Proposal would continue to constitute a Superior Proposal if the changes offered by Parent were given effect, and that in the case of an Intervening Event, the board of directors of the Company still intends to effect a Change of Recommendation if the changes offered by Parent were given effect; provided that in the event the Acquisition Proposal is thereafter modified by the party making such Acquisition Proposal, the Company shall notify Parent in writing of such modified Acquisition Proposal and shall again comply with the requirements of this clause (ii).

"Intervening Event" shall mean any change, event or occurrence that is (a) unknown to or by the board of directors of the Company as of the date of this Agreement (or if known, the magnitude or material consequences of which were not known or understood by the board of directors of the Company as of the date of this Agreement) and (b) becomes known to or by the board of directors of the Company prior to obtaining the Company Requisite Vote.

(e) Certain Permitted Disclosure. Nothing contained in this Section 6.2 shall be deemed to prohibit the Company or the board of directors of the Company from (i) complying with its disclosure obligations under U.S. federal or state Law with regard to an Acquisition Proposal, including taking and disclosing to its stockholders a position contemplated by Rule 14d-9 or Rule 14e-2(a) under the Exchange Act (or any similar communication to stockholders); or (ii) making any "stop, look and listen" communication to the stockholders of the Company pursuant to Rule 14d-9(f) under the Exchange Act.

(f) Existing Discussions. The Company agrees that it and its Subsidiaries will, and that it will instruct and use its reasonable best efforts to cause its and its Subsidiaries' Representatives to immediately cease and cause to be terminated any existing activities, discussions or negotiations with any parties conducted heretofore with respect to any Acquisition Proposal. The Company agrees that it will take the necessary steps to promptly inform the individuals or entities referred to in the first sentence hereof of the obligations undertaken in this Section 6.2.

(g) Notice. The Company agrees that it will promptly (and, in any event, within 24 hours) notify Parent if any proposals or offers with respect to an Acquisition Proposal are received by, any non-public information is requested from, or any discussions or negotiations are sought to be initiated or continued with, the Company or any of its Representatives indicating, in connection with such notice, the identity of the Person or group of Persons making the proposal, offer or request and the material terms and conditions of any proposals or offers (including, if applicable, copies of any written requests, proposals or offers, including proposed agreements) and thereafter shall keep Parent reasonably informed, on a prompt basis (and, in any event, within 24 hours), of the status and terms of any such proposals or offers (including any material amendments thereto or any change to the scope or material terms or conditions thereof, and including copies of additional written materials or material modifications thereof) and the status of any such discussions or negotiations, including any change in the Company's intentions as previously notified.

6.3. Proxy Statement.

(a) The Company shall, as promptly as practicable after the date of this Agreement (and in any event within 30 business days following the date of this Agreement), prepare and file a proxy statement in preliminary form relating to the Stockholders Meeting (such proxy statement, including any amendment or supplement thereto, the "Proxy Statement") with the SEC. The Company agrees that as of the date of mailing to stockholders of the Company and at the time of the Stockholders Meeting, (i) the Proxy Statement will comply in all material respects with the applicable provisions of the Exchange Act and the rules and regulations thereunder and (ii) none of the information supplied by it or any of its Subsidiaries for inclusion or incorporation by reference in the Proxy Statement will contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not

misleading. Parent and Merger Sub agree that none of the information supplied by either of them or any of their Affiliates for inclusion in the Proxy Statement will contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) The Company shall promptly notify Parent of the receipt of all comments from the SEC with respect to the Proxy Statement and of any request by the SEC for any amendment or supplement thereto or for additional information and shall promptly provide to Parent copies of all correspondence between the Company and/or any of its Representatives and the SEC with respect to the Proxy Statement. The Company and Parent shall each use its reasonable best efforts to promptly provide responses to the SEC with respect to all comments received on the Proxy Statement from the SEC. The Company shall cause the definitive Proxy Statement to be mailed promptly after the date the SEC staff advises that it has no further comments thereon or that the Company may commence mailing the Proxy Statement.

6.4. Stockholders Meeting. Subject to fiduciary obligations under applicable Law, the Company will take, in accordance with applicable Law and its certificate of incorporation and bylaws, all reasonable action necessary to convene a meeting of holders of Shares (the "Stockholders Meeting") as promptly as practicable (but in any event within 60 days) after the date on which the SEC staff advises that it has no further comments thereon or that the Company may commence mailing the Proxy Statement to consider and vote upon the adoption of this Agreement; provided, that the Company shall not postpone, recess or adjourn such meeting except (a) to the extent required by Law, (b) to allow reasonable additional time for the filing and/or mailing of any supplemental or amended disclosure that the board of directors of the Company has determined in good faith after consultation with outside legal counsel is necessary under applicable Law and for such supplemental or amended disclosure to be disseminated and reviewed by the Company's stockholders prior to the Stockholders Meeting, or (c) one adjournment for a period of up to 10 days only to solicit additional proxies so as to establish a quorum or to obtain the Company Requisite Vote, with the consent of Parent (such consent not to be unreasonably withheld, conditioned or delayed). Subject to Section 6.2, the board of directors of the Company and any committee thereof shall recommend such adoption and, unless and until there has been a Change of Recommendation, shall include the Company Recommendation in the Proxy Statement and take all reasonable lawful action to solicit such adoption of this Agreement. Notwithstanding any Change of Recommendation, unless this Agreement is terminated pursuant to Article VIII, this Agreement shall be submitted to the holders of Shares at the Stockholders Meeting for the purpose of adopting this Agreement.

6.5. Filings; Other Actions; Notification.

(a) Cooperation. Subject to the terms and conditions set forth in this Agreement, including Section 6.5(e) below, the Company and Parent shall cooperate with each other and use (and shall cause their respective Subsidiaries to use) their respective

reasonable best efforts to take or cause to be taken all actions, and do or cause to be done all things, reasonably necessary, proper or advisable on its part under this Agreement and applicable Laws to consummate and make effective the Merger as soon as practicable, including preparing and filing as promptly as practicable (and in any event shall make all filings with the State Commissions, the FERC, the FCC and pursuant to the HSR Act within 60 days of the date hereof) all documentation to effect all necessary notices, reports and other filings and to obtain as promptly as practicable all consents, registrations, approvals, permits and authorizations necessary or advisable to be obtained from any third party and/or any Governmental Entity in order to consummate the Merger. The Company and Parent will each request early termination of the waiting period with respect to the Merger under the HSR Act. Subject to applicable Laws relating to the exchange of information, Parent and the Company shall have the right to review in advance and, to the extent practicable, each will consult with the other on and consider in good faith the views of the other in connection with, all of the information relating to Parent or the Company, as the case may be, and any of their respective Subsidiaries, that appears in any filing made with, or written materials submitted to, any third party and/or any Governmental Entity in connection with the Merger (including the Proxy Statement). In exercising the foregoing rights, each of the Company and Parent shall act reasonably and as promptly as practicable. Nothing in this Agreement shall require the Company or its Subsidiaries to take or agree to take any action with respect to its business or operations unless the effectiveness of such agreement or action is conditioned upon Closing.

(b) Information. Subject to applicable Laws, the Company and Parent each shall, upon request by the other, furnish the other with all information concerning itself, its Subsidiaries, directors, officers and stockholders and such other matters as may be reasonably necessary or advisable in connection with the Proxy Statement or any other statement, filing, notice or application made by or on behalf of Parent, the Company or any of their respective Subsidiaries to any third party and/or any Governmental Entity in connection with the Merger and the transactions contemplated by this Agreement, including under the HSR Act and any other applicable antitrust Law; provided, however, that either party may designate information "for outside counsel only" and either party may redact information related to the value of the transaction. Subject to applicable Laws relating to the exchange of information and except as otherwise provided in this Agreement, Parent and the Company shall have the right to review in advance, and to the extent practicable each will consult with the other regarding, and consider in good faith the views of the other in connection with, all of the information relating to Parent or the Company, as the case may be, and any of their respective Affiliates and Representatives, that appears in any filing made with, or written materials submitted to, any Governmental Entity in connection with the Merger and the other transactions contemplated by this Agreement. In exercising the foregoing rights, each of the Company and Parent shall act reasonably and as promptly as practicable.

(c) Status. Subject to applicable Laws and the instructions of any Governmental Entity, the Company and Parent each shall keep the other apprised of the status of matters relating to completion of the transactions contemplated hereby,

including promptly furnishing the other with copies of notices or other communications received by Parent or the Company, as the case may be, or any of their respective Representatives, from any third party and/or any Governmental Entity with respect to the Merger; provided, however, that either party may designate information or notices or other communications as "for outside counsel only". Neither the Company nor Parent shall permit any of its officers or any other Representatives to participate in any meeting or substantive telephone discussion with any Governmental Entity in respect of any filings, investigation or other inquiry with respect to the Merger unless to the extent practicable (i) it consults with the other party in advance and (ii) and to the extent permitted by such Governmental Entity, gives the other party the opportunity to attend and participate in such meeting or substantive telephone discussion.

(d) Regulatory Matters. Subject to the terms and conditions set forth in this Agreement, without limiting the generality of the other undertakings pursuant to this Section 6.5, each of the Company (in the case of Sections 6.5(d)(i) and 6.5(d)(iii) set forth below) and Parent (in all cases set forth below) agree to take or cause to be taken the following actions:

(i) the prompt provision to each and every federal, state, local or foreign court or Governmental Entity (including the FERC, the FCC and the State Commissions) with jurisdiction over any Company Approvals or Parent Approvals of non-privileged information and documents requested by any such Governmental Entity that are necessary, proper or advisable to permit consummation of the Merger;

(ii) the prompt use of its reasonable best efforts to avoid the entry or enactment of any permanent, preliminary or temporary injunction or other order, decree, decision, determination, judgment or Law that would delay, restrain, prevent, enjoin or otherwise prohibit consummation of the Merger; and

(iii) the prompt use of its reasonable best efforts to take, in the event that any permanent, preliminary or temporary injunction, decision, order, judgment, determination, decree or Law is entered, issued or enacted, or becomes reasonably foreseeable to be entered, issued or enacted, in any proceeding, review or inquiry of any kind that would make consummation of the Merger in accordance with the terms of this Agreement unlawful or that would delay, restrain, prevent, enjoin or otherwise prohibit consummation of the Merger, any and all steps (including the appeal thereof, the posting of a bond or the taking of the steps contemplated by clause (ii) of this Section 6.5(d)) necessary to resist, vacate, modify, reverse, suspend, prevent, eliminate, avoid or remove such actual, anticipated or threatened injunction, decision, order, judgment, determination, decree or enactment so as to permit such consummation on a schedule as close as possible to that contemplated by this Agreement;

provided that nothing herein shall require (and reasonable best efforts shall in no event require) any party or its Subsidiaries to agree to or take any action that would otherwise

constitute a Burdensome Condition. A "Burdensome Condition" shall mean any terms, conditions, liabilities, obligations, commitments or sanctions imposed upon Parent, the Company or their respective Subsidiaries (A) in the Regulatory Approvals, or (B) in any Laws enacted for the purpose of imposing terms, conditions, liabilities, obligations, commitments or sanctions in connection with the Merger (any of the foregoing in clause (B) a "Merger Law"), that, individually or in the aggregate, would constitute or be reasonably likely to constitute a Regulatory Failure (as defined below), provided, however, that any such terms, conditions, liabilities, obligations, commitments or sanctions shall not be taken into account in determining whether there has been or is such a Regulatory Failure to the extent they implement the Regulatory Commitments. A "Regulatory Failure" shall mean terms, conditions, liabilities, obligations, commitments or sanctions (giving effect to the value of any negative effects net of their benefits) that in an aggregate amount constitute a material and adverse effect on the condition (financial or otherwise), assets, liabilities, businesses or results of operations of the Company and its Subsidiaries, taken as a whole, provided, that, for the purposes of determining the existence of a Regulatory Failure, (i) the Company and its Subsidiaries shall be deemed to have 50% of the assets, liabilities, businesses and results of operations of the Company and its Subsidiaries, taken as a whole, and (ii) any terms, conditions, liabilities, obligations, commitments or sanctions imposed upon Parent and its Subsidiaries shall be deemed to have been imposed on the Company and its Subsidiaries.

(e) Regulatory Commitments. The Company and Parent agree (i) that the applications submitted to FERC and the State Commissions with respect to the Merger shall include the information concerning the Merger, the Company and its Subsidiaries, and Parent required by applicable Laws of the District of Columbia, the States of Delaware, Maryland, and New Jersey, the Commonwealth of Virginia and such other jurisdictions as may be mutually determined by the Company and Parent, as the case may be, (ii) that such applications and any amendments or supplements thereto shall include the Regulatory Commitments to the extent applicable to such jurisdictions and such additional agreements or commitments as the Company and Parent agree are advisable to obtain prompt approval of such applications, and (iii) that neither the Company nor Parent shall agree to, or accept, any additional or different agreements, commitments or conditions in connection with the Merger pursuant to any settlement or otherwise with any State Commissions or any other Person, in the case of any agreement, commitment or condition to which the Company of any of its Subsidiaries is a party or otherwise affecting the Company or any of its Subsidiaries, without the prior written consent of Parent, and in the case of any agreement, commitment or condition to which Parent is a party and affecting the Company or any of its Subsidiaries, without the prior written consent of the Company if such agreement, commitment or condition is effective prior to the Effective Time. Parent further agrees that, subject to obtaining the consent of the Company as required by this Section 6.5(e), it will agree to, or accept, any additional or different agreements, commitments or conditions that do not, individually or in the aggregate, constitute a Burdensome Condition to obtain any governmental approvals necessary to promptly consummate the Merger, including any Parent Approval or the FERC Approval, the State Approvals and the FCC Approval.

(f) Rate Cases. Between the date of this Agreement and the Closing, the Company and its Subsidiaries shall be permitted to continue to diligently pursue the rate cases set forth on Section 6.5(f) of the Company Disclosure Letter (collectively, the "Rate Cases") consistent with past practice, and to the extent permitted by Law, notify Parent about any material developments, or material communications with the FERC or the applicable State Commission, relating thereto. Except as required by Exhibit B, prior to making any commitments or settlement offers in the Rate Cases, the Company shall (and shall cause its Subsidiaries to) consult with Parent and consider in good faith any suggestions made by Parent in connection therewith. The Company shall not (and shall cause its Subsidiaries not to) settle the Rate Cases without the prior written consent of Parent (such consent not to be unreasonably withheld, conditioned or delayed) to the extent that such settlement would result in an outcome for the Company and its Subsidiaries that would be materially adverse to the Company or any of its Subsidiaries, taking into account the requests made by the Company and its Subsidiaries in the proceeding, the resolution of similar recent proceedings by the Company and its Subsidiaries and the reasonable expectations of Parent as of the date hereof for such outcome.

6.6. Access and Reports.

(a) Subject to applicable Law, upon reasonable notice, the Company shall (and shall cause its Subsidiaries to) afford Parent's officers and other authorized Representatives (including financing sources) reasonable access, during normal business hours throughout the period prior to the Effective Time, to its employees, properties, books, contracts and records and, during such period, the Company shall (and shall cause its Subsidiaries to) furnish promptly to Parent all information concerning its business, properties and personnel as may reasonably be requested, provided that no investigation pursuant to this Section 6.6 shall affect or be deemed to modify any representation or warranty made by the Company herein, and provided, further, that the foregoing shall not require the Company (i) to permit any inspection, or to disclose any information, that in the reasonable judgment of the Company would result in the disclosure of any trade secrets of third parties or violate any obligations of the Company or any of its Subsidiaries with respect to confidentiality if the Company shall have used reasonable best efforts to obtain the consent of such third party to such inspection or disclosure or (ii) to disclose any privileged information of the Company or any of its Subsidiaries. All requests for information made pursuant to this Section 6.6 shall be directed to the executive officer or other Person designated by the Company. All such information shall be governed by the terms of the Confidentiality Agreement.

(b) Financing Cooperation. The Company shall, and shall cause its Subsidiaries to, use its and their reasonable best efforts to provide such cooperation as may be reasonably requested by Parent in connection with the financing of the Transactions, including using reasonable best efforts to (i) provide reasonable assistance with the preparation of any discussions of business, financial statements, pro forma financials, projections, management discussion and analysis, and other customary financial data of the Company and its Subsidiaries, all for use in connection therewith

and (ii) direct its independent accountants to provide customary and reasonable assistance to Parent including in connection with providing customary comfort letters. Parent shall reimburse the Company for all reasonable out-of-pocket costs or expenses incurred by the Company and its Subsidiaries in connection with cooperation provided for in this Section 6.6(b) to the extent the information requested of the Company was not otherwise prepared or available in the ordinary course of business. For the avoidance of doubt, Parent hereby expressly acknowledges that its obligations under this Agreement are not subject to the availability of any financing.

6.7. Stock Exchange De-listing. Prior to the Closing Date, the Company shall cooperate with Parent and use reasonable best efforts to take, or cause to be taken, all actions, and do or cause to be done all things, reasonably necessary, proper or advisable on its part under applicable Laws and rules and policies of the NYSE to enable the delisting by the Surviving Corporation of the Shares from the NYSE and the deregistration of the Shares under the Exchange Act as promptly as practicable after the Effective Time.

6.8. Publicity. The initial press release regarding the Merger shall be a joint press release and thereafter the Company and Parent each shall consult with each other prior to issuing any press releases or otherwise making public announcements with respect to the Merger and the other transactions contemplated by this Agreement and prior to making any filings with any third party and/or any Governmental Entity (including any national securities exchange or interdealer quotation service) with respect thereto, and no public release or announcement concerning the Merger or any other transactions contemplated by this Agreement shall be issued or made by any party without the prior consent of the other parties except as may be required by Law or by obligations pursuant to any listing agreement with or rules of any national securities exchange or interdealer quotation service or by the request of any Governmental Entity (in which case the party required to issue or make such press release or announcement shall give reasonable notice to the other party or parties, including the opportunity to review or comment on such press release or announcement to the extent practicable).

6.9. Employee Benefits.

(a) Parent agrees that, during the period commencing at the Effective Time and ending two years after the Effective Time ("Benefit Period"), Parent shall provide, or shall cause to be provided (1) to each employee of the Company and its Subsidiaries (other than any employee who is covered by a collective bargaining or similar agreement between the Company and any labor union) who is employed as of immediately prior to the Effective Time and continues employment with the Company or its Subsidiaries immediately after the Effective Time (each, a "Continuing Employee"), base salary, annual incentive opportunity and long-term incentive compensation opportunities, which are, in each case, no less than those provided by the Company and its Subsidiaries immediately prior to the Effective Time to each such Continuing Employee, (2) to the Continuing Employees, pension and welfare benefits and perquisites (to the extent described in the Company Disclosure Letter) that are no less favorable in

the aggregate than those provided by the Company and its Subsidiaries immediately prior to the Effective Time and (3) to the Continuing Employees, severance benefits that are no less favorable than the severance benefits provided by the Company and its Subsidiaries to such Continuing Employees immediately prior to the Effective Time.

(b) For purposes of vesting, benefit accrual (but not for benefit accrual purposes under any defined benefit pension plan), vacation and sick time credit and eligibility to participate under the employee benefit plans, programs and policies of Parent and its Subsidiaries providing benefits to any Continuing Employee after the Effective Time (including the Benefit Plans) (the "New Plans"), each Continuing Employee shall be credited with his or her years of service with the Company and its Subsidiaries and their respective predecessors before the Effective Time, to the same extent and for the same purpose as such Continuing Employee was entitled, before the Effective Time, to credit for such service under any similar Benefit Plan in which such Continuing Employee participated or was eligible to participate immediately prior to the Effective Time; provided that the foregoing shall not apply to the extent that its application would result in a duplication of benefits with respect to the same period of service. In addition, and without limiting the generality of the foregoing, Parent shall cause (i) each Continuing Employee to be immediately eligible to participate, without any waiting time, in any and all New Plans to the extent coverage under such New Plan is replacing comparable coverage under a Benefit Plan in which such Continuing Employee participated immediately before the Effective Time (such plans, collectively, the "Old Plans"), and (ii) for purposes of each New Plan providing medical, dental, pharmaceutical and/or vision benefits to any Continuing Employee, any evidence of insurability requirements, all pre-existing condition exclusions and actively-at-work requirements of such New Plan to be waived for such Continuing Employee and his or her covered dependents, to the extent such conditions were inapplicable or waived under the comparable Old Plan. Parent shall cause any eligible expenses incurred by any Continuing Employee and his or her covered dependents during the portion of the plan year of the Old Plan ending on the date such Continuing Employee's participation in the corresponding New Plan begins to be taken into account under such New Plan for purposes of satisfying all deductible, coinsurance and maximum out-of-pocket requirements applicable to such Continuing Employee and his or her covered dependents for the applicable plan year; provided that such amount was taken into account for the same purpose under the similar Benefit Plan for such period and would not result in the duplication of benefits.

(c) Parent hereby acknowledges that a "change in control" or other event with similar import, within the meaning of the Benefit Plans that contain such terms will occur upon the Effective Time. Parent shall, and shall cause the Surviving Corporation and any successor thereto to, honor, assume, fulfill and discharge the Company's and its Subsidiaries' obligations under the Company's Change in Control Severance Plan and the other Benefit Plans listed on Section 6.9(c) of the Company Disclosure Letter. Parent agrees that it will not (nor cause any other Person or entity to) request that the Company or any Continuing Employee waive or relinquish any

compensation or benefit entitlement or right (including any severance entitlement) existing as of the Effective Time.

(d) (i) If the Effective Time occurs during calendar year 2014, at the Effective Time the Company shall pay each participant in the Company's incentive plans (the "Incentive Plans") who remains employed through the Effective Time, an annual incentive amount in respect of the 2014 fiscal year, equal to the higher of (A) the target level (at 100% funding) and (B) the actual level of performance achieved as of the Effective Time (with such performance measure pro-rated, if applicable, for the portion of the performance cycle completed at the Effective Time), as determined by the compensation committee of the board of directors of the Company prior to the Effective Time in accordance with the terms of the applicable Incentive Plans and based on performance through the day that is no more than five business days prior to the Effective Time.

(ii) If the Effective Time has not occurred by December 31, 2014 (or December 31, 2015), the Company shall (A) determine the amounts earned under the Incentive Plans in respect of the 2014 fiscal year (or 2015 fiscal year), with performance based on either (x) the target level (at 100% funding) or (y) the actual level of performance for the 2014 fiscal year (or 2015 fiscal year), (B) pay such amounts in respect of the 2014 fiscal year (or 2015 fiscal year) no later than the Closing Date and (C) establish annual incentive award targets, maximums and performance award levels and performance measures for the 2015 fiscal year (or 2016 fiscal year) under the Incentive Plans.

(iii) If the Effective Time occurs during calendar year 2015, the Company shall pay such amounts in respect of the 2015 fiscal year on the Closing Date, with performance determined at the higher of (x) target level (at 100% funding) and (y) the actual level of performance for the 2015 fiscal year achieved as of the Effective Time (with such performance measure pro-rated, if applicable, for the portion of the performance cycle completed at the Effective Time), as determined by the compensation committee of the board of directors of the Company prior to the Effective Time based on performance through the day that is no more than five business days prior to the Effective Time.

(iv) If the Effective Time occurs during calendar year 2016, the Company shall pay such amounts in respect of the 2016 fiscal year on the Closing Date, pro-rated based on the number of calendar days elapsed in the 2016 fiscal year through the Closing Date, with performance determined at the higher of (x) target level (at 100% funding) and (y) the actual level of performance for the 2016 fiscal year achieved as of the Effective Time (with such performance measure pro-rated, if applicable, for the portion of the performance cycle completed at the Effective Time), as determined by the compensation committee of the board of directors of the Company prior to the Effective Time based on performance through the day that is no more than five business days prior to the Effective Time, and Parent shall, and shall cause the Surviving Corporation to, honor and

pay incentive award amounts for the remainder of the 2016 fiscal year (with an offset for the pro rata portion previously paid) in accordance with the targets, levels and measures established by the Company prior to the Closing Date and the terms of the applicable Incentive Plans.

(e) After the Effective Time, except as required by Section 304 of the Sarbanes-Oxley Act of 2002, the Company shall have no further rights to seek recovery from employees of amounts paid under the Stock Plans or the Incentive Plans for periods ending on or prior to the Effective Time.

(f) No later than the Effective Time, the Company shall take all actions reasonably necessary to cause each Continuing Employee to become 100% vested in such Continuing Employee's accounts under each Company 401(k) plan (excluding for the avoidance of doubt any 401(k) plans maintained pursuant to any collective bargaining or similar agreement between the Company and any labor union), effective as of the Closing Date.

(g) With respect to each individual who is employed by the Company or any of its Subsidiaries immediately before the Effective Time whose terms and conditions of employment are governed by a CBA between the Company and any labor union, Parent shall, or shall cause the Surviving Corporation to, continue to honor such CBA, through its expiration, modification or termination in accordance with its terms or applicable Law.

(h) The provisions of this Section 6.9 are solely for the benefit of the parties to this Agreement, and nothing in this Agreement, whether express or implied, is intended to, or shall, (i) constitute the establishment or adoption of or an amendment to any employee benefit plan for purposes of ERISA or otherwise be treated as an amendment or modification of any Benefit Plan, New Plan or other benefit plan, agreement or arrangement, other than Section 6.9(f), (ii) limit the right of Parent, the Company or their respective Subsidiaries to amend, terminate or otherwise modify any Benefit Plan, New Plan or other benefit plan, agreement or arrangement following the Effective Time, or (iii) create any third-party beneficiary or other right (including, but not limited to, a right to employment) in any Person, including any current or former employee of the Company or any Subsidiary of the Company, any participant in any Benefit Plan, New Plan or other benefit plan, agreement or arrangement (or any dependent or beneficiary thereof).

6.10. Expenses. The Surviving Corporation shall pay all charges and expenses, including those of the Paying Agent, in connection with the transactions contemplated in Article IV, and Parent shall reimburse the Surviving Corporation for such charges and expenses. Except as otherwise provided in Section 8.5, whether or not the Merger is consummated, all costs and expenses incurred in connection with this Agreement and the Merger and the other transactions contemplated by this Agreement shall be paid by the party incurring such expense.

6.11. Indemnification; Directors' and Officers' Insurance. (a) From and after the Effective Time, each of Parent and the Surviving Corporation agrees that it will indemnify and hold harmless, to the fullest extent permitted under applicable Law (and Parent shall also advance expenses as incurred to the fullest extent permitted under applicable Law, provided that the Person to whom expenses are advanced provides an undertaking to repay such advances if it is ultimately determined that such Person is not entitled to indemnification), each present and former director and officer of the Company and its Subsidiaries (collectively, the "Indemnified Parties") against any costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or related to such Indemnified Parties' service as a director or officer of the Company or its Subsidiaries or services performed by such persons at the request of the Company or its Subsidiaries at or prior to the Effective Time, whether asserted or claimed prior to, at or after the Effective Time, including the transactions contemplated by this Agreement.

(b) Prior to the Effective Time, the Company shall and, if the Company is unable to, Parent shall cause the Surviving Corporation as of the Effective Time to, obtain and fully pay the premium for the extension of (i) the directors' and officers' liability coverage of the Company's existing directors' and officers' insurance policies, and (ii) the Company's existing fiduciary liability insurance policies, in each case for a claims reporting or discovery period of six years from and after the Effective Time from an insurance carrier with the same or better credit rating as the Company's current insurance carrier with respect to directors' and officers' liability insurance and fiduciary liability insurance (collectively, "D&O Insurance") with terms, conditions, retentions and limits of liability that are at least as favorable as the Company's existing policies with respect to any actual or alleged error, misstatement, misleading statement, act, omission, neglect, breach of duty or any matter claimed against a director or officer of the Company or any of its Subsidiaries by reason of him or her serving in such capacity that existed or occurred at or prior to the Effective Time (including in connection with this Agreement or the transactions or actions contemplated hereby). If the Company and the Surviving Corporation for any reason fail to obtain such "tail" insurance policies as of the Effective Time, the Surviving Corporation shall, and Parent shall cause the Surviving Corporation to, continue to maintain in effect for a period of at least six years from and after the Effective Time the D&O Insurance in place as of the date hereof with terms, conditions, retentions and limits of liability that are at least as favorable as provided in the Company's existing policies as of the date hereof, or the Surviving Corporation shall, and Parent shall cause the Surviving Corporation to, use reasonable best efforts to purchase comparable D&O Insurance for such six-year period with terms, conditions, retentions and limits of liability that are at least as favorable as provided in the Company's existing policies as of the date hereof; provided, however, that in no event shall Parent or the Surviving Corporation be required to expend for such policies pursuant to this sentence an annual premium amount in excess of 300% of the annual premiums currently paid by the Company for such insurance; and provided, further, that if the annual premiums of such insurance coverage exceed such amount, the

Surviving Corporation shall obtain a policy with the greatest coverage available for a cost not exceeding such amount.

(c) If Parent or the Surviving Corporation or any of their respective successors or assigns shall (i) consolidate with or merge into any other corporation or entity and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfer all or substantially all of its properties and assets to any individual, corporation or other entity, then, and in each such case, proper provisions shall be made so that the successors and assigns of Parent or the Surviving Corporation shall assume all of the obligations set forth in this Section 6.11.

(d) The provisions of this Section 6.11 are intended to be for the benefit of, and shall be enforceable by, each of the Indemnified Parties.

(e) The rights of the Indemnified Parties under this Section 6.11 shall be in addition to any rights such Indemnified Parties may have under the certificate of incorporation, certificate of formation or bylaws of the Company or any of its Subsidiaries, or under any applicable Contracts or Laws. All rights to indemnification and exculpation from liabilities for acts or omissions occurring at or prior to the Effective Time and rights to advancement of expenses relating thereto now existing in favor of any Indemnified Party as provided in the certificate of incorporation, certificate of formation or bylaws of the Company or of any Subsidiary of the Company or any indemnification agreement between such Indemnified Party and the Company or any of its Subsidiaries, in each case as in effect on the date of this Agreement, shall survive the Merger and shall not be amended, repealed or otherwise modified in any manner that would adversely affect any right thereunder of any such Indemnified Party.

6.12. Takeover Statutes. If any Takeover Statute is or may become applicable to the Merger, the Company and its board of directors shall grant such approvals and take such actions as are necessary so that such transactions may be consummated as promptly as practicable on the terms contemplated by this Agreement and otherwise act to eliminate or minimize the effects of such statute or regulation on such transactions.

6.13. No Transfer or Encumbrance of Nonvoting Preferred Stock. Parent agrees that from the date hereof until the Closing, it shall not sell, pledge, dispose of, grant, transfer or encumber any of the shares of Nonvoting Preferred Stock, and shall not enter into any agreement to do any of the foregoing.

6.14. Transaction Litigation. In the event that any stockholder litigation related to this Agreement, the Merger or the other transactions contemplated by this Agreement is brought, or, to the Knowledge of the Company, threatened in writing, against the Company and/or the members of the board of directors of the Company after the date of this Agreement and prior to the Effective Time ("Transaction Litigation"), the Company shall promptly notify Parent of any such Transaction Litigation and shall keep Parent reasonably informed with respect to the status thereof.

The Company shall give Parent the opportunity to participate in the defense of any Transaction Litigation, and the Company shall not settle or agree to settle any Transaction Litigation, without Parent's prior written consent (which consent shall not be unreasonably withheld, delayed or conditioned).

6.15. Agreements Concerning Parent and Merger Sub.

(a) During the period from the date of this Agreement through the Effective Time, Merger Sub shall not engage in any activity of any nature except for activities related to or in furtherance of the Merger.

(b) Parent hereby guarantees the due, prompt and faithful payment, performance and discharge by Merger Sub of, and the compliance by Merger Sub with, all of the covenants, agreements, obligations and undertakings of Merger Sub under this Agreement in accordance with the terms of this Agreement, and covenants and agrees to take all actions necessary or advisable to ensure such payment, performance and discharge by Merger Sub hereunder. Parent shall, immediately following execution of this Agreement, approve this Agreement in its capacity as sole stockholder of Merger Sub in accordance with applicable Law and the articles of incorporation and bylaws of Merger Sub.

## ARTICLE VII

## Conditions

7.1. Conditions to Each Party's Obligation to Effect the Merger. The respective obligation of each party to effect the Merger is subject to the satisfaction or waiver at or prior to the Effective Time of each of the following conditions:

(a) Stockholder Approval. This Agreement shall have been duly adopted by holders of Shares constituting the Company Requisite Vote in accordance with applicable Law and the certificate of incorporation and bylaws of the Company.

(b) Regulatory Consents. The waiting period applicable to the consummation of the Merger under the HSR Act shall have expired or been earlier terminated; each of the FERC Approval, the Parent FERC Approval, the State Approvals and the FCC Approval shall have been obtained and be in effect, and any waiting period prescribed by Law with respect to such approvals before the Merger may be consummated shall have expired (the "Regulatory Approvals").

(c) Orders. No court or other Governmental Entity of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any Law (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins or otherwise prohibits or makes illegal the consummation of the Merger (collectively, an "Order").

7.2. Conditions to Obligations of Parent and Merger Sub. The obligations of Parent and Merger Sub to effect the Merger are also subject to the satisfaction or waiver by Parent at or prior to the Effective Time of the following conditions:

(a) Representations and Warranties. (i) The representation and warranty of the Company set forth in Section 5.1(f)(i) shall be true and correct in all respects as of the date of this Agreement and as of the Closing Date as though made on and as of such time; (ii) the representations and warranties of the Company set forth in the first through fourth sentences of Section 5.1(b) shall be true and correct in all respects as of the Closing Date as though made on and as of such date and time (except for such inaccuracies that are not material), (iii) the representations and warranties of the Company set forth in Section 5.1(c), and Section 5.1(l) shall be true and correct in all material respects as of the Closing Date as though made on and as of such date and time (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date); (iv) the representations and warranties of the Company set forth in this Agreement (other than those described in clauses (i), (ii) and (iii) above) shall be true and correct (without giving effect to any "materiality" or "Company Material Adverse Effect" qualifiers contained therein) as of the Closing Date as though made on and as of such date and time (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date), provided, however, that notwithstanding anything herein to the contrary, the condition set forth in this Section 7.2(a)(iii) shall be deemed to have been satisfied even if any such representations and warranties of the Company are not so true and correct unless the failure of such representations and warranties of the Company to be so true and correct, individually or in the aggregate, has had or is reasonably likely to have a Company Material Adverse Effect; and (v) Parent shall have received at the Closing a certificate signed on behalf of the Company by a senior executive officer of the Company to the effect that such officer has read this Section 7.2(a) and the conditions set forth in this Section 7.2(a) have been satisfied.

(b) Performance of Obligations of the Company. The Company shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date, and Parent shall have received a certificate signed on behalf of the Company by a senior executive officer of the Company to such effect.

(c) Regulatory Approvals. The regulatory consents referred to in Section 7.1(b), together with any Merger Laws, shall not, individually or in the aggregate, impose terms, conditions, liabilities, obligations, commitments or sanctions that constitute a Burdensome Condition.

7.3. Conditions to Obligation of the Company. The obligation of the Company to effect the Merger is also subject to the satisfaction or waiver by the Company at or prior to the Effective Time of the following conditions:

(a) Representations and Warranties. (i) The representations and warranties of Parent set forth in this Agreement shall be true and correct in all respects as of the Closing Date as though made on and as of such date and time (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date), provided, however, that notwithstanding anything herein to the contrary, the condition set forth in this Section 7.3(a)(i) shall be deemed to have been satisfied even if any such representations and warranties of Parent are not so true and correct unless the failure of such representations and warranties of Parent to be so true and correct, individually or in the aggregate, would prevent or materially delay the ability of Parent and Merger Sub to consummate the Merger and the other transactions contemplated by this Agreement and (ii) the Company shall have received at the Closing a certificate signed on behalf of Parent by a senior executive officer of Parent to the effect that such officer has read this Section 7.3(a) and the conditions set forth in this Section 7.3(a) have been satisfied.

(b) Performance of Obligations of Parent and Merger Sub. Each of Parent and Merger Sub shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date, and the Company shall have received a certificate signed on behalf of Parent and Merger Sub by a senior executive officer of Parent to such effect.

## ARTICLE VIII

## Termination

8.1. Termination by Mutual Consent. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, whether before or after the adoption of this Agreement by the stockholders of the Company referred to in Section 7.1(a), by mutual written consent of the Company and Parent by action of their respective boards of directors.

8.2. Termination by Either Parent or the Company. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time by action of the board of directors of either Parent or the Company if:

(a) the Merger shall not have been consummated by July 29, 2015 whether such date is before or after the date of adoption of this Agreement by the stockholders of the Company referred to in Section 7.1(a) (the "Termination Date"); provided, however, that if on July 29, 2015 (i) the condition set forth in Section 7.1(b) is not satisfied but all of the other conditions to Closing shall have been satisfied or waived (other than Section 7.2(c) or those conditions that by their nature are to be satisfied at the Closing) and the condition set forth in Section 7.1(b) remains capable of being satisfied and (ii) no final and non-appealable order or any Merger Law imposed by any Governmental Entity shall be in effect as of such date of determination that constitutes a Burdensome Condition, then the Termination Date may be extended until October 29, 2015 at the election of Parent or the Company by written notice to the other party (and

such date shall then be the "Termination Date"). Notwithstanding the foregoing, the Company shall not have the right to terminate this Agreement pursuant to this Section 8.2(a) if Parent has the right to terminate this Agreement pursuant to Section 8.4(a);

(b) the adoption of this Agreement by the stockholders of the Company referred to in Section 7.1(a) shall not have been obtained at the Stockholders Meeting or at any adjournment or postponement thereof; or

(c) any Order permanently restraining, enjoining or otherwise prohibiting or making illegal the consummation of the Merger shall have become final and non-appealable (whether before or after the adoption of this Agreement by the stockholders of the Company referred to in Section 7.1(a)); provided, however, that the right to terminate this Agreement pursuant to this Section 8.2(c) shall not be available to any party whose failure to comply with any provision of this Agreement has been the cause of, or materially contributed to, either the imposition of such Order or the failure of such Order to be resisted, resolved, lifted or vacated, as applicable.

8.3. Termination by the Company. This Agreement may be terminated and the Merger may be abandoned by the Company:

(a) at any time prior to the time the Company Requisite Vote is obtained, if (i) the board of directors of the Company authorizes the Company, subject to complying with the terms of this Agreement (including Section 6.2), to enter into an Alternative Acquisition Agreement with respect to a Superior Proposal and the Company notifies Parent in writing that it intends to enter into such an agreement, attaching the most current version of such agreement to such notice; (ii) concurrently with the termination of this Agreement the Company enters into an Alternative Acquisition Agreement with respect to such Superior Proposal; and (iii) the Company prior to or concurrently with such termination pays to Parent in immediately available funds any fees required to be paid pursuant to Section 8.5; or

(b) if there has been a breach of any representation, warranty, covenant or agreement made by Parent or Merger Sub in this Agreement, or any such representation and warranty shall have become untrue after the date of this Agreement, such that Section 7.3(a) or 7.3(b) would not be satisfied and such breach or condition is not curable or, if curable, is not cured prior to the earlier of (i) 30 days after written notice thereof is given by the Company to Parent or (ii) two business days prior to the Termination Date.

8.4. Termination by Parent. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time by Parent if:

(a) the board of directors of the Company or the Company (i) shall have effected a Change of Recommendation, (ii) shall have delivered a Recommendation Change Notice or (iii) shall have authorized the Company to enter into an Alternative Acquisition Agreement with respect to a Superior Proposal; or

(b) there has been a breach of any representation, warranty, covenant or agreement made by the Company in this Agreement, or any such representation and warranty shall have become untrue after the date of this Agreement, such that Section 7.2(a) or 7.2(b) would not be satisfied and such breach or condition is not curable or, if curable, is not cured prior to the earlier of (i) 30 days after written notice thereof is given by the Company to Parent or (ii) two business days prior to the Termination Date.

8.5. Effect of Termination and Abandonment.

(a) Except as provided in paragraphs (b), (c), (d) and (e) below, in the event of termination of this Agreement and the abandonment of the Merger pursuant to this Article VIII, this Agreement shall become void and of no effect with no liability to any Person on the part of any party hereto (or of any of its Representatives or Affiliates); provided, however, and notwithstanding anything in the foregoing to the contrary, that (i) except as otherwise provided herein, no such termination shall relieve any party hereto of any liability or damages to the other party hereto resulting from any willful or intentional material breach of this Agreement and (ii) the provisions set forth in this Section 8.5 and Section 9.1 shall survive the termination of this Agreement.

(b) In the event that:

(i) a bona fide Acquisition Proposal shall have been made or any Person shall have made or publicly announced or otherwise communicated to the Company, the board of directors of the Company or any Representatives of the Company an intention (whether or not conditional) to make an Acquisition Proposal with respect to the Company or any of its Subsidiaries (and such Acquisition Proposal or publicly announced intention shall not have been publicly withdrawn without qualification (A) no more than 75 days following the date such Acquisition Proposal has been made, with respect to any termination pursuant to Section 8.2(a), and (B) no fewer than five business days prior to, with respect to termination pursuant to Section 8.2(b), the date of the Stockholders Meeting) and thereafter this Agreement is terminated by either Parent or the Company pursuant to Section 8.2(a), 8.2(b) or 8.4(b);

(ii) this Agreement is terminated by Parent pursuant to Section 8.4(a); or

(iii) this Agreement is terminated by the Company pursuant to Section 8.3(a);

then the Company shall promptly pay Parent the Termination Fee, payable by wire transfer of immediately available funds, (A) in the case of clause (i), immediately prior to or substantially concurrent with the entry by the Company or any of its Subsidiaries into an Alternative Acquisition Agreement with respect to, or upon consummation or approval or recommendation to the Company's stockholders of, an Acquisition Proposal (substituting "50%" for "15%" in the definition thereof) (whether or not such Acquisition

Proposal is the same Acquisition Proposal referred to in clause (i)) within 12 months of such termination, (B) in the case of clause (ii), in no event later than five days after the date of such termination or (C) in the case of the clause (iii), immediately prior to or concurrently with, but as a condition to, the termination of this Agreement. As used herein, "Termination Fee" shall mean a cash amount equal to (x) $259,000,000 or (y) $293,000,000 plus Parent Expenses if (i) the Company terminates this Agreement pursuant to Section 8.3(a) to enter into an Alternative Acquisition Agreement from a Bidding Party, (ii) Parent terminates this Agreement pursuant to Section 8.4(a) and the action by the board of directors of the Company that gave rise to Parent's termination under Section 8.4(a) was the result of an Acquisition Proposal by a Bidding Party or (iii) the Termination Fee becomes payable in accordance with Section 8.5(b)(i) and a Bidding Party made the Acquisition Proposal referred to in Section 8.5(b)(i) or the Acquisition Proposal referred to in Section 8.5(b)(i)(A). "Bidding Party" means any Person or group of Persons, or any of their respective controlled Affiliates, who has made an Acquisition Proposal on or after April 1, 2014 and prior to the date hereof. Notwithstanding anything to the contrary in this Agreement, the parties hereby acknowledge that in the event that the Termination Fee (together with the Parent Expenses) is paid by the Company pursuant to this Section 8.5(b), the Termination Fee (together with the Parent Expenses) shall be Parent's and Merger Sub's sole and exclusive remedy for monetary damages under this Agreement.

(c) If (i) the Company or Parent terminates this Agreement pursuant to Section 8.2(a) or 8.2(c) or (ii) the Company terminates this Agreement pursuant to Section 8.3(b) because of a failure by Parent to comply with its obligations under Section 6.5(d) or Section 6.5(e), and, in each of (i) and (ii), at the time of such termination, any of the conditions set forth in Sections 7.1(b), 7.1(c) or 7.2(c) shall not have been satisfied, and in addition, in the case of a termination under 8.2(c), at the time of termination a Governmental Entity shall have enacted such Order with respect to the Regulatory Approvals, and in each of (i) and (ii), at the time of such termination, all other conditions to the Closing set forth in Sections 7.1 and 7.2 shall have been satisfied or waived (other than those conditions that by their terms are to be satisfied at the Closing but which conditions would be satisfied or would be capable of being satisfied if the Closing Date were the date of such termination, or those conditions that have not been satisfied as a result of a breach by Parent) (each of (i) and (ii), a "Regulatory Termination"), then (A) Parent shall pay Company a termination fee equal to the Nonvoting Preferred Stock Purchase Price (the "Parent Termination Fee") which Parent Termination Fee shall be paid by Parent by means of the Company redeeming, as of the time of such termination, all of the outstanding shares of Nonvoting Preferred Stock for no consideration, and all of the outstanding shares of Nonvoting Preferred Stock will no longer be outstanding as of the time of such redemption, and (B) Parent shall promptly, but in no event later than five days after being notified of such by the Company, pay all of the documented out-of-pocket expenses incurred by the Company in connection with this Agreement and the transactions contemplated by this Agreement, up to a maximum amount of $40,000,000, payable by wire transfer of immediately available funds. Notwithstanding anything to the contrary in this Agreement, the parties hereby acknowledge that in the event that the Parent Termination Fee (together with the expense reimbursement contemplated by the

immediately preceding sentence) is paid by Parent pursuant to this Section 8.5(c), the Parent Termination Fee (together with the expense reimbursement contemplated by the immediately preceding sentence) shall be the Company's sole and exclusive remedy for monetary damages under this Agreement, unless at the time of such termination Parent is in breach of its obligations under Section 6.5; provided, that the Company is not then in breach of Section 6.5.

(d) In the event this Agreement is terminated by the Company or Parent pursuant to this Article VIII other than pursuant to a Regulatory Termination, the Company will redeem, within five business days of such termination, all of the outstanding shares of Nonvoting Preferred Stock for an aggregate amount equal to the Nonvoting Preferred Stock Purchase Price, payable by the Company to Parent by wire transfer of immediately available funds, and all of the outstanding shares of Nonvoting Preferred Stock will no longer be outstanding as of the time of such redemption.

(e) In the event that this Agreement is terminated either (x) by Parent or the Company pursuant to Section 8.2(b) or (y) in the case of termination of this Agreement of the type contemplated by Section 8.5(b)(i) other than (i) pursuant to Section 8.2(a) and the Parent Termination Fee is payable or (ii) pursuant to Section 8.4(b) and (B) the Termination Fee is not then payable pursuant to Section 8.5(b), the Company shall promptly, but in no event later than five days after being notified of such by Parent, pay all of the documented out-of-pocket expenses incurred by Parent or Merger Sub in connection with this Agreement and the transactions contemplated by this Agreement up to a maximum amount of $40,000,000, payable by wire transfer of immediately available funds ("Parent Expenses"); provided, that the payment by the Company of Parent Expenses pursuant to this Section 8.5(e) shall be credited against any amount that may become payable pursuant to clause (x) of the definition of Termination Fee. The existence of circumstances which could require the Termination Fee to become subsequently payable by the Company pursuant to Section 8.5 shall not relieve the Company of its obligations to pay the Parent Expenses pursuant to this Section 8.5(e). The payment by the Company of Parent Expenses pursuant to this Section 8.5(e) shall not relieve the Company of any subsequent obligation to pay the Termination Fee pursuant to Section 8.5(b) (less a credit in the amount of Parent Expenses, if applicable).

(f) The parties acknowledge that the agreements contained in this Section 8.5 are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, the parties would not enter into this Agreement; accordingly, if the Company fails to promptly pay the amounts due pursuant to Section 8.5(b) or Section 8.5(d), or Parent fails to promptly pay the amount due pursuant to Section 8.5(c), and, in order to obtain such payment, Parent or Merger Sub, on the one hand, or the Company, on the other hand, commences a suit that results in a judgment against the Company for the amounts set forth in Section 8.5(b) or Section 8.5(d), or any portion thereof, or a judgment against Parent for the amount set forth in Section 8.5(c) or any portion thereof, the Company shall pay to Parent or Merger Sub, on the one hand, or Parent shall pay to the Company, on the other hand, its costs and expenses (including attorneys' fees) in connection with such suit, together with interest on the amount of such

amount or portion thereof at the Interest Rate in effect on the date such payment was required to be made through the date of payment.

## ARTICLE IX

## Miscellaneous and General

9.1. Survival. This Article IX and the agreements of the Company, Parent and Merger Sub contained in Article IV and Sections 6.9 (Employee Benefits), 6.10 (Expenses) and 6.11 (Indemnification; Directors' and Officers' Insurance) shall survive the consummation of the Merger. This Article IX and the agreements of the Company, Parent and Merger Sub contained in Section 6.10 (Expenses) and Section 8.5 (Effect of Termination and Abandonment) and the Confidentiality Agreement shall survive the termination of this Agreement. All other representations, warranties, covenants and agreements in this Agreement shall not survive the consummation of the Merger or the termination of this Agreement.

9.2. Modification or Amendment. Subject to the provisions of the applicable Laws, at any time prior to the Effective Time, the parties hereto may modify or amend this Agreement, by written agreement executed and delivered by duly authorized officers of the respective parties.

9.3. Waiver of Conditions. The conditions to each of the parties' obligations to consummate the Merger are for the sole benefit of such party and may be waived by such party in whole or in part to the extent permitted by applicable Laws. Any agreement on the part of a party to any such waiver shall be valid only if set forth in an instrument in writing signed by such party. The failure of any party to assert any of its rights hereunder or under applicable Law shall not constitute a waiver of such rights and, except as otherwise expressly provided herein, no single or partial exercise by any party of any of its rights hereunder precludes any other or further exercise of any such rights or any other rights hereunder or under applicable Law.

9.4. Counterparts. This Agreement may be executed in any number of counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement. This Agreement and any signed agreement or instrument entered into in connection with this Agreement, and any amendments or waivers hereto or thereto, to the extent signed and delivered by means of a facsimile machine or by email delivery of a ".pdf" format data file, shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person.

9.5. GOVERNING LAW AND VENUE; WAIVER OF JURY TRIAL; SPECIFIC PERFORMANCE.

(a) THIS AGREEMENT SHALL BE DEEMED TO BE MADE IN AND IN ALL RESPECTS SHALL BE INTERPRETED, CONSTRUED AND GOVERNED BY AND IN ACCORDANCE WITH THE LAW OF THE STATE OF DELAWARE WITHOUT REGARD TO THE CONFLICTS OF LAW PRINCIPLES THEREOF TO THE EXTENT THAT SUCH PRINCIPLES WOULD DIRECT A MATTER TO ANOTHER JURISDICTION. The parties hereby irrevocably submit to the exclusive personal jurisdiction of the Court of Chancery of the State of Delaware or to the extent such Court does not have jurisdiction, the United States District Court of the District of Delaware, solely in respect of the interpretation and enforcement of the provisions of this Agreement and of the documents referred to in this Agreement, and in respect of the transactions contemplated hereby, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or of any such document, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in such courts or that such courts are an inconvenient forum, or that the venue of such courts may not be appropriate or that this Agreement or any such document may not be enforced in or by such courts, and the parties hereto irrevocably agree that all claims relating to such action, suit or proceeding shall be heard and determined in such a Delaware State or Federal court. The parties hereby consent to and grant any such court jurisdiction over the person of such parties and, to the extent permitted by Law, over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action, suit or proceeding in the manner provided in Section 9.6 shall be valid, effective and sufficient service thereof.

(b) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, SUIT OR PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF ANY ACTION, SUIT OR PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (iv) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.5.

(c) The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to

enforce specifically the terms and provisions of this Agreement in the Court of Chancery of the State of Delaware, this being in addition to any other remedy to which such party is entitled at law or in equity.

9.6. Notices. Any notice, request, instruction or other document to be given hereunder by any party to the others shall be in writing and delivered personally or sent by registered or certified mail, postage prepaid, by facsimile, email or overnight courier:

If to Parent or Merger Sub:

10 S. Dearborn
Corporate Headquarters, 54th Floor
Chicago, IL 60603
Attention: General Counsel
Email: darryl.bradford@exeloncorp.com
Fax: (312) 394-2368

with a copy to:

Kirkland & Ellis LLP
655 Fifteenth Street, N.W.
Washington, D.C. 20005
Attention: George P. Stamas
Fax: (202) 879-5200
Email: george.stamas@kirkland.com

If to the Company:

701 Ninth Street, N.W.
Washington, DC 20068
Attention: Kevin C. Fitzgerald
Email: kcfitzgerald@pepcoholdings.com
Fax: (202) 331-6485

with a copy to:

Sullivan & Cromwell LLP
125 Broad Street
New York, NY 10004
Attention: Joseph B. Frumkin
Audra D. Cohen
Fax: (212) 558-3588
Email: frumkinj@sullcrom.com
cohena@sullcrom.com

or to such other persons or addresses as may be designated in writing by the party to receive such notice as provided above. Any notice, request, instruction or other document given as provided above shall be deemed given to the receiving party upon actual receipt, if delivered personally; three business days after deposit in the mail, if sent by registered or certified mail; upon confirmation of successful transmission, if sent by facsimile or email (provided that if given by facsimile or email such notice, request, instruction or other document shall be followed up within one business day by dispatch pursuant to one of the other methods described herein); or on the next business day after deposit with an overnight courier, if sent by an overnight courier.

9.7. Entire Agreement. This Agreement (including any exhibits hereto), the Company Disclosure Letter, the Parent Disclosure Letter, the Subscription Agreement, the Confidentiality Agreement, dated March 7, 2014, between Parent and the Company (provided that the Confidentiality Agreement shall not be deemed to prevent Parent from exercising its rights under this Agreement) (as may be amended from time to time, the "Confidentiality Agreement") and the other agreements entered into in connection with preserving the confidentiality of information, constitute the entire agreement, and supersede all other prior agreements, understandings, representations and warranties both written and oral, among the parties, with respect to the subject matter hereof. EACH PARTY HERETO AGREES THAT, EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT, NEITHER PARENT AND MERGER SUB NOR THE COMPANY MAKES OR RELIES ON ANY OTHER REPRESENTATIONS, WARRANTIES OR INDUCEMENTS, AND EACH HEREBY DISCLAIMS ANY OTHER REPRESENTATIONS, WARRANTIES OR INDUCEMENTS, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF ANY OTHER INFORMATION, MADE BY, OR MADE AVAILABLE BY, ITSELF OR ANY OF ITS REPRESENTATIVES, WITH RESPECT TO, OR IN CONNECTION WITH, THE NEGOTIATION, EXECUTION OR DELIVERY OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, NOTWITHSTANDING THE DELIVERY OR DISCLOSURE TO THE OTHER OR THE OTHER'S REPRESENTATIVES OF ANY DOCUMENTATION OR OTHER INFORMATION WITH RESPECT TO ANY ONE OR MORE OF THE FOREGOING.

9.8. No Third Party Beneficiaries. Except as provided in Section 6.11 (Indemnification; Directors' and Officers' Insurance) only, Parent and the Company hereby agree that their respective representations, warranties and covenants set forth herein are solely for the benefit of the other party hereto, in accordance with and subject to the terms of this Agreement, and this Agreement is not intended to, and does not, confer upon any Person other than the parties hereto any rights or remedies hereunder, including the right to rely upon the representations and warranties set forth herein. The parties hereto further agree that the rights of third party beneficiaries under Section 6.11 shall not arise unless and until the Effective Time occurs. The representations and warranties in this Agreement are the product of negotiations among the parties hereto and are for the sole benefit of the parties hereto. Any inaccuracies in such representations and warranties are subject to waiver by the parties hereto in accordance with Section 9.3

without notice or liability to any other Person. In some instances, the representations and warranties in this Agreement may represent an allocation among the parties hereto of risks associated with particular matters regardless of the knowledge of any of the parties hereto. Consequently, Persons other than the parties hereto may not rely upon the representations and warranties in this Agreement as characterizations of actual facts or circumstances as of the date of this Agreement or as of any other date.

9.9. Obligations of Parent and of the Company. Whenever this Agreement requires a Subsidiary of Parent to take any action, such requirement shall be deemed to include an undertaking on the part of Parent to cause such Subsidiary to take such action. Whenever this Agreement requires a Subsidiary of the Company to take any action, such requirement shall be deemed to include an undertaking on the part of the Company to cause such Subsidiary to take such action and, after the Effective Time, on the part of the Surviving Corporation to cause such Subsidiary to take such action.

9.10. Transfer Taxes. All transfer, documentary, sales, use, stamp, registration and other such Taxes and fees (including penalties and interest) incurred in connection with the Merger shall be paid by Parent and Merger Sub when due.

9.11. Definitions. Each of the terms set forth in Annex A is defined in the Section of this Agreement set forth opposite such term.

9.12. Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

9.13. Interpretation; Construction. (a) The table of contents and headings herein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof. Where a reference in this Agreement is made to a Section or Exhibit, such reference shall be to a Section of or Exhibit to this Agreement unless otherwise indicated. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

(b) The parties have participated jointly in negotiating and drafting this Agreement. In the event that an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties, and no

presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

(c) Each party here has or may have set forth information in its respective Disclosure Letter in a section thereof that corresponds to the section of this Agreement to which it relates. The fact that any item of information is disclosed in a Disclosure Letter to this Agreement shall not be construed to mean that such information is required to be disclosed by this Agreement.

9.14. Assignment. This Agreement shall not be assignable by operation of law or otherwise; provided, however, that, prior to the mailing of the Proxy Statement to the Company's stockholders, Parent may designate, by written notice to the Company, another wholly-owned direct or indirect Subsidiary to be a Constituent Corporation in lieu of Merger Sub, in which event all references herein to Merger Sub shall be deemed references to such other Subsidiary, except that all representations and warranties made herein with respect to Merger Sub as of the date of this Agreement shall be deemed representations and warranties made with respect to such other Subsidiary as of the date of such designation; provided that any such designation shall not impede or delay the consummation of the Merger or otherwise materially impede the rights of the stockholders of the Company under this Agreement. Any purported assignment in violation of this Agreement is void.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the parties hereto as of the date first written above.

**PEPCO HOLDINGS, INC.**

By: _____
Name: Joseph M. Rigby
Title: Chairman of the Board, President and Chief Executive Officer

**EXELON CORPORATION**

By: _____
Name: Christopher M. Crane
Title: President and Chief Executive Officer

**PURPLE ACQUISITION CORP.**

By: _____
Name: Darryl M. Bradford
Title: President

## ANNEX A

## DEFINED TERMS

| Terms | Section |
|---|---|
| Acceptable Confidentiality Agreement | 6.2(b) |
| Acquisition Proposal | 6.2(c) |
| Affiliate | 5.1(a) |
| Agreement | Preamble |
| Alternative Acquisition Agreement | 6.2(a)(v) |
| Applicable Date | 5.1(e)(i) |
| Bankruptcy and Equity Exception | 5.1(c)(i) |
| Benefit Period | 6.9(a) |
| Benefit Plans | 5.1(h)(i) |
| Bidding Party | 8.5(c) |
| Book Entry Share | 4.1(a) |
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| business day | 1.2 |
| Bylaws | 2.2 |
| CBA | 5.1(o) |
| Certificate | 4.1(a) |
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| Change of Recommendation | 6.2(d) |
| Charter | 2.1 |
| Closing | 1.2 |
| Closing Date | 1.2 |
| Code | 4.2(g) |
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| Company Approvals | 5.1(d)(i) |
| Company Awards | 4.3(c) |
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| Company PSU | 4.3(b) |
| Company Recommendation | 5.1(c)(ii) |
| Company Reports | 5.1(e)(i) |
| Company Requisite Vote | 5.1(c)(i) |
| Company RSU | 4.3(a) |
| Confidentiality Agreement | 9.7 |
| Constituent Corporations | Preamble |
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Demand ..... 4.2(f)
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ERISA Plan ..... 5.1(h)(ii)
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Incentive Plans ..... 6.9(d)
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Merger Law ..... 6.5(d)
Merger Sub ..... Preamble
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Parent Termination Fee ..... 8.5(c)
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**EXHIBIT A**

**Form of Certificate of Incorporation of the Surviving Corporation**

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# Delaware



The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "PURPLE ACQUISITION CORP.", FILED IN THIS OFFICE ON THE TWENTY-EIGHTH DAY OF APRIL, A.D. 2014, AT 3:54 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

Jeffrey W. Bullock, Secretary of State

5523877 8100

AUTHENTICATION: 1325827

140528064

DATE: 04-28-14

You may verify this certificate online at corp.delaware.gov/authver.shtml

State of Delaware
Secretary of State
Division of Corporations
Delivered 03:56 PM 04/28/2014
FILED 03:54 PM 04/28/2014
SRV 140528064 - 5523877 FILE

# CERTIFICATE OF INCORPORATION

# OF

# PURPLE ACQUISITION CORP.

The undersigned natural person of the age of eighteen years or more for the purpose of organizing a corporation for conducting the business and promoting the purposes hereafter stated, under the provisions and subject to the requirements of the laws of the State of Delaware (particularly Chapter 1, Title 8 of the Delaware Code and the acts amendatory thereof and supplemental thereto, and known, identified, and referred to as the "General Corporation Law of the State of Delaware"), hereby certifies that:

## ARTICLE FIRST:

The name of the corporation is Purple Acquisition Corp. (hereafter the "Corporation").

## ARTICLE SECOND:

The address of the Corporation's registered office in the State of Delaware is 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808, County of New Castle. The name of the registered agent at such address is the Corporation Service Company.

## ARTICLE THIRD:

The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

## ARTICLE FOURTH:

The total number of shares of stock which the Corporation has the authority to issue is One Thousand (1,000) shares of Common Stock, with a par value of $0.01 per share.

## ARTICLE FIFTH:

The name and address of the sole incorporator is as follows:

| NAME: | ADDRESS: |
|---|---|
| Donna M.McClurkin-Fletcher | % Kirkland & Ellis LLP<br>655 Fifteenth Street, NW<br>Washington, DC 20005 |

## ARTICLE SIXTH:

The Corporation is to have perpetual existence.

**ARTICLE SEVENTH:**

In furtherance and not in limitation of the powers conferred by statute, the board of directors of the Corporation is expressly authorized to make, alter or repeal the Bylaws of the Corporation.

**ARTICLE EIGHTH:**

Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws of the Corporation may provide. The books of the Corporation may be kept outside the State of Delaware at such place or places as may be designated from time to time by the board of directors or in the Bylaws of the Corporation. Election of directors need not be by written ballot unless the Bylaws of the Corporation so provide.

**ARTICLE NINTH:**

To the fullest extent permitted by the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended, a director of this Corporation shall not be liable to the Corporation or its stockholders for monetary damages for a breach of fiduciary duty as director. Any repeal or modification of this ARTICLE NINTH shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

**ARTICLE TENTH:**

The Corporation may, to the fullest extent permitted by Section 145 of the General Corporation Law of the State of Delaware, as the same may be amended and supplemented from time to time, indemnify any and all persons whom it shall have power to indemnify under said section from and against any and all of the expenses, liabilities or other matters referred to in or covered by said section, and the indemnification provided for herein shall not be deemed exclusive of any other rights to which a person indemnified may be entitled under any Bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

**ARTICLE ELEVENTH:**

The Corporation expressly elects not to be governed by Section 203 of the General Corporation Law of the State of Delaware.

**ARTICLE TWELFTH:**

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate of incorporation in the manner now or hereafter prescribed herein and by the laws of the State of Delaware, and all rights conferred upon stockholders herein are granted subject to this reservation.

I, the undersigned, being the sole incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, do make and file this certificate, hereby declaring and certifying that the facts herein stated are true, and accordingly, have hereunto set my hand this 28th day of April, 2014.

/s/ Donna M. McClurkin-Fletcher
Donna M. McClurkin-Fletcher, Sole Incorporator

**EXHIBIT B**

**Regulatory Commitments**

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**Regulatory Commitments**

The Company and Parent agree (a) that the applications submitted to the Governmental Entities with respect to the Merger shall include the information concerning the Merger, the Company and its Subsidiaries and Parent and its Subsidiaries required by applicable Law, (b) that such applications and any amendments or supplements thereto shall include such agreements or commitments as the Company and Parent agree are advisable to obtain prompt approval of such applications, (c) that such applications and any amendments or supplements thereto submitted to the Delaware Public Service Commission, the District of Columbia Public Service Commission, the Maryland Public Service Commission and the New Jersey Board of Public Utilities (collectively, the "State Commissions") shall include the commitments and agreements set forth below to the extent applicable to such jurisdictions and (d) that neither the Company nor Parent shall agree to, or accept, any additional or different agreements, commitments or conditions in connection with the Merger pursuant to any settlement or otherwise with any State Commission or any other Person without the prior written consent of the Company or Parent, as applicable, which consent shall not be unreasonably withheld, conditioned or delayed.

1. *Commitments Generally.* Parent affirms its support of each commitment set forth below that is made by the Company, Potomac Electric Power Company ("Pepco"), Delmarva Power & Light Company ("Delmarva Power") or Atlantic City Electric Company ("ACE"), as applicable, and Parent commits to cooperate with and support the Company in fulfilling and causing each of Pepco, Delmarva Power and ACE to fulfill each such commitment following the consummation of the Merger.

2. *The Merger*
    a. None of Pepco, Delmarva Power or ACE will seek to recover any acquisition premium or transaction costs in rates.
    b. None of Pepco, Delmarva Power or ACE will incur or assume any debt, including the provision of guarantees or collateral support, directly related to the Merger.

3. *Rates and Costs*
    a. Pepco, Delmarva Power and ACE will collectively provide tangible customer benefits with an aggregate value of $100 million, calculated to be at least $50 per distribution customer of Pepco, Delmarva Power and ACE.

4. *Reliability; Quality of Service*
    a. Each of Pepco, Delmarva Power and ACE commits to continue to implement its current plan to improve system reliability, and to improve upon each of their respective reliability targets. In the event that system reliability does not achieve increased performance levels, each utility will propose to suffer financial penalties as will be described in the applications for approval of the Merger to the State Commissions.
    b. Each of Parent and the Company commits to cause Pepco to continue to implement its District of Columbia undergrounding project as currently planned.

5. *Local Presence*
    a. As detailed in the applications for approval of the Merger to State Commissions following completion of the Merger:
        i. The Company will maintain the headquarters of the the Company system, with appropriate levels of senior management, at Edison Place in the District of Columbia.
        ii. Pepco will maintain its local operational headquarters in the District of Columbia at Edison Place.
        iii. Delmarva Power will maintain in place the New Castle Regional Office (NCRO).
        iv. ACE will maintain in place the Atlantic Regional Office at Mays Landing.
        v. Exelon Board, Committee or Subsidiary Board meetings or Leadership meetings will be periodically held in the District of Columbia.

6. *Labor and Employees*
    a. Each of Pepco, Delmarva Power and ACE will honor all existing collective bargaining agreements.
    b. Upon Approval of the transaction and for at least the first two years following consummation of the transaction, Parent shall not permit a net reduction, due to involuntary attrition as a result of the transaction integration process, in the employment levels at Pepco, Delmarva Power or ACE and shall provide current and former employees at Pepco, Delmarva Power and ACE compensation and benefits that are at least as favorable in the aggregate as the compensation and benefits provided to those employees immediately before the date of the Merger Agreement.
    c. The Company and Pepco, Delmarva Power, and ACE will continue their commitments to workforce diversity.

7. *Supplier Diversity*
    a. Each of Pepco, Delmarva Power and ACE will honor and maintain its commitment to existing supplier diversity programs.

8. *Low-Income Assistance*
    a. Each of Pepco, Delmarva Power and ACE will maintain and promote programs that provide assistance to low-income customers.

9. *Charitable Contributions and Community Initiatives*
    a. The Company and its subsidiaries will maintain aggregate charitable contributions and community support in the service territory of the Company system at Company's and its subsidiaries' 2013 levels, and continue such charitable contributions and community support at such levels for at least ten years following completion of the Merger, as will be described in more detail in the applications for approval of the Merger.

10. *Energy Efficiency*

a. The Company and its subsidiaries will maintain and promote existing energy efficiency and demand response programs.

*11. Jurisdiction over Parent and its Affiliates*

a. Parent submits to the jurisdiction of each State Commission for all matters related to the Merger and the enforcement of these commitments.
b. Parent submits to the jurisdiction of each applicable State Commission for matters relating to affiliate transactions between Pepco, Delmarva Power or ACE, as applicable on the one hand, and Parent and its other affiliates, on the other hand, and will cause each of its affiliates that supplies goods or services to Pepco, Delmarva Power or ACE to submit to the jurisdiction of each applicable State Commission for matters relating to the provision or cost of such goods or services to Pepco, Delmarva Power or ACE.

*12. Organization; Financial Integrity; Ring-Fencing*

a. Customers of Pepco, Delmarva Power and ACE will be protected from business and financial risk exposures associated with Parent's unregulated operations and activities through appropriate ring fencing provisions involving the placement of a bankruptcy-remote special purpose entity as the Parent subsidiary holding the equity interests in the Company, as will be described in more detail in the applications for approval of the Merger.
b. Parent and the Company will commit to implement the following ring-fencing arrangements for at least five years following completion of the Merger absent permission from the state commissions to act otherwise:
    i. Each of Pepco, Delmarva Power and ACE will maintain its separate existence and its separate franchises and privileges.
    ii. Each of Pepco, Delmarva Power and ACE will maintain separate books and records.
    iii. Each of Pepco, Delmarva Power and ACE will commit that all books and records of it pertaining to its operations in each of the jurisdictions in which it has regulated operations will be available for inspection and examination by each applicable State Commission with jurisdiction over such operations.
    iv. Each of Pepco, Delmarva Power and ACE will maintain separate debt so that none will be responsible for the debts of affiliated companies and preferred stock, if any, and will maintain its own corporate and debt credit rating as well as ratings for long-term debt and preferred stock.
    v. Maintenance of common equity ratio:
        - Pepco will maintain at least a common equity ratio consistent with the common equity ratios accepted in recent rate cases by the District of Columbia Public Service Commission and the Maryland Public Service Commission for Pepco.
        - Delmarva Power will maintain at least a common equity ratio consistent with the common equity ratios accepted in recent rate cases by the Delaware Public Service Commission and the Maryland Public Service Commission for Delmarva Power.

- ACE will maintain at least a common equity ratio consistent with the common equity ratios accepted in recent rate cases by the New Jersey Board of Public Utilities for ACE.

*13. Affiliate Transactions*

a. Parent commits to comply and to cause Pepco, Delmarva Power and ACE and other affiliates of Parent to comply with the statutes and regulations applicable to Pepco, Delmarva Power and ACE regarding affiliate transactions.

b. Parent commits that each applicable State Commission may examine accounting records of its affiliates that are the basis for charges to Pepco, Delmarva Power or ACE to determine the reasonableness of allocation factors used by Parent to assign costs to Pepco, Delmarva Power and ACE and amounts subject to allocation and direct charges.

**EXHIBIT C**

**Form of Certificate of Designation for Nonvoting Preferred Stock**

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CERTIFICATE OF DESIGNATION

OF

SERIES A NON-VOTING NON-CONVERTIBLE PREFERRED STOCK

OF

PEPCO HOLDINGS, INC.

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Pursuant to Section 151 of the
General Corporation Law of the State of Delaware

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**Pepco Holdings, Inc.**, a Delaware corporation (the "Company"), hereby certifies that:

1. The Restated Certificate of Incorporation of the Company (the "Certificate of Incorporation") fixes the total number of shares of all classes of capital stock that the Company shall have the authority to issue at four hundred million (400,000,000) shares of common stock, par value $0.01 per share, and forty million (40,000,000) shares of preferred stock, par value $0.01 per share.

2. The Certificate of Incorporation expressly grants to the Board of Directors of the Company (the "Board of Directors") authority to provide for the issuance of the shares of preferred stock in series, and to establish from time to time the number of shares to be included in each such series and to fix the designation, preferences, privileges, voting powers and other rights of the shares of each such series and the qualifications, limitations or restrictions thereon.

3. The following resolution was adopted by action duly taken by the Board of Directors on April 29, 2014:

RESOLVED, that, pursuant to Article IV, Section C, of the Restated Certificate of Incorporation of the Company, the Board hereby authorizes the issuance of the Preferred Stock and the designation, preferences, privileges, voting powers and other rights of the shares of such Preferred Stock and the qualifications, limitations or restrictions thereon are as set forth in the certificate of designations establishing the Preferred Stock (the "Certificate of Designations"):

**Section 1. Designation.**

The designation of the series of preferred stock shall be "Series A Non-Voting Non-Convertible Preferred Stock" (the "Series A Preferred Stock"). Each share of Series A Preferred Stock shall be identical in all respects to every other share of Series A Preferred Stock. Series A Preferred Stock will rank equally with Parity Stock, if any, will rank senior to Junior Stock and will rank junior to Senior Stock, if any, with respect to the distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company.

**Section 2. Number of Shares.**

The number of authorized shares of Series A Preferred Stock shall be 18,000. That number from time to time may be decreased (but not below the number of shares of Series A Preferred Stock then outstanding) by further resolution duly adopted by the Board of Directors, or any duly authorized committee thereof and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such reduction has been so authorized. The Company shall have the authority to issue fractional shares of Series A Preferred Stock. Shares of Series A Preferred Stock that are redeemed, purchased or otherwise acquired by the Company shall be canceled and shall revert to authorized but unissued shares of preferred stock undesignated as to series.

**Section 3. Definitions.** As used herein with respect to Series A Preferred Stock:

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Board of Directors" has the meaning set forth in the recitals above.

"Business Day" means any weekday that is not a legal holiday in New York, New York and is not a day on which banking institutions in New York, New York are authorized or required by law or regulation to be closed.

"Common Stock" means the common stock of the Company, par value $0.01 per share, or any other shares of the capital stock of the Company into which such shares of common stock shall be reclassified or changed.

"Dividend Payment Date" has the meaning set forth in Section 4(a).

"Dividend Period" has the meaning set forth in Section 4(a).

"Dividend Record Date" has the meaning set forth in Section 4(a).

"Holder" means the Person in whose name the shares of the Series A Preferred Stock are registered, which may be treated by the Company and, if applicable, any transfer agent, registrar

and paying agent as the absolute owner of the shares of Series A Preferred Stock for the purpose of making payment and for all other purposes.

"Junior Stock" means the Common Stock and any other class or series of stock of the Company now existing or hereafter authorized over which Series A Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Company.

"Liquidation Preference Amount" means $10,000.

"Merger Agreement" means the Agreement and Plan of Merger, dated as of April 29, 2014, by and among the Company, Exelon Corporation, a Pennsylvania corporation, and Purple Acquisition Corp., a Delaware corporation and wholly-owned subsidiary of Exelon Corporation.

"Other Merger Agreement Termination Event" means any termination of the Merger Agreement that is not a Regulatory Termination (as such term is defined in the Merger Agreement).

"Parity Stock" means any class or series of stock of the Company hereafter authorized that ranks equally with the Series A Preferred Stock in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of the Company.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint-stock company, limited liability company or trust.

"Redemption Event" has the meaning set forth in Section 4(a).

"Regulatory Failure Merger Agreement Termination Event" means the occurrence of a Regulatory Termination (as such term is defined in the Merger Agreement).

"Senior Stock" means any class or series of stock of the Company now existing or hereafter authorized which has preference or priority over the Series A Preferred Stock as to the payment of dividends or in the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the Company.

"Series A Preferred Stock" has the meaning set forth in Section 1.

**Section 4. Dividends.**

(a) **Rate.** Holders shall be entitled to receive, if, as and when declared by the Board of Directors, or any duly authorized committee thereof, but only out of assets legally available therefor, cumulative, non-participating cash dividends on the Liquidation Preference Amount per share of Series A Preferred Stock at the rate per annum specified below, and no more, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year; provided, however, if any such day is not a Business Day, then payment of any dividend otherwise payable on that date will be made on the next succeeding day that is a Business Day, unless that day falls in the next calendar year, in which case payment of such dividend will occur on the immediately preceding Business Day (in either case, without any interest or other payment in respect of such delay) (each such day on which dividends are payable a "Dividend Payment Date"). The period from and including the date of issuance of the Series A Preferred Stock or any Dividend Payment Date to, but excluding, the next Dividend Payment Date is a "Dividend Period." Dividends on each share of Series A Preferred Stock will accrue daily on the

Liquidation Preference Amount per share (as from the date on which a Holder acquires such share of Series A Preferred Stock until the occurrence of a Regulatory Failure Merger Agreement Termination Event, an Other Merger Agreement Termination Event, or any redemption pursuant to Section 6(a)(i) (each, a "Redemption Event") at a rate per annum equal to 0.1% (one-tenth of one percent). If, on any Dividend Payment Date, the Company fails to pay dividends in respect of the Series A Preferred Stock equal to all dividends on the Series A Preferred Stock accrued but unpaid as of such date, the accrued but unpaid dividends on the Series A Preferred Stock shall nonetheless accumulate and compound (at a rate per annum equal to 0.1% (one-tenth of one percent)) on such Dividend Payment Date and shall remain accumulated, compounding dividends at such 0.1% rate, until paid pursuant hereto. The record date for payment of dividends on the Series A Preferred Stock will be the fifteenth day of the calendar month in which the Dividend Payment Date falls or such other record date fixed by the Board of Directors, or any duly authorized committee thereof, that is not more than 30 nor less than 10 days prior to such Dividend Payment Date (each, a "Dividend Record Date"). Any such day that is a Dividend Record Date will be a Dividend Record Date whether or not such day is a Business Day. The amount of dividends payable will be computed on the basis of a 360 day year of twelve 30 day months. As from the date and time of a Redemption Event, any pending dividend payments in respect of the Series A Preferred Stock shall be canceled and no further dividends in respect of the Series A Preferred Stock shall be payable.

(b) **Priority of Dividends.** Such dividends payable in cash, stock or otherwise, as may be determined by the Board of Directors or a duly authorized committee thereof, may be declared and paid on any Senior Stock, Junior Stock and Parity Stock from time to time out of any assets legally available for such payment, and Holders will not be entitled to participate in those dividends. Neither the declaration nor the paying by the Company of, nor the failure by the Company to declare or pay, dividends to the Holders of the Series A Preferred Stock shall be a pre-condition to, prohibit or otherwise have any effect on, the declaration or payment of any dividend in respect of any Senior Stock, Junior Stock or Parity Stock or any other class or series of authorized stock of the Company.

**Section 5. Liquidation Rights.**

(a) **Liquidation.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, Holders shall be entitled, out of assets legally available therefor, before any distribution or payment out of the assets of the Company may be made to or set aside for the holders of any Junior Stock and subject to the rights of the holders of any class or series of securities ranking senior to or on parity with Series A Preferred Stock upon liquidation and the rights of the Company's depositors and other creditors, to receive in full a liquidating distribution in the amount of the Liquidation Preference Amount per share, plus any any unpaid accrued and accumulated dividends thereon from the last dividend payment date to, but excluding, the date of the liquidation, dissolution or winding up, if and to the extent declared. Holders shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company other than what is expressly provided for in this Section 5.

(b) **Partial Payment.** If the assets of the Company are not sufficient to pay in full the liquidation preference plus any dividends which have been declared but not yet paid to all

Holders and all holders of any Parity Stock, the amounts paid to the Holders and to the holders of all Parity Stock shall be *pro rata* in accordance with the respective aggregate liquidating distributions to which they would otherwise be entitled.

(c) **Residual Distributions.** If the respective aggregate liquidating distributions to which all Holders and all holders of any Parity Stock are entitled have been paid, the holders of Junior Stock shall be entitled to receive all remaining assets of the Company according to their respective rights and preferences.

(d) **Merger, Consolidation and Sale of Assets Not Liquidation.** For purposes of this Section 5, unless waived by Holders of a majority of the shares of Series A Preferred Stock, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of the Company shall be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, and the merger, consolidation or any other business combination transaction of the Company into or with any other corporation or person or the merger, consolidation or any other business combination transaction of any other corporation or person into or with the Company other than the Merger contemplated by the Merger Agreement shall be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company.

**Section 6. Redemption.**

(a) **Optional Redemption.**

(i) *Optional Redemption at Any Time.* The Company, at the option of its Board of Directors, or any duly authorized committee thereof, may, at any time, redeem out of funds legally available therefor, in whole or in part, the shares of Series A Preferred Stock at the time outstanding, upon notice given as provided in Section 6(c) below, at a redemption price equal to the Liquidation Preference Amount per share, *plus* any unpaid accrued and accumulated dividends thereon.

(ii) *Optional Redemption in Connection with a Regulatory Failure Merger Agreement Termination Event.* In the event that a Regulatory Failure Merger Agreement Termination Event occurs, the Company, at the option of its Board of Directors, or any duly authorized committee thereof, may redeem all of the shares of Series A Preferred Stock at the time outstanding, which redemption shall be effective as of the time of such Regulatory Failure Merger Agreement Termination Event, at a redemption price equal to $0.01 per share. As of the time of such Regulatory Failure Merger Agreement Termination Event, all of the shares of Series A Preferred Stock shall be considered redeemed and no longer outstanding. For the avoidance of doubt, the delivery, pursuant to the Merger Agreement, of a notice of the Regulatory Termination (as such term is defined in the Merger Agreement) of the Merger Agreement shall be sufficient notice to the Holders of the redemption of the Series A Preferred

Stock pursuant to this Section 6(a)(ii) and shall be effective immediately upon delivery.

(b) **Mandatory Redemption in Connection with an Other Merger Agreement Termination Event.** In the event that an Other Merger Agreement Termination Event occurs, the Company shall promptly provide notice as contemplated by Section 6(c) below and redeem out of funds legally available therefor, in whole, the shares of Series A Preferred Stock at the time outstanding, at a redemption price equal to the Liquidation Preference Amount per share, *plus* any unpaid accrued and accumulated dividends thereon.

(c) **Notice of Redemption.** Notice of any redemption of shares of Series A Preferred Stock pursuant to Section 6(a)(i) or Section 6(b) shall be mailed by first class mail, postage prepaid, addressed to the Holders of such shares to be redeemed at their respective last addresses appearing on the stock register of the Company. Such mailing shall be at least five business days and not more than 30 days before the date fixed for redemption. Any notice mailed as provided in this Section 6(c) shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice, but failure duly to give such notice by mail, or any defect in such notice or in the mailing thereof, to any Holder of shares of Series A Preferred Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series A Preferred Stock. Each notice shall state:

(i) the redemption date;

(ii) the number of shares of Series A Preferred Stock to be redeemed;

(iii) the redemption price;

(iv) the place or places where the certificates for such shares are to be surrendered for payment of the redemption price; and

(v) that dividends on the shares to be redeemed will cease to accrue on the redemption date.

**Section 7. Conversion Rights.**

Series A Preferred Stock shall not be convertible into Senior Stock, Junior Stock or any other security, and does not otherwise have any conversion rights.

**Section 8. Voting Rights.**

(a) Except as otherwise provided in Section 8(b) hereof or as otherwise required by law, the holders of Series A Preferred Stock shall have no right or power to vote on any matter submitted to a vote of stockholders.

(b) The Company shall not (by amendment, merger, consolidation or otherwise), without the prior approval, by vote or written consent, of the holders of a majority of the Series

A Preferred Stock then outstanding, voting as a separate class, (i) increase the authorized number of shares of Series A Preferred Stock or (ii) amend or repeal the Certificate of Incorporation in any manner which adversely affects the rights, preferences or voting powers of the Series A Preferred Stock.

**Section 9. Preemption.**

The Holders shall not have any rights of preemption.

**Section 10. Rank.**

Notwithstanding anything set forth in the Certificate of Incorporation or this Certificate of Designation to the contrary, the Board of Directors, or any duly authorized committee thereof, without the vote of the Holders, may authorize and issue additional shares of Junior Stock, Parity Stock or any class or series of Senior Stock or any other securities ranking senior to the Series A Preferred Stock as to dividends and/or the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company.

**Section 11. Repurchase.**

Subject to the limitations imposed herein, the Company may purchase and sell Series A Preferred Stock from time to time to such extent, in such manner, and upon such terms as the Board of Directors, or any other duly authorized committee thereof, may determine; provided, however, that the Company shall not use any of its funds for any such purchase when there are reasonable grounds to believe that the Company is, or by such purchase would be, rendered insolvent.

**Section 12. Unissued or Reacquired Shares.**

Shares of Series A Preferred Stock not issued or which have been issued and redeemed or otherwise purchased or acquired by the Company shall be restored to the status of authorized but unissued shares of preferred stock without designation as to series.

**Section 13. No Sinking Fund.**

Shares of Series A Preferred Stock are not subject to the operation of a sinking fund.

**Section 14. Transfer Agent, Registrar and Paying Agent.**

The Company shall be the initial transfer agent, registrar and paying agent for the Series A Preferred Stock and may, at its discretion, appoint a substitute, transfer agent, registrar or paying agent, provided that the Company provides notice of such substitution by first-class mail, postage prepaid, to the Holders.

**Section 15. Replacement Certificates.**

If physical certificates are issued, the Company shall replace any mutilated certificate at the Holder's expense upon surrender of that certificate to the Company. The Company shall replace certificates that become destroyed, stolen or lost at the Holder's expense upon delivery to the Company of satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may be required by the Company.

**Section 16. Transfer Taxes.**

The Company shall pay any and all stock transfer, documentary, stamp and similar taxes that may be payable in respect of any issuance or delivery of shares of Series A Preferred Stock or certificates representing such shares. The Company shall not, however, be required to pay any such tax that may be payable in respect of any transfer involved in the issuance or delivery of shares of Series A Preferred Stock in a name other than that in which the shares of Series A Preferred Stock with respect to which such shares or other securities are issued or delivered were registered, or in respect of any payment to any Person other than a payment to the registered holder thereof, and shall not be required to make any such issuance, delivery or payment unless and until the Person otherwise entitled to such issuance, delivery or payment has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that such tax has been paid or is not payable.

**Section 17. Notices.**

All notices referred to herein shall be in writing, and, unless otherwise specified herein, all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three Business Days after the mailing thereof if sent by registered or certified mail (unless first class mail shall be specifically permitted for such notice under the terms of this Certificate of Designation) with postage prepaid, addressed: (i) if to the Company, to its office at 701 Ninth Street, N.W., Washington, D.C. 20068 (Attention: Corporate Secretary) or other agent of the Company designated as permitted by this Certificate of Designation or (ii) if to any Holder, to, 10 S. Dearborn, Corporate Headquarters, 54th Floor, Chicago, IL 60603 (Attention: General Counsel).

**Section 18. Derivative Actions.**

The shares of Series A Preferred Stock shall not confer upon its Holders any right to bring derivative actions against or on behalf of the Company.

**Section 19. Restrictions On Transfer.**

The Series A Preferred Stock is non-transferrable, except as expressly permitted pursuant to the redemption provisions of Section 6. No Holder may offer, reoffer, sell, assign, transfer, pledge, encumber, hypothecate, grant or otherwise dispose of any of the shares of Series A Preferred Stock, and no Holder shall enter into any agreement to do any of the foregoing. Any transfer or purported transfer of Series A Preferred Stock in violation of the foregoing restrictions shall be null, void and of no effect.

**Section 20. Other Rights.**

The shares of Series A Preferred Stock shall not have any powers, preferences or relative, participating, optional or other special rights, other than as specifically set forth herein or in the Certificate of Incorporation.

IN WITNESS WHEREOF, this Certificate of Designation has been executed on behalf of the Company by its Chairman of the Board, President and Chief Executive Officer this 29th day of April, 2014.

PEPCO HOLDINGS, INC.

By: _____
Name: Joseph M. Rigby
Title: Chairman of the Board, President and Chief Executive Officer

**Exhibit A**

**FORM OF**
**SERIES A NON-VOTING NON-CONVERTIBLE PREFERRED STOCK**

**FACE OF SECURITY**

**THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (TOGETHER WITH THE RULES AND REGULATIONS PROMULGATED THEREUNDER, THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION.**

**THE SERIES A PREFERRED STOCK IS NON-TRANSFERRABLE, EXCEPT AS EXPRESSLY PERMITTED PURSUANT TO THE REDEMPTION PROVISIONS OF SECTION 6 OF THE CERTIFICATE OF DESIGNATION, AS THE SAME MAY BE AMENDED FROM TIME TO TIME. NO HOLDER MAY OFFER, REOFFER, SELL, ASSIGN TRANSFER, PLEDGE, ENCUMBER, HYPOTHECATE, GRANT OR OTHERWISE DISPOSE OF ANY OF THE SHARES OF SERIES A PREFERRED STOCK, AND NO HOLDER SHALL ENTER INTO ANY AGREEMENT TO DO ANY OF THE FOREGOING. ANY TRANSFER OR PURPORTED TRANSFER OF SERIES A PREFERRED STOCK IN VIOLATION OF THE FOREGOING RESTRICTIONS SHALL BE NULL, VOID AND OF NO EFFECT.**

Certificate Number_____ Number of Shares of Series A Preferred Stock_____

Series A Non-Voting Non-Convertible Preferred Stock
(par value $0.01 per share)
(liquidation preference U.S.$10,000 per share)
of
PEPCO HOLDINGS, INC.

Pepco Holdings, Inc., a Delaware corporation (the "Company"), hereby certifies that [ ] (the "Holder") is the registered owner of [ ] fully paid and non-assessable preferred shares of the Company designated the Series A Non-Voting Non-Convertible Preferred Stock, with a par value of $0.01 per share and a liquidation preference of U.S.$10,000 per share (the "Series A Preferred Stock"). The Series A Preferred Stock is non-transferrable, except as expressly permitted pursuant to the redemption provisions of Section 6 of the Certificate of Designation (as defined below). No Holder may offer, reoffer, sell, assign, transfer, pledge, encumber, hypothecate, grant or otherwise dispose of any of the shares of Series A Preferred Stock, and no Holder shall enter into any agreement to do any of the foregoing. Any transfer or purported transfer of Series A Preferred Stock in violation of the foregoing restrictions shall be null, void and of no effect. The designations, rights, privileges, restrictions, preferences and other terms and provisions of the Series A Preferred Stock represented hereby are issued and shall in all respects be subject to the provisions of the Certificate of Designation dated April [29], 2014 as the same may be amended from time to time (the "Certificate of Designation"). Capitalized terms used herein but not defined shall have the meaning given them in the Certificate of Designation. The Company will provide a copy of the Certificate of Designation to a Holder without charge upon written request to the Company at its principal place of business.

Reference is hereby made to select provisions of the Series A Preferred Stock set forth on the reverse hereof, and to the Certificate of Designation, which select provisions and the Certificate of Designation shall for all purposes have the same effect as if set forth at this place.

Upon receipt of this certificate, the Holder is bound by the Certificate of Designation and is entitled to the benefits thereunder.

IN WITNESS WHEREOF, this certificated has been executed on behalf of the Company by its [*Title*] this [29th] day of April, 2014.

PEPCO HOLDINGS, INC.

By: _____
Name:
Title:

REVERSE OF SECURITY

Dividends on each share of Series A Preferred Stock shall be payable at the rate provided in the Certificate of Designation.

The shares of Series A Preferred Stock are not convertible into any other securities and bear no other conversion rights.

The shares of Series A Preferred Stock shall be redeemable at option of the Company in the manner and accordance with the terms set forth in the Certificate of Designation.

The shares of Series A Preferred Stock are subject to mandatory redemption by the Company in the manner and accordance with the terms set forth in the Certificate of Designation.

The Series A Preferred Stock is non-transferrable, except as expressly permitted pursuant to the redemption provisions of Section 6 of the Certificate of Designation. No Holder may offer, reoffer, sell, assign, transfer, pledge, encumber, hypothecate, grant or otherwise dispose of any of the shares of Series A Preferred Stock, and no Holder shall enter into any agreement to do any of the foregoing. Any transfer or purported transfer of Series A Preferred Stock in violation of the foregoing restrictions shall be null, void and of no effect.

The shares of Series A Preferred Stock shall not have voting rights or consent rights on any matter except in each case as required by Delaware law.

The shares of Series A Preferred Stock shall not confer upon its Holders any right to bring derivative actions against or on behalf of the Company.

The Company shall furnish without charge to each holder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class or series of share capital issued by the Company and the qualifications, limitations or restrictions of such preferences and/or rights.

# APPENDIX C

# PHI Pre-Merger

**LEGEND:**

PHI = Pepco Holdings, Inc.

PEPCO = Potomac Electric Power Company

Conectiv = Conectiv LLC

DPL = Delmarva Power & Light Company

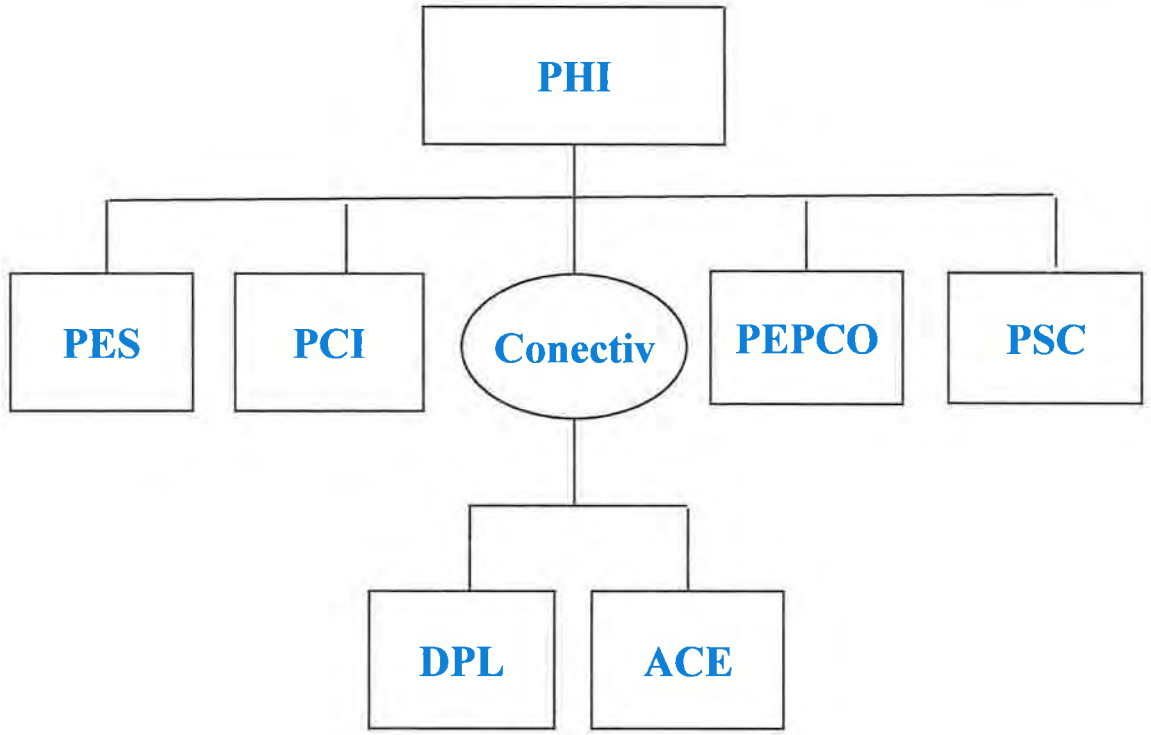
ACE = Atlantic City Electric Company

PCI = Potomac Capital Investment Corporation

PES = Pepco Energy Services, Inc.

PSC = PHI Service Company

**NOTE:** (i) Additional subsidiaries are not shown; (ii) circles are disregarded entities and squares are corporations for income tax purposes






Exelon

# Exelon Pre-Merger

**LEGEND:**

EVC = Exelon Ventures Company

ExGen = Exelon Generation Company

CER = Constellation Energy Resources

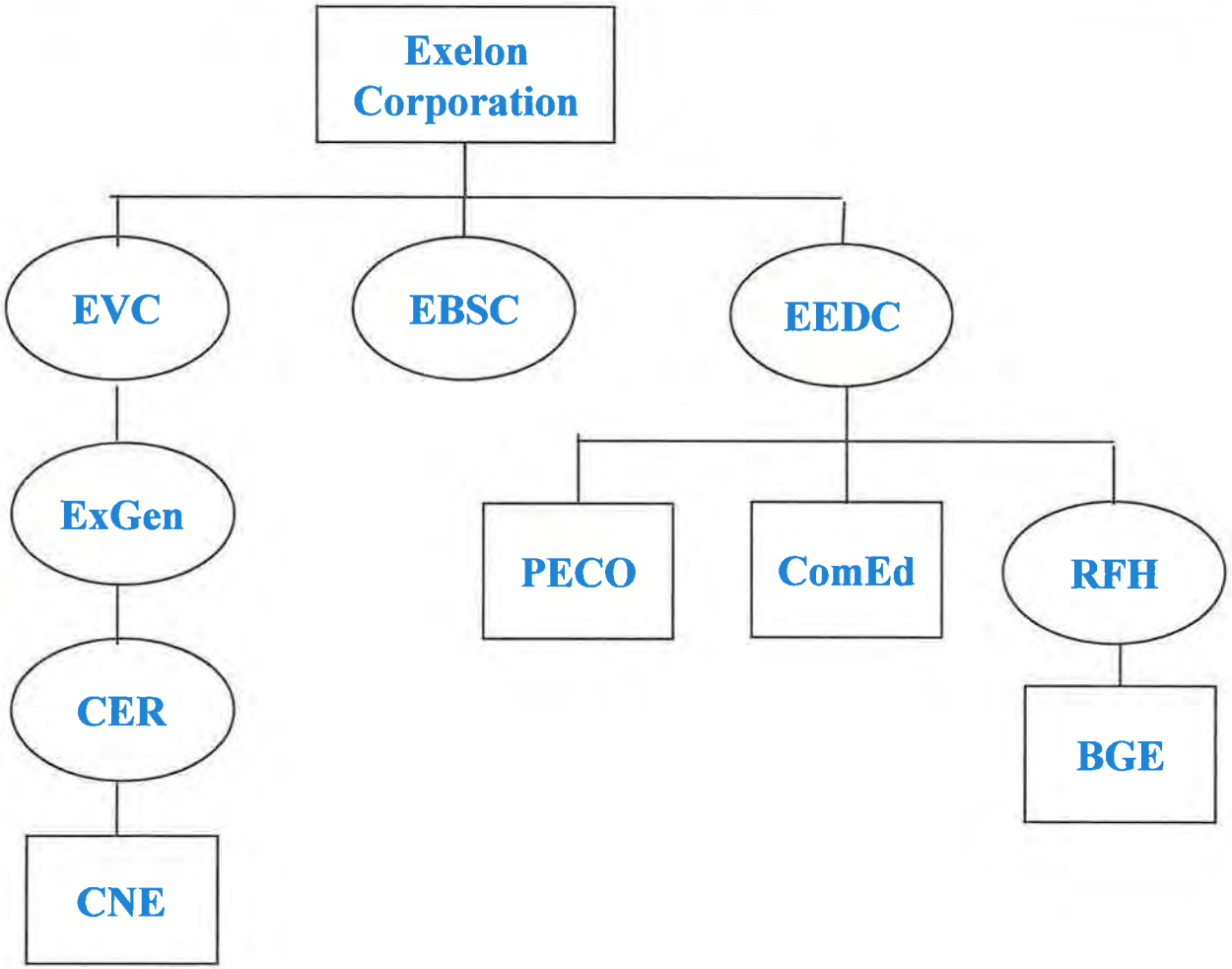
CNE = Constellation New Energy Inc.

EBSC – Exelon Business Services Company

EEDC = Exelon Energy Delivery Company

RFH = RF Holdco

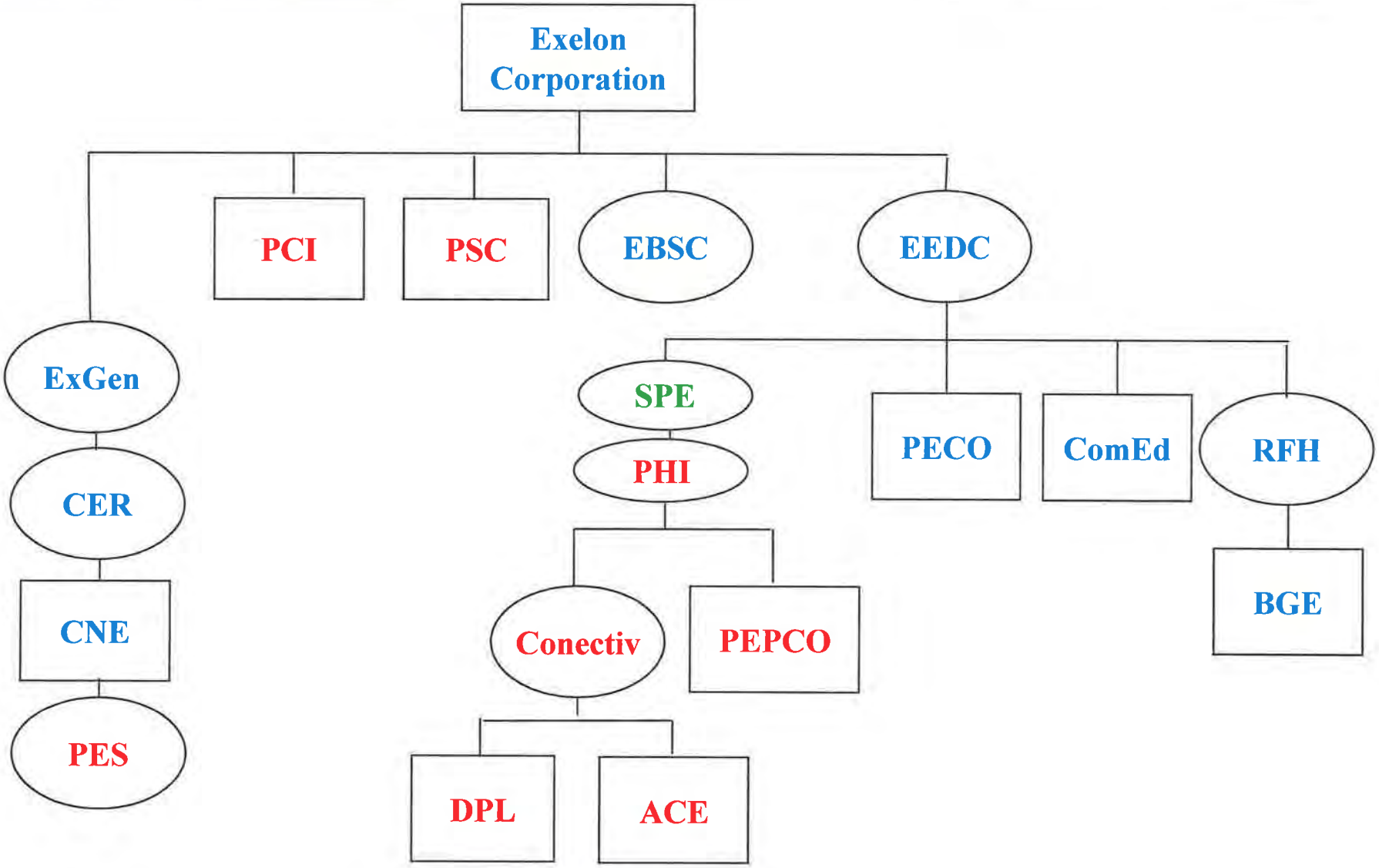
**NOTE:** (i) Additional subsidiaries are not shown; (ii) circles are disregarded entities and squares are corporations for income tax purposes; and (iii) EVC is scheduled to be dissolved in 2014.






Exelon

# Post-Merger Organization




Former subsidiaries of PHI are shown in red



Exelon

# APPENDIX D

## APPENDIX D – JOINT APPLICANTS' COMMITMENTS

### Commitment 1 – Merger Impact on Rates

Delmarva Power & Light Company ("Delmarva Power") will not seek recovery in rates of: (1) any acquisition premium associated with the Merger; or (2) any transaction costs incurred in connection with the Merger by Exelon Corporation ("Exelon"), Pepco Holdings, Inc. ("PHI"), or their subsidiaries. In addition, Delmarva Power will not incur or assume any debt, including the provision of guarantees or collateral support, directly related to the Merger.

### Commitment 2 – Customer Investment Fund

After consummation of the Merger, Exelon will establish a $17 million Exelon-funded Customer Investment Fund to be used across Delmarva Power's service territory in Delaware at the Delaware Public Service Commission's (the "Commission's") discretion. This fund represents a benefit of at least $50 per distribution customer of Delmarva Power.

### Commitment 3 – Reliability and Quality of Service

Delmarva Power commits to continue to implement its current plan to improve system reliability and to improve upon each of its reliability targets. Specifically, Exelon commits to Delmarva Power achieving the following reliability performance level by 2020, based on a three-year historical average calculated over the 2018-2020 period: the System Average Interruption Duration Index will not exceed 122 minutes. In the event that system reliability does not achieve this increased performance level, Delmarva Power will be subject to financial penalties as described in the prefiled testimony of Carim V. Khouzami.

## Commitment 4 – Local Presence

PHI will maintain its headquarters, with appropriate levels of senior management, in the District of Columbia. Delmarva Power will maintain its local operational headquarters in Newark, Delaware.

## Commitment 5 – Labor, Employment and Compensation

Delmarva Power will honor all existing collective bargaining agreements. Upon approval of the Merger and for at least the first two years following consummation of the Merger, Exelon: (1) 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 (2) 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 execution of the Merger Agreement. PHI and Delmarva Power will also continue their commitments to workforce diversity.

## Commitment 6 – Supplier Diversity

Delmarva Power will honor and maintain its commitment to existing supplier diversity programs.

## Commitment 7 – Low-Income Assistance

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

**Commitment 8 – Charitable Contributions and Community Initiatives**

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.

**Commitment 9 – Demand Response**

PHI and Delmarva Power will maintain and promote existing demand response programs.

**Commitment 10 – Exelon's Consent to Jurisdiction**

Exelon submits to the jurisdiction of the Commission for: (1) all matters related to the Merger and the enforcement of the commitments set forth herein; and (2) 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.

**Commitment 11 – Corporate Organization, Financial Integrity and Ring-Fencing**

A bankruptcy-remote special purpose entity will be established as the Exelon subsidiary holding the equity interests in PHI. In addition, Exelon and PHI commit to implement the following ring-fencing arrangements for at least five years following completion of the Merger, absent permission from the Commission to act otherwise: (1) Delmarva Power will maintain its separate existence and its separate franchises and privileges; (2) Delmarva Power will maintain separate books and records; (3) Delmarva Power's books and records pertaining to its operations in Delaware will be available for inspection and examination by the Commission; (4) Delmarva Power will maintain separate debt so that it will not be responsible for the debts of affiliate

companies and preferred stock, if any, and Delmarva Power will maintain its own corporate and debt credit rating, as well as ratings for long-term debt and preferred stock; and (5) Exelon commits to target an average equity level of at least 48% in Delmarva Power as well as the other PHI utilities for ratemaking purposes.

**Commitment 12– Affiliate Transactions**

Exelon commits to comply and cause Delmarva Power and other Exelon affiliates to comply with the statutes and regulations applicable to Delmarva Power regarding affiliate transactions. Exelon also commits that the Commission may examine 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.

# EXHIBIT 1

**JOINT APPLICANTS**
**EXHIBIT NO. 1**

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 ENERGY DELIVERY COMPANY, LLC AND NEW SPECIAL PURPOSE ENTITY, LLC FOR APPROVALS UNDER THE PROVISIONS OF 26 DEL. C. §§ 215 AND 1016 (Filed June 18, 2014)

PSC DOCKET NO. 14-

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# DIRECT TESTIMONY
OF
CHRISTOPHER M. CRANE

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DATED: JUNE 18, 2014

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**DIRECT TESTIMONY**
**OF**
**CHRISTOPHER M. CRANE**

## I. INTRODUCTION AND PURPOSE

**1. Q. Please state your full name and business address.**

A. My name is Christopher M. Crane. My business address is 10 Dearborn Street, Chicago, Illinois 60603.

**2. Q. By whom are you employed and in what capacity?**

A. I am the President and Chief Executive Officer of Exelon Corporation ("Exelon"). I became the Chief Executive Officer of Exelon in March 2012 upon the retirement of John W. Rowe.

**3. Q. Please describe your professional and educational background.**

A. I began my career in 1979 in the Engineering Department at the Comanche Peak Nuclear Station. From October 1981 to October 1988, I worked at the Palo Verde Nuclear Generating Station in a number of positions. From October 1988 to 1998, I worked for the Tennessee Valley Authority in progressively more responsible positions, including site vice president of the Brown's Ferry Nuclear Plant.

In 1998, I moved to Commonwealth Edison Company ("ComEd") to help improve the performance of that company's fleet of nuclear generating plants. From September 1998 to July 1999, I served as Vice President for Boiling Water

Reactor Operations and played a major role in the ComEd nuclear program recovery. In July 1999, I was promoted to Senior Vice President of Nuclear Operations. My responsibilities in that role expanded to include the daily operation and the regulatory and technical performance of all five ComEd nuclear plants.

In 2000, Unicom Corporation ("Unicom") and PECO Energy Company ("PECO") merged to form Exelon. In June 2003, I was promoted to Chief Operating Officer of Exelon Nuclear. My responsibilities in that role focused on the daily operations of Exelon's nuclear generating facilities. I was also president and Chief Executive Officer of AmerGen, the joint venture between Exelon and British Energy ("BE") that owned and operated three nuclear plants. I remained in that position until BE sold its interest to Exelon. In January 2004, I was promoted to President and Chief Nuclear Officer of Exelon and, in that capacity, oversaw strategy development as well as the daily operations of all of Exelon's nuclear generating facilities.

In 2007, I was promoted to Chief Operating Officer of Exelon Generation, which owns all of Exelon's generation resources. In 2008, I was promoted to President and Chief Operating Officer of Exelon. In that capacity, I directed a broad range of business initiatives, including acquisitions, and was responsible for transmission strategy, cost management, major capital programs, Exelon's nuclear up-rating program, generation asset optimization and the development of renewable energy projects.

As I previously explained, I became the President and Chief Executive Officer of Exelon in 2012 upon the retirement of Mr. Rowe.

I have held a senior reactor operator certification, studied electricity at New Hampshire Technical College, and attended Harvard Business School's Advanced Management Program. I am a member of the board, a member of the Executive Committee and one of the Vice Chairs of the Edison Electric Institute. I am Vice Chairman of the Institute of Nuclear Power Operations and Chairman of the Nuclear Energy Institute. I also serve on the Board of Governors of the World Association of Nuclear Operators ("WANO") and on the Board of Governors of WANO's Atlanta Center.

**4. Q. Please identify your other community leadership roles.**

A. I am a member of the Civic Committee of The Commercial Club of Chicago and a member of the Board of Trustees of the Rush University Medical Center. I am a director of the Museum of Science & Industry Chicago and of Get IN Chicago, an innovative public/private partnership with the mission of eliminating juvenile violence.

**5. Q. Have you previously testified before a utility regulatory agency?**

A. Yes. I submitted rebuttal testimony before the New Jersey Board of Public Utilities at BPU Docket No. EM05020106, which was the proceeding for approval of the proposed merger of Exelon and Public Service Enterprise Group, Inc. That merger was not consummated. More recently, I submitted direct and rebuttal testimony before the Public Service Commission of Maryland on behalf

of the applicants in Case No. 9271, which was the proceeding for approval of the merger of Exelon and Constellation Energy Group, Inc. ("Constellation").

**6. Q. What is the purpose of your direct testimony?**

A. In Section II, I provide an overview of the proposed merger of Exelon and Pepco Holdings, Inc. ("PHI") ("Merger") and explain how it will strengthen the combined company's utilities to better serve our customers. I also want to introduce Exelon, and the best way to do that is to describe its vision and core values, as I do in Section III of my testimony. As part of this discussion, I explain how our vision and core values align with those of PHI and why that alignment will facilitate the integration of our companies. In Section IV of my testimony, I explain why Exelon decided to merge with PHI and, in particular, why the Merger will help meet the challenges facing distribution utilities. In Section V, I provide an overview of the benefits the Merger will produce and explain why it is in the best interest of PHI's utilities, their customers and the communities they serve. As part of this discussion, I will explain Exelon's approach to achieving top-tier performance at reasonable cost through the rigorous application of best practices and a management philosophy that continuously challenges us to improve productivity and efficiency. In Section VI, I introduce other witnesses submitting direct testimony in support of the Merger.

## II. OVERVIEW OF THE MERGER

**7. Q. Please provide an overview of the Merger.**

A. On April 29, 2014, Exelon and PHI entered into an Agreement and Plan of Merger ("Merger Agreement") with the approval of their respective Boards of Directors. When the Merger is consummated, PHI will become an indirect subsidiary of Exelon, and PHI's common stockholders will be entitled to receive $27.25 per share in exchange for the PHI stock they hold. The terms of the Merger are discussed in greater detail in the direct testimony of Carim V. Khouzami.

**8. Q. Will the Merger strengthen the PHI and Exelon utilities?**

A. Yes, it will. I am confident that the Merger will create the premier Mid-Atlantic energy distribution utility system. Potomac Electric Power Company ("Pepco"), Delmarva Power & Light Company ("Delmarva Power") and Atlantic City Electric Company ("ACE") (collectively, the "PHI Utilities") will join an organization that includes three outstanding utilities – Baltimore Gas and Electric Company ("BGE"), ComEd and PECO – with proven track records of furnishing safe, reliable and efficient energy delivery service. Significantly, the PHI Utilities share Exelon's commitment to safety, operational excellence, customer service, environmental stewardship, and community service. These shared commitments establish a solid foundation for building strong, high-performing, post-Merger utilities. To cite one important example of how this will occur, the Merger will leverage the combined expertise of the PHI and Exelon utilities to enhance reliability at a reasonable cost and without increasing the reliability-related capital

or operating and maintenance ("O&M") expense budgets in the PHI Utilities' existing long-range plan. As Mark F. Alden explains in his direct testimony, the recent merger of Exelon and Constellation, which led to significant improvements in BGE's reliability metrics without increasing its capital or O&M budgets, demonstrates the many benefits that accrue from successfully integrating two outstanding organizations and the resultant sharing of best practices. Additionally, the PHI Utilities will join a larger enterprise and, in that way, gain access to a number of additional resources, including the financial strength of Exelon. They will also benefit from greater bargaining power throughout the supply chain and realize economies of scale at many levels within the post-Merger organization. As I will explain in more detail later in my testimony, the Merger will expand emergency response capabilities, drive operational excellence, and facilitate the use of innovative technology to deliver high quality customer service and reduce customers' energy use and carbon footprint.

## III. VISION AND CORE VALUES

**9. Q. Please state the overarching vision that expresses what Exelon stands for as an organization.**

A. At Exelon, we believe that reliable, clean and affordable energy is essential to a brighter, more sustainable future. That is why we are committed to providing innovative, best-in-class performance and thought leadership to help drive progress for customers, communities and our nation. Exelon believes in performance that drives progress.

**10. Q. What are the core strengths of Exelon as an organization that support its vision?**

A. Exelon has established five "pillars" that reflect its core strengths, support its vision, and are designed to translate that vision into a clear path for action:

1. **Performance Excellence**. We are committed to excellence and continuous improvement. We strive to be the best in everything we do.

2. **A Balanced Perspective**. Because we have a presence in each stage of the energy business, we have unique insights into the energy challenges we face today and will face in the future.

3. **Effective Collaboration**. We build strong working partnerships. We know that it is only through teamwork that we can develop and deliver smarter, cleaner, more efficient energy solutions.

4. **Driving Competition And Choice**. We believe that competition drives choice, innovation and savings and, in that way, empowers our customers and moves our nation forward.

5. **Advancing Clean Energy**. We are committed to connecting customers to cleaner, more cost-effective energy resources and to taking a leadership role in the process of shaping the future of clean energy.

**11. Q. Please describe the core values that guide Exelon's decision making and behavior.**

A. Exelon has five core values that cut across its organization and inform every aspect of its decision-making and behavior:

1. **We are dedicated to safety**. We are committed to maintaining the highest standards of safety and reliability for our people, our customers and the communities in which we work. As a fundamental part of our culture and operations, every member of the Exelon team is dedicated to putting safety first.

2. **We actively pursue excellence**. We are driven to excel. Recognizing the value of constant improvement, we strive to advance our processes and develop more efficient ways to meet our customers' energy needs. In all

we do, we strive to surpass the standards of our industry and the standards we set for ourselves in order to create value for customers, communities and our shareholders.

3. **We innovate to better serve our customers**. We see every challenge as an opportunity to exercise our ingenuity and our competitive spirit. We encourage curiosity and exploration to develop better ways of delivering clean energy. We focus on innovation with the goal of creating energy solutions that have a meaningful, positive impact on our customers.

4. **We act with integrity and are accountable to our communities and the environment**. We are committed to doing what is right. We have a deep connection to the communities we serve, which compels us to take responsibility for our work. We actively look for ways to engage and give back. We value the environment and work to reduce our impact with future generations in mind.

5. **We succeed as an inclusive and diverse team.** We foster an inclusive culture of trust, collaboration and performance. We welcome and respect people with different perspectives, backgrounds, and traits because we know that diverse teams drive powerful outcomes.

**12. Q. Mr. Crane, please explain how Exelon's core values relate to the commitments being made in connection with the Merger.**

A. As I explained above, Exelon is dedicated to acting with integrity and accountability. That means we keep our promises and honor our commitments. Exelon has made regulatory commitments in connection with the mergers of Unicom and PECO that created Exelon in 2000 and Exelon and Constellation in 2012. Exelon has kept all the regulatory commitments that it made in connection with those transactions.

**13. Q. Have you reviewed the statement of PHI's vision and core values set forth in Mr. Rigby's direct testimony?**

A. Yes, I have. I concur with Mr. Rigby that, while Exelon and PHI each express their vision and values in their own, somewhat different words, the important substantive elements of our vision and core values are closely aligned.

**14. Q. Why is it important to Exelon that it and PHI have substantially the same vision and core values?**

A. The alignment of vision and core values is important on two levels. Following the effective date of the Merger, both Exelon and PHI will be working to integrate the Merger partners' operations and business processes. Functional integration will be facilitated if their operations and business processes are compatible. A common vision and shared values are strong evidence that our two companies' operations are generally consistent, which is an important reason that Exelon and PHI are excellent merger partners. A shared vision and common core values are also important because they express a common corporate culture. The cultural aspect of a business combination is one of the intangible factors that directly affects the successful longer-term operation of the enterprise. While there are many similarities in the corporate cultures of Exelon and PHI, I believe the common trait most important for forging a strong, post-Merger organization is the shared belief that we should never be content with "business as usual" in any aspect of our company and, therefore, we must continuously challenge ourselves to be better at everything we do, including, of course, managing and containing costs for the benefit of our customers, while providing safe and reliable service.

## IV. REASONS FOR THE MERGER AND STRATEGIC FIT

**15. Q. Mr. Crane, why did Exelon decide to merge with PHI?**

A. Exelon has embarked on the Merger to create the premier Mid-Atlantic energy distribution utility and, as part of achieving that goal, to improve the overall customer experience in a meaningful way. The Merger furthers Exelon's strategic goals of increasing its focus on its core competency of operating best-in-class distribution utilities and diversifying its business. With the Merger, 60% to 65% of Exelon's pro forma earnings projected for 2015 and 2016 will be derived from its regulated distribution business.

**16. Q. How will the Merger facilitate Exelon's goal of becoming the premier Mid-Atlantic energy distribution utility?**

A. The Merger will join two companies that have an excellent strategic fit given their geographic location and other operational similarities. Together, they will form a post-Merger utility platform that possesses the scope, financial strength and operational expertise needed to adapt to the evolving role of distribution utilities. The wide-spread use of new and existing technology; the development, operation and management of an interactive grid; and the need to match load with a pool of widely distributed, customer-based resources demands the kind of large, geographically contiguous, interconnected system that the Merger will help to produce.

**17. Q. Earlier you noted that Exelon and PHI are "an excellent strategic fit." Please explain why that is so.**

A. The first significant factor is geography. Exhibit CMC-1 is a map showing the location of the PHI Utilities' service territories relative to those of BGE and PECO. Following the Merger, the Exelon family of utilities in the Mid-Atlantic region will have contiguous service territories stretching across southeastern Pennsylvania, southern New Jersey, Delaware, Maryland and the District of Columbia. Geographic proximity provides substantial opportunities to capture economies of scale and share best practices. Additionally, and perhaps most importantly, the geographic proximity of utilities within a single corporate family will give the post-Merger enterprise much more robust mutual support capabilities and substantially greater combined resources to respond promptly and effectively to major storms and other emergencies.

Additionally, in several important areas, the PHI and Exelon utilities have adopted similar programs, including advanced metering infrastructure ("AMI"), demand response and vendor/supplier diversity. Having these initiatives in common across the post-Merger enterprise will enable the sharing of knowledge and best practices, capture economies of scale and create opportunities to improve service and reduce costs. Moreover, these programs reflect a shared vision of the future in which the post-Merger Exelon utilities will continue to embrace innovative technology including through the use of the grid as an evolving platform for energy services for our customers, will partner with our customers to

prudently manage energy use, and will strengthen their organization and the communities they serve by fostering a culture of diversity and inclusiveness.

## V. BENEFITS THE MERGER WILL PRODUCE

**18. Q. Please provide an overview of the benefits that the Merger will produce.**

A. The Merger will create benefits for the PHI Utilities, their customers and the communities and states which they serve. First, it will create a strong foundation for meeting the challenges created by the evolving role of distribution utilities as the developers, operators and managers of an interactive grid that works as a platform to integrate renewable and distributed energy resources and accommodates customers' dual function as end users and producers of electricity. Second, the Merger will generate distribution-related synergies at PHI that Exelon is proposing to reflect as an immediate – and longer term – tangible benefit to PHI's customers. Third, the Merger will leverage Exelon's resources and expertise to sustain and enhance reliability for the PHI Utilities within PHI's existing reliability-related capital and O&M budgets. Fourth, PHI's charitable contributions and community support will be embodied in a firm commitment to maintain spending for ten years following the Merger in each of the PHI Utilities' service areas that, on average, exceeds 2013 levels.

Additionally, Exelon is proposing to take several important steps to protect customers and employees and to maintain the local presence of the PHI Utilities, which I will describe later in my testimony.

**19. Q. Please explain how customers of the PHI Utilities will benefit from the distribution system synergies the Merger is expected to produce.**

A. Distribution customers of all classes will realize an immediate tangible benefit from the savings the Merger is expected to produce for the PHI Utilities by the creation of a $100 million Customer Investment Fund, of which $17 million will be allocated to Delmarva Power's operations in Delaware. Exelon will fund this benefit, and Delmarva Power will not seek to recover in rates any part of that fund. The Customer Investment Fund represents a benefit of more than $50 per distribution customer. The disposition of each jurisdiction's share of that fund will be determined by the applicable regulatory authority in each jurisdiction following the consummation of the Merger. A regulatory authority could decide to use its share of the Customer Investment Fund to provide a bill credit to customers or to further support low-income customer assistance programs, although these are just examples and a regulatory authority could combine these and other or additional customer-benefit uses as it sees fit. Additionally, Exelon is making a commitment to maintain and promote Delmarva's low-income customer assistance program, which is separate and apart from the commitment to create and fund the Customer Investment Fund.

**20. Q. Is the Customer Investment Fund the only way in which customers of the PHI Utilities will realize benefits from distribution-related Merger synergies?**

A. No, it is not. Customers will realize additional benefits as transmission-related and distribution-related Merger synergies are fully recognized in future rate proceedings in the form of costs that are lower than they would have been absent

the Merger. The Merger integration process and the distribution-related savings it is expected to produce are addressed in greater detail by Mr. Khouzami.

**21. Q. Please explain how the reliability-related benefits of the Merger will be produced.**

A. As I previously noted, the Merger will leverage Exelon's resources and expertise to enhance reliability for the PHI Utilities without increasing PHI's existing reliability-related capital and O&M budgets. It is important to acknowledge the significant improvement in reliability that Delmarva Power has accomplished, which Exelon plans to build upon. Similarly, Exelon acknowledges the regulatory performance requirements that are already in place for Delmarva Power and that each jurisdiction has requirements with regard to reliability. Exelon intends not only to achieve compliance with the current regulatory performance requirements, but also to discuss with the Staff of the Delaware Public Service Commission and other participants what the proper course for reliability should be in Delaware. Exelon is also proposing firm reliability performance targets that are more stringent than the regulatory requirements already in place. Exelon proposes to back up its commitments with a performance guaranty that will trigger a financial penalty if our performance-improvement goals are not achieved. Exelon's performance guaranty, its reliability-related capabilities, and the track record of top-tier operational performance by its utilities are discussed in more detail in Mr. Alden's direct testimony. The details of the proposed financial penalty are discussed in Mr. Khouzami's direct testimony.

**22. Q. How will Exelon ensure that its efforts to maintain or enhance reliability will be cost-effective?**

A. Exelon understands that expenditures for reliability can reach a point of diminishing returns at which the level of investment, or increase in maintenance expense, may not be justified by the incremental improvements in reliability they produce. Exelon has no intention of trying to achieve improvements in reliability simply by spending more. We don't do business that way. As I explained before, an integral part of our management model is to continuously challenge ourselves to be more efficient and more productive – to always strive to do things better and at lower cost. We have demonstrated that this approach works in improving system reliability. The most recent example is the performance of BGE following Constellation's merger with Exelon. At BGE we made significant improvements in reliability metrics without increasing BGE's reliability-related capital or O&M budgets, as Mr. Alden discusses in his direct testimony. We plan to do the same for Delmarva Power. The reliability performance improvements we propose for Delmarva Power will be accomplished without increasing the reliability-related capital or O&M budgets in its existing long-range plan.

**23. Q. The service areas of the PHI Utilities, like those of PECO and BGE, have experienced several severe weather events over the past several years. Please describe Exelon's emergency response performance and explain how the Merger will enhance Delmarva Power's emergency response capability.**

A. PECO and, following the Constellation merger, BGE have performed well in responding to major storm events, as Mr. Alden explains. In large part, this

performance was made possible by the ability of the utilities in the Exelon system to marshal their forces from across the enterprise to provide prompt and effective storm restoration. Those benefits will be extended to all the PHI Utilities, including Delmarva Power, in order to support and enhance their emergency response efforts following the Merger. Additionally, as I previously explained, the geographic proximity of the PHI Utilities to BGE and PECO will enhance mutual support capabilities for all of Exelon's Mid-Atlantic utility systems and create a much larger pool of combined resources to respond quickly and effectively to major storm events or other emergencies.

**24. Q. Is there anything else you would like to add on the issue of reliability?**

Yes, I want to make it clear that Exelon takes reliability very seriously. We understand the importance of keeping the lights on and the gas flowing throughout the areas we serve. We also acknowledge the special responsibility we undertake when additional utilities become part of the Exelon system. We will work tirelessly to make sure that Delaware continues to receive the world-class electric and natural gas service it deserves.

**25. Q. Please explain how the Merger will strengthen PHI's charitable contributions and community support.**

A. The Merger will strengthen PHI's charitable and community involvement by converting what are now voluntary contributions into a binding commitment. As explained in the direct testimony of Calvin G. Butler, Jr., Exelon is committing to provide for ten years following the Merger an annual average in charitable

contributions and traditional local community support that exceeds the 2013 levels of the PHI Utilities. Additionally, as part of Exelon, the PHI Utilities will continue to play an important role in supporting the communities in their service areas and will remain a significant employer and responsible corporate citizen, as evidenced by the commitments to community service made by the Exelon companies and their employees and the civic and charitable activities of BGE following the Constellation merger, as Mr. Butler also describes.

**26. Q. Mr. Crane, did Exelon and PHI consider how Delaware will be affected by the Merger?**

A. Yes. Exelon and PHI retained Susan F. Tierney, Ph.D., to study the economic effects of the Merger upon Delaware. Dr. Tierney conducted a detailed study using well-recognized and widely-accepted analytic techniques to quantify the effects of the Merger on Delaware, including the effects of an increase in reliability at Delmarva Power from its current three-year average performance level to the reliability level described by Mr. Alden. The value of the benefits accruing to Delmarva Power's residential and commercial customers and to the state of Delaware from reduced outages with shorter duration, together with the portion of the Customer Investment Fund to be distributed to Delmarva Power's customers, is expected to be within a range of $88.6 million to $142.4 million over the period 2015 to 2020 on a net present value basis. In addition – depending upon how the Commission decides to allocate the Customer Investment Fund – the expected benefits from the Merger will include the creation of between 982 and 1,538 jobs in Delaware.

I know the Commission recognizes the value of reliability. In my view, the Merger is a crucial step to ensure that Delaware and the customers of Delmarva Power can realize the significant benefits described by Dr. Tierney. Upon completion, the Merger will create a real partnership to achieve a level of utility service reliability that not only meets the future requirements that Delmarva Power has today but exceeds those requirements. This partnership will be backed by Exelon's commitment to share best practices in order to increase reliability within the reliability-related capital and O&M budgets that Delmarva Power has planned, and financial penalties if we fail to achieve what we are promising to do.

**27. Q. Earlier, you indicated that Exelon proposes to take additional steps to protect customers. Please discuss those measures.**

A. While PHI has non-regulated businesses that are operated as part of Pepco Energy Services, it is predominantly a "pipes and wires" distribution utility company. With the Merger, PHI will be joining a company that has a generation component, including substantial nuclear generation, which some may contend could expose the PHI Utilities to a qualitatively different array of business risks. I believe that perception is not warranted. Exelon is a leader in nuclear safety and has been recognized for the world-class performance of its nuclear generating facilities. Moreover, Exelon has the expertise, experience and broadly diversified exposure to multiple energy markets to effectively mitigate market risks in its generation business. Nonetheless, in order to put this issue to rest, Exelon proposes to implement ring-fencing measures designed to isolate the PHI Utilities from the potential financial and credit consequences of unrelated business risks. The

specific ring-fencing measures that will be implemented and their effectiveness in insulating the PHI Utilities are discussed in greater detail in Mr. Khouzami's direct testimony.

**28. Q. Please describe the protections Exelon is offering for employees of the PHI Utilities.**

A. I fully concur with Mr. Rigby's statement that the strength of any business lies in its people. That is why Exelon prides itself on treating its employees fairly. The Merger will result in some reductions in force. For example, certain positions in the managerial and administrative ranks will no longer be necessary as duplicative positions are consolidated. However, Exelon has committed that for a period of two years after consummation of the Merger, there will be no net reductions due to involuntary attrition as a result of the Merger integration process in the employment levels of the PHI Utilities. In that regard, Exelon has clearly stated it will honor all existing collective bargaining agreements. Moreover, as Mr. Rigby explains in his direct testimony, Locals 210, 1238, 1307 and 1900 of the International Brotherhood of Electrical Workers, which comprise all of the collective bargaining units that represent employees of the PHI Utilities, agree the Merger is in the best interest of Delmarva Power and its employees and have recently agreed to contract extensions for an additional three years. Also consistent with the Merger Agreement, Exelon has agreed that for at least two years after closing the Merger, Exelon will provide current and former PHI Utilities' employees compensation and benefits that are at least as favorable in the aggregate as the compensation and benefits provided to those employees

immediately before the Merger. These commitments are discussed by Denis P. O'Brien in his direct testimony.

Additionally, Exelon will ensure that, after the Merger, PHI and the PHI Utilities, including Delmarva Power, will continue their commitments to workforce diversity. Exelon believes it is critical that its workforce reflect the diversity of the communities it serves because diverse teams drive powerful and successful outcomes. For that reason, diversity and inclusiveness are key elements of Exelon's core values, as I explained in Section III of my testimony. Moreover, Exelon has received national and local recognition for its dedication to diversity and inclusiveness.

**29. Q. How will the Merger affect the local presence of PHI and the PHI Utilities?**

A. Currently, PHI is a publicly traded holding company that owns the stock of the PHI Utilities. Following the Merger, PHI will no longer have publicly traded common stock and, as a consequence, a number of corporate functions associated with public common-stock ownership will no longer be performed at the PHI level. However, based on the explanation of the PHI operating structure provided by Mr. Rigby, it is anticipated that PHI will continue to play much the same role in the day-to-day operations of the PHI Utilities that it does today, and the existing operational structure of PHI will remain substantially the same. PHI will maintain its headquarters in Washington, D.C., and Delmarva Power will maintain its operational headquarters in Newark, Delaware. Additional details

about the post-Merger operational and management structure are provided in the direct testimony of Mr. O'Brien.

**30. Q. How will the Merger affect the access and accountability of management?**

A. The Merger will not affect access to and the accountability of management. Regulators, government officials, community leaders and customers will know the people working at the utility level. Moreover, both Mr. O'Brien, who leads Exelon Utilities, and I are committing to being accessible and accountable to regulators, state and local governments, and all of the utilities' other constituencies. In that regard, as Mr. O'Brien explains in his direct testimony, Exelon has a straightforward utility management model with clear, direct lines of authority and reporting. Thus, Exelon's utility management model allows the operating utilities, which, post-Merger, will include PHI as the operating arm of the PHI Utilities, to access the resources, expertise and financial strength of a large organization while maintaining the ability to respond to local conditions and priorities. Simply stated, the Merger will not create multiple tiers of management that have to be penetrated to access the decision-makers in the organization.

**31. Q. Mr. Crane, in light of the importance Exelon places on reducing carbon emissions through renewable technology and other means, please explain Exelon's experience in carbon reduction and expansion of renewable energy sources.**

A. Under Exelon's 2020 Plan, each Exelon utility took a variety of additional actions to reduce its own carbon footprint, such as minimizing internal building electricity

use through aggressive building modernization, using clean technologies and alternative fuels in fleet vehicles and delivering customer energy efficiency savings through PECO's and ComEd's award winning "Smart Ideas" programs. Through these combined efforts, Exelon met – indeed, surpassed – the ambitious target of reducing its carbon footprint by 17.5 million metric tons of greenhouse gas emissions and did so in 2013 – thus achieving the goal and completing the mission of Exelon 2020 seven years ahead of its planned completion date.

Exelon is an industry leader in adopting renewable energy technology, as evidenced by the nearly 1,300 megawatts ("MW") of wind generation and approximately 240 MW of utility-scale and distributed solar generation owned and operated by its generation companies. Similarly Exelon's retail companies have installed more than 173 MW in distributed generation for customers and supplied renewable electricity to more than 82,300 customers. The post-Merger organization will consolidate the intellectual capital, technical expertise and experience of a deeper and more diverse workforce that has developed skill sets vital to implementing renewable energy solutions and energy savings programs.

**32. Q. Have the Exelon utilities received special recognition for their environmental stewardship?**

A. Yes, they have. Each of the Exelon utilities was recognized in 2012 and 2013 as a United States Environmental Protection Agency Energy Star award winner for Sustained Excellence for continued leadership in protecting the environment through its energy efficiency efforts. Additionally, on June 11, 2014, Exelon was

recognized for its corporate sustainability and environmental performance by ranking second among utilities in the 2014 *Newsweek* Green Rankings.

**33. Q. Mr. Crane, will the public interest be served by completing the Merger?**

A. Yes, it definitely will, for all of the reasons that I set forth above, which are explained in more detail in the Joint Application and the direct testimony of other witnesses supporting the Merger.

**34. Q. In your discussion of the benefits the Merger will produce, you referred to commitments that Exelon and the PHI Utilities are making in connection with the Merger. Is Exelon providing a complete list of those commitments?**

A. Yes, all of the commitments being proposed by Exelon and the PHI Utilities are set forth in Appendix D to the Joint Application.

## VI. INTRODUCTION OF OTHER WITNESSES

**35. Q. Please identify the other witnesses that have submitted direct testimony in support of the Merger.**

A. The witnesses that submitted direct testimony with the Joint Application are listed below along with a general description of the subject matter of their direct testimony:

**Joseph M. Rigby** is the Chairman of the Board, President and Chief Executive Officer of PHI. Mr. Rigby provides PHI's perspective on the Merger, describes the vision and values of PHI and explains why the Merger is in the best interests

of the PHI Utilities, their customers and the communities they serve. (Exhibit No. 2)

**Denis P. O'Brien** is Senior Executive Vice President of Exelon and Chief Executive Officer of Exelon Utilities. Mr. O'Brien describes how the PHI Utilities will be managed following the Merger, including how the operational structure, governance principles and delegation of authority will maintain substantial local control. Mr. O'Brien also discusses the experience of integrating utility operations following the merger of PECO and Unicom and the merger of Exelon and Constellation, which brought BGE into the Exelon family of utility companies. Finally, Mr. O'Brien describes Exelon's commitments regarding employment levels and employee compensation. (Exhibit No. 3)

**Mark F. Alden** is the Vice President of Utility Oversight and Integration for Exelon. Mr. Alden explains Exelon's commitments to enhance reliability across the PHI Utilities' service area and discusses Exelon's track record of reliability and high-quality service. He also identifies some of the more significant technological solutions that can be employed to cost-effectively strengthen reliability across the PHI Utilities' service areas following the Merger. (Exhibit No. 4)

**William M. Gausman** is Senior Vice President, Strategic Initiatives, of PHI. Mr. Gausman describes the regulatory requirements for reliability that currently apply to Delmarva Power in Delaware and the on-going reliability proceedings at the Delaware Public Service Commission. (Exhibit No. 5)

**Carim V. Khouzami**, a Senior Vice President of BGE, is Exelon's Chief Integration Officer. Until recently assuming the position of Chief Integration Officer, he served as BGE's Chief Financial Officer and Treasurer. Mr. Khouzami provides an overview of the planned integration of Exelon and PHI, explains the process for identifying merger savings and costs to achieve those savings, and discusses the cost-reducing synergies that were achieved through the successful integration of BGE following the Exelon-Constellation merger. Additionally, Mr. Khouzami discusses the financial impacts of the Merger, merger accounting principles, the measures Exelon will implement to ring-fence the PHI Utilities and the financial penalty Exelon is proposing in the event that Delmarva fails to meet Exelon's reliability commitment. (Exhibit No. 6)

**Susan F. Tierney, Ph.D.** is a Senior Advisor with the Analysis Group. Dr. Tierney discusses the quantitative and qualitative economic benefits that the proposed Merger brings to the state of Delaware and to the customers of Delmarva Power. (Exhibit No. 7)

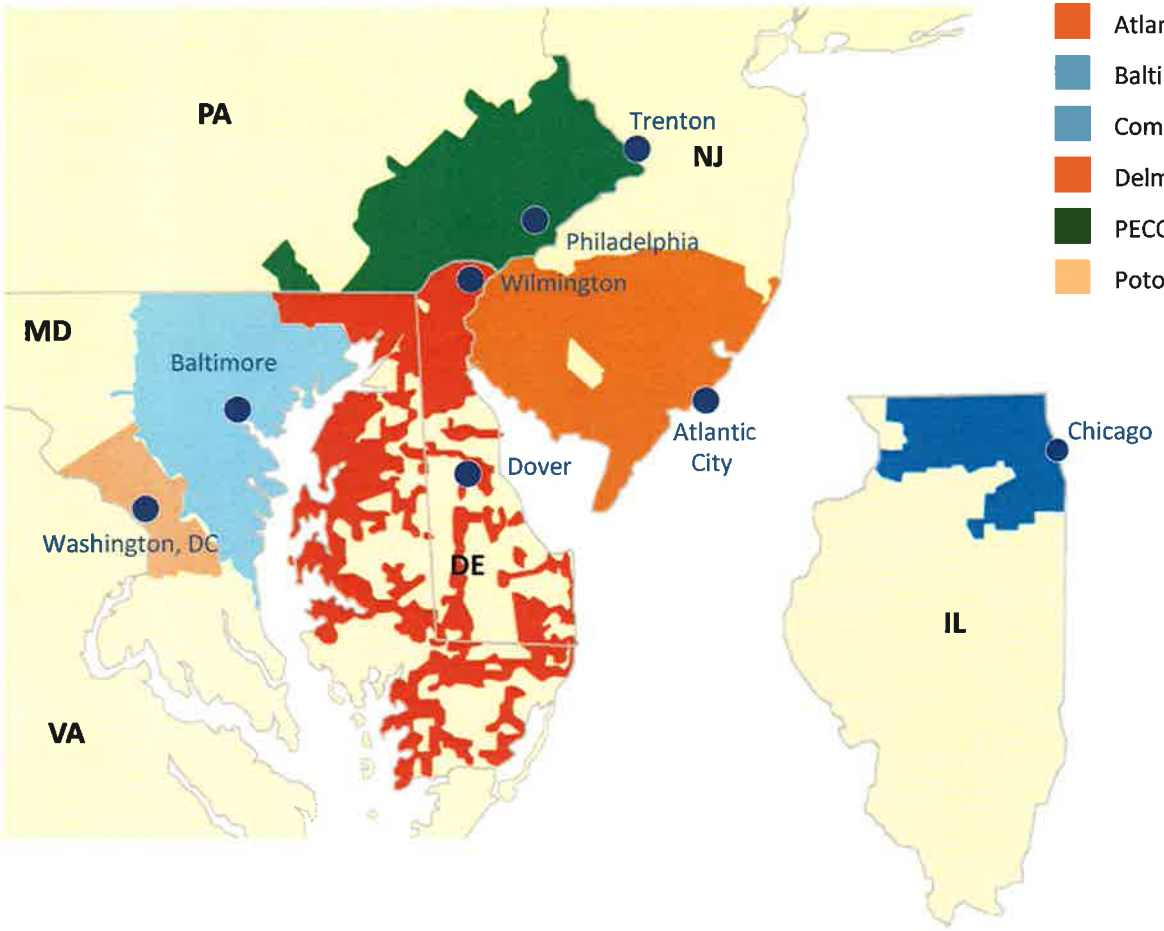
**Calvin G. Butler, Jr.** is BGE's Chief Executive Officer. Mr. Butler describes Exelon's approaches to electric system reliability, charitable giving, community involvement, and supplier diversity. He also provides relevant background information about Exelon's existing programs in each of these areas. (Exhibit No. 8).

## VII. CONCLUSION

**36. Q. Does this conclude your direct testimony at this time?**

A. Yes, it does.

# EXHIBIT CMC-1




- Atlantic City Electric Co. Service Territory
- Baltimore Gas and Electric Co. Service Territory
- ComEd Service Territory
- Delmarva Power & Light Service Territory
- PECO Energy Service Territory
- Potomac Electric Power Service Territory

# EXHIBIT 2

**JOINT APPLICANTS**
**EXHIBIT NO. 2**

BEFORE THE
PUBLIC SERVICE COMMISSION OF THE
STATE OF DELWARE

IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY, EXELON CORPORATION, PEPCO HOLDINGS, INC., PURPLE ACQUISITION CORPORATION, EXELON ENERGY DELIVERY COMPANY, LLC AND NEW SPECIAL PURPOSE ENTITY, LLC FOR APPROVALS UNDER THE PROVISIONS OF 26 DEL. C. §§ 215 AND 1016 (Filed June 18, 2014)

PSC DOCKET NO. 14-

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# DIRECT TESTIMONY
OF
JOSEPH M. RIGBY

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DATED: JUNE 18, 2014

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**DIRECT TESTIMONY**
**OF**
**JOSEPH M. RIGBY**

## I. INTRODUCTION AND PURPOSE

**1. Q. Please state your full name and business address.**

A. My name is Joseph M. Rigby. My business address is 701 9th Street, NW, Washington, DC 20068.

**2. Q. By whom are you employed and in what capacity?**

A. I am the Chairman of the Board of Directors, President and Chief Executive Officer of Pepco Holdings, Inc. ("PHI"). PHI is the parent of Delmarva Power & Light Company ("Delmarva Power"), which provides electric delivery service in Delaware and portions of the Eastern Shore of Maryland. In addition, Delmarva Power provides natural gas delivery to customers in northern New Castle County. PHI is also the parent of Potomac Electric Power Company ("Pepco"), an electric utility serving Washington, D.C., and Montgomery and Prince George's Counties in Maryland, and Atlantic City Electric Company ("ACE"), an electric utility serving southern New Jersey. I will refer to Delmarva Power, Pepco and ACE will collectively as the "PHI Utilities."

**3. Q. Please describe your professional and educational background.**

A. I joined ACE in 1979 and advanced through a number of management positions. My responsibilities have included accounting, financial services, treasury operations, business transformation, human resources, and the ACE/Delmarva

Power merger transition. Upon the merger of ACE and Delmarva Power that formed Conectiv, I became Vice President/General Manager of Gas Delivery, then Vice President/General Manager of Electric Delivery for ACE and Delmarva Power, which were then known as "Conectiv Power Delivery." I was elevated to President of Conectiv Power Delivery in 2002. From May 2004 to September 2007, I served as Senior Vice President and Chief Financial Officer of PHI and was responsible for all financial activity and investor relations.

From September 2007 to March 2008, I served as Executive Vice President and Chief Operating Officer of PHI. In that capacity, I was responsible for the day-to-day operations of Pepco, Delmarva Power and ACE and was also responsible for those companies' information technology and corporate communication functions. In March 2008, I was elected President and Chief Operating Officer of PHI.

I was elected President and Chief Executive Officer of PHI effective March 1, 2009, and was elected Chairman of the Board on May 15, 2009.

I earned a bachelor's degree in accounting from Rutgers University and an MBA from Monmouth University. I am a licensed Certified Public Accountant ("CPA") in the state of New Jersey.

**4. Q. Please identify relevant business or professional associations.**

A. I am the immediate past chair of the United Way of the National Capital Area. I am currently a member of the senior council of the Greater Washington Board of

Trade and previously served as the chairman of that organization. I also serve on the boards of the U.S. Chamber of Commerce, the Edison Electric Institute, the Federal City Council, the Greater Washington Initiative, and the Economic Club of Washington. I am a member of the Rutgers-Camden School of Business Executive Advisory Board, the New Jersey Society of CPAs and the American Institute of CPAs.

**5. Q. Have you previously testified before any utility regulatory agencies?**

A. Yes, most recently I testified before the Public Service Commission ("PSC") of Maryland in Case No. 9336, which was Pepco's most recent base rate case. Additionally, I have testified previously before the Maryland PSC on behalf of Pepco in Case Nos. 9092 and 9093.

**6. Q. What is the purpose of your direct testimony?**

A. I will provide PHI's perspective on the proposed merger ("Merger") of PHI and Exelon Corporation ("Exelon"), which was announced on April 30, 2014. In particular, I will discuss the values and vision that PHI and Exelon share, describe the current PHI management structure and explain why I believe that the Merger is in the best interest of Delmarva Power and the other PHI Utilities, their customers and the communities they serve and, therefore, is in the public interest.

## II. VALUES, VISION AND MANAGEMENT STRUCTURE

**7. Q. Please describe the core values of PHI.**

A. PHI organizes all aspects of its business around the following five core values:

1. **Safety** – We make safety the most important part of everything we do.

2. **Accountability** – We accept responsibility for our actions and behavior.

3. **Integrity** – We do the right thing.

4. **Diversity** – We treat everyone with dignity and respect.

5. **Excellence** – We strive to be the best.

**8. Q. Please describe PHI's overarching vision for its utility operations.**

A. PHI's vision is expressed in the following comprehensive statement:

> We aspire to become the best in class in safety, reliability, customer service and innovation by engaging our talented workforce, leveraging operational excellence and applying advanced technology. We seek to empower our customers through a smarter grid, create energy solutions for our business partners, protect our environment and deliver value to our shareholders.

Let me expand briefly on the principal elements of that statement. By "best in class," we mean outperforming our peers while meeting the needs of customers. "Innovation" refers to our focus on leveraging expertise in order to optimize energy resources and energy use by our customers and business partners. We strive to achieve the goal of "engaging our talented workforce" by building high-performing teams through leadership, teamwork, enterprise focus, accountability and communication. The second sentence of our aspiration statement expresses our emphasis on operational excellence and the need to face the challenges of the future by working to achieve creative energy solutions that continue to reliably

deliver a vital service to our customers while reducing energy costs and protecting the environment.

**9. Q. How do PHI's vision and core values compare with those of Exelon, which are summarized in Mr. Crane's direct testimony?**

A. While each company expresses concepts in its own words, the substance of the visions and core values of PHI and Exelon are closely aligned.

**10. Q. Why is it significant to the success of the Merger that PHI and Exelon share a common vision and core values?**

A. Having a common vision and sharing core values will facilitate the alignment of various business processes and the integration of the operations of the PHI and Exelon utilities following the Merger. This is an important reason why PHI and Exelon are excellent merger partners. Proper alignment of business processes will simplify and expedite the integration process and, in that way, help the post-Merger enterprise achieve fully and in a shorter time the performance improvements and cost savings expected from the Merger.

**11. Q. Please describe the priorities of PHI for 2014 with respect to providing utility service.**

A. Consistent with the vision and values I discussed previously, PHI has established the following priorities for the power delivery operations of the PHI Utilities, including, of course, Delmarva Power:

1. **Safety** – Everyone goes home safely every day.

2. **Reliability** – We seek to improve our customers' experience by reducing power outages and improving communications during restorations.

3. **Customer Satisfaction** – We seek to improve the customer experience through a comprehensive process management and technology approach, and we work together to make PHI a better, more challenging and rewarding place to work.

4. **Regulatory Compliance** – We meet our regulatory and compliance commitments.

5. **Financial Results** – We meet our financial commitments.

Joining Exelon's top-performing family of utilities will provide Delmarva Power and the other PHI Utilities additional resources to enhance their ability to achieve the priorities listed above and likely accelerate the achievement of those priorities in an efficient and cost-effective manner.

**12. Q. Please describe the PHI management structure.**

A. ACE, Delmarva Power and Pepco are separate corporations, although their financial results are reported as a single business segment of PHI for Securities and Exchange Commission reporting purposes. As I previously explained, the three PHI Utilities provide service in four jurisdictions because ACE furnishes service in New Jersey, Delmarva Power furnishes service in Delaware and

Maryland and Pepco furnishes service in the District of Columbia and Maryland. The utilities are operated under the supervision of the Executive Vice President, Power Delivery of PHI. Each utility has a complement of its own employees that provides certain engineering and customer service functions, operational support, and maintenance of the transmission and distribution system for that utility. In addition, personnel employed by the PHI Service Company, such as substation engineers and designers, perform utility-specific work for one or more of the utilities. Corporate and administrative support functions, such as accounting, legal and regulatory, generally are performed by employees of the PHI Service Company because those employees typically provide similar services to more than one utility company.

Each utility also has a Regional President that reports to the Senior Vice President, Government Affairs and Public Policy of PHI. The Regional Presidents work closely with the operational side of the business, provide a strong local connection in each jurisdiction and maintain relationships with government and regulatory officials and other stakeholders in the communities we serve.

Our management structure enables cost efficiencies across the jurisdictions by sharing services where appropriate while also maintaining a local presence in each of our jurisdictions. As explained in Mr. O'Brien's direct testimony, this general management structure will be maintained following the Merger.

## III. THE MERGER IS IN THE BEST INTEREST OF THE PHI UTILITIES, THEIR CUSTOMERS AND THE COMMUNITIES THEY SERVE

**13. Q. Please provide an overall assessment of the Merger from your perspective.**

A. I am convinced that the Merger will create a strong, well-managed, financially stable family of transmission and distribution utilities that are committed to providing high-quality service at reasonable cost. During my tenure as CEO, the PHI Utilities have been placed on a path of continuous improvement in reliability and customer satisfaction. As Mr. Gausman describes in his direct testimony, Delmarva Power has an extensive set of multi-year programs designed to meet its reliability commitments and, as a result, has made significant progress in its reliability performance. Delmarva Power is currently exceeding the Delaware Public Service Commission's reliability requirements.

PHI strives to continue the progress it has made in these areas and, in so doing, to fully meet and, indeed, exceed, our customers' expectations. There is no question in my mind that joining Exelon's outstanding distribution utilities will help us to do that by providing significant additional resources to sustain and, where appropriate, improve current levels of performance and customer satisfaction. My assessment of the Merger's benefits is backed by the package of explicit and substantial commitments that Exelon is offering in connection with the Merger. It is also backed by the well-established track record of reliable service, sensitivity to local priorities and concerns, cost-consciousness, environmental stewardship and outstanding corporate citizenship that Exelon has established.

On a personal level, throughout the Merger process I have spent a good deal of time with, and come to know, the senior management at Exelon and Exelon Utilities. As a result, I have had an excellent opportunity to learn and understand their approach to Merger integration and, more importantly, their approach to the on-going management and operation of distribution utilities within their corporate family. I am confident that the post-Merger organization will continue to be managed by a team of skilled professionals who are customer-focused and committed to the sustainable, long-term performance of their utilities at the highest levels. I am certain that, upon my retirement, which I have now deferred until the Merger is consummated, I will be leaving the PHI Utilities in good hands. I firmly believe that Exelon will maintain high-quality service, meet customers' needs reliably and efficiently, respect all of the constituencies we serve and actively engage in the civic and charitable life of our service areas.

**14. Q. Why are PHI and Exelon well suited as merger partners?**

A. There are three principal reasons why PHI and Exelon are well suited as merger partners. First, as I explained earlier, they share a common vision and core values. The two organizations' visions of the future and approach to delivering safe, reliable and efficient service are closely aligned. I believe these factors will promote a smooth transition throughout the Merger integration process and, as a result, allow the companies to achieve a higher level of sustainable merger savings.

Second, the PHI and Exelon utilities share a number of factors that are critical to their structural and operational integration. These factors are described in Section IV of Mr. Crane's direct testimony, and I will not repeat them here. However, I want to emphasize the importance of geographic proximity. The service territory map that Mr. Crane is providing as Exhibit CMC-1 tells this story graphically. Geographic proximity will facilitate coordinated management across the combined utility service territories in the Mid-Atlantic Region and will maximize the opportunities to capture economies of scale. However, in my view, the principal benefit from the close geographic fit of the PHI, BGE and PECO service areas is the strong mutual support structure it will create. This mutual support structure will enhance performance and lower costs. The most significant beneficial impact of enhanced mutual support will be derived from the ability to marshal the greater combined resources of contiguous utilities within the same corporate organization to respond to major storms or other emergency situations and reduce recovery time.

Third, the PHI operational goals that I identified in Section II closely align with initiatives that have been adopted and are being implemented among the Exelon utilities. Thus, the combined enterprise will be on the same page in terms of deploying resources and management attention to drive the performance of their utilities. To cite just one important example, Exelon, like PHI, is implementing Smart Grid and advanced metering infrastructure ("AMI") solutions and planning to use that technology to reduce costs, improve service, expedite emergency response, and provide customers with more options for controlling their energy

use and managing their energy needs. The Delaware Public Service Commission was the first jurisdiction within the PHI Utilities' service territories – and an early adopter nationwide – to approve the deployment of AMI.

**15. Q. Is the proposed Merger in the best interest of the PHI Utilities and their customers?**

A. Yes, it is, for the reasons I discussed in some detail above. In summary, the Merger will enable the Delmarva Power, the other PHI Utilities, and Exelon's utilities to leverage each other's expertise through effective sharing of best practices. The Merger will also strengthen the PHI Utilities' emergency response capabilities by providing access to greater resources available from a larger enterprise and provide financial resources that assure sustainable, long-term operational excellence. All of these factors generate significant benefits for customers. Moreover, Exelon is proposing firm reliability guarantees for Delmarva Power's customers, which would trigger financial penalties if performance goals are not achieved. Significantly, as Mr. Crane explains, as part of the Exelon family of utilities, Delmarva Power anticipates meeting these proposed heightened performance goals without increasing PHI's existing reliability-related capital and operating and maintenance expense ("O&M") budgets. I want to emphasize, as discussed in the direct testimony of Mr. Crane, Mr. Gausman and Mr. Alden, that Exelon understands and respects the fact that the balance between reliability investment and customer rate impact is an important issue in Delaware, as evidenced by the Reliability Capital Investigation at Docket 13-152 and the testimony provided on behalf of Commission Staff in

the most recent Delmarva Power electric base rate case (Docket 13-115). Both Delmarva Power and Exelon support continuing the ongoing process in Delaware with Staff, the Public Advocate and the Commission concerning the right balance for customers of Delmarva Power.

Additionally, customers will realize an immediate tangible benefit of more than $50 per distribution customer from the Exelon-funded Customer Investment Fund that will be established to allow customers to realize Merger-related savings. At the same time, Exelon is committing to flow-through all actual test-year distribution-related Merger savings, net of costs to achieve, in Delmarva Power's future rate cases. Exelon is also making an explicit commitment to maintain and promote Delmarva Power's low-income customer assistance and demand response programs.

**16. Q. Can you briefly describe how PHI reached its decision to enter into the Merger Agreement with Exelon?**

A. Yes. After receiving unsolicited inquiries regarding the acquisition of PHI, the PHI Board of Directors decided to pursue the possibility of a merger. With the assistance of its financial advisors, a limited process was conducted in which PHI reached out to potential counterparties to determine their interest in an acquisition of PHI. Initial indications of interest in acquiring PHI were received, and based on those initial indications, two potential counterparties, including Exelon, were invited to continue to explore a possible acquisition of PHI. Final bids were received by PHI from Exelon and the other counterparty on April 25, 2014.

Those bids were subsequently increased by each counterparty on April 28, 2014, with Exelon's bid to acquire PHI for $27.25 per share of PHI common stock in cash being the highest.

While the Board acted to achieve the highest reasonable value for PHI shareholders, we also understood that as a parent company of public utilities, it was essential for PHI to assure that the proposed Exelon Merger will be consistent with the public interest. I have already described above why the proposed Merger with Exelon is in the best interests of Delmarva Power's customers and the communities and jurisdictions where we provide natural gas and electric service. More detailed descriptions of those benefits are provided in the direct testimony of other witnesses and, therefore, I will not repeat them here. Because the PHI Board was convinced that the merger with Exelon would be in the public interest, Exelon and PHI entered into the Merger Agreement on April 29, 2014.

**17. Q. Are there any other factors that are important to you and that you and the PHI Board considered in reaching the decision to merger with Exelon?**

A. Yes. I believe that the strength of any business lies in its people. Consequently, we cannot think about delivering safe, reliable and efficient utility service without considering our employees. Exelon shares my view. In that regard, Exelon has clearly stated it will honor all existing collective bargaining agreements, and I am pleased to report that all of the collective bargaining units that represent our employees, namely, Locals 210, 1238, 1307 and 1900 of the International Brotherhood of Electrical Workers, agree the Merger is in the best interest of

Delmarva Power and its employees and have recently agreed to contract extensions for an additional three years. Additionally, Exelon is making specific commitments that for two years following the Merger there will be no net reduction due to involuntary attrition as a result of the Merger integration process in the employment level at Delmarva Power and that there will be provided to current and former employees of Delmarva Power compensation and benefits that are at least as favorable, in the aggregate, as the compensation and benefits provided to those employees immediately before the Merger. These commitments are explained in the direct testimony of Denis P. O'Brien.

**18. Q. Why is the Merger in the best interest of Delaware and the communities Delmarva Power serves?**

A. As I stated earlier, part of making sure that the proposed Merger is consistent with the public interest is continuing the local presence and involvement of Delmarva Power in the communities we serve. The Merger will maintain the local presence of Delmarva Power, as evidenced by specific commitments in this regard made by Exelon and discussed by Mr. O'Brien. Additionally, as Mr. O'Brien explains, Delmarva Power and the PHI Utilities will continue to be operated in largely the same manner as they are today. Exelon has committed to maintaining Delmarva Power's New Castle Regional Office (NCRO). Moreover, Exelon has committed to maintaining the local leadership positions in Delaware as well. The Delaware Commission, government officials, community leaders and customers will continue to know the people who are working at the utility level to keep their lights on and their gas flowing. Clear lines of communication will continue to be

in place. As Mr. Crane emphasizes in his direct testimony, Exelon is just as committed as PHI is to being accessible to the Commission, state and local governments, businesses, and civic and charitable organizations.

The Delaware communities served by the Delmarva Power will also benefit from Exelon's express commitment to provide, for ten years following the Merger, an annual average in charitable contributions and traditional local community support that exceeds the 2013 level.

Finally, Delaware will realize substantial tangible benefits from the Merger, which have been identified and quantified by Susan F. Tierney, Ph.D. in her direct testimony and accompanying analysis.

**19. Q. Is the Merger in the public interest?**

A. Yes it is, for the reasons I discussed previously. In summary, Delmarva Power and it PHI utility affiliates will be better positioned to meet the challenges of furnishing safe, reliable and efficient service currently and in the future with the added resources they will gain from joining the Exelon family of utilities. The Merger, along with the Merger-related commitments being made by Exelon, will provide immediate and long-term tangible benefits to Delmarva Power's customers, the communities Delmarva Power serves and the state of Delaware. I have no reservations in recommending that the Merger be approved. Indeed, the sooner the Merger can be consummated, the sooner customers, our communities and the state of Delaware will begin to realize the substantial benefits that the Merger will produce.

## IV. CONCLUSION

**20. Q. Does this conclude your direct testimony at this time?**

A. Yes, it does.

# EXHIBIT 3

**JOINT APPLICANTS**
**EXHIBIT NO. 3**

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 ENERGY DELIVERY COMPANY, LLC AND NEW SPECIAL PURPOSE ENTITY, LLC FOR APPROVALS UNDER THE PROVISIONS OF 26 DEL. C. §§ 215 AND 1016 (Filed June 18, 2014)

PSC DOCKET NO. 14-

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# DIRECT TESTIMONY
OF
DENIS P. O'BRIEN

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DATED: JUNE 18, 2014

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**DIRECT TESTIMONY**
**OF**
**DENIS P. O'BRIEN**

## I. INTRODUCTION AND PURPOSE

**1. Q. Please state your full name and business address.**

A. My name is Denis P. O'Brien. My business address is 2301 Market Street, Philadelphia, Pennsylvania 19103.

**2. Q. By whom are you employed and in what capacity?**

A. I am Senior Executive Vice President of Exelon Corporation ("Exelon") and Chief Executive Officer of Exelon Utilities ("EU"). In that capacity, I am responsible for the activities of Exelon's regulated transmission and distribution businesses, which serve approximately 7.8 million customers. EU is an unincorporated division of Exelon, which I will describe below.

**3. Q. Please describe your educational and professional background.**

A. I have a Bachelor's Degree in Industrial Engineering from Rutgers University and a Master's Degree in Business from Drexel University. I have over 30 years of utility experience in engineering and operations, strategic planning, and executive management.

I began my career in 1982 as an engineer in PECO Energy Company's ("PECO") Transmission and Distribution Department performing a variety of engineering, project management, and supervisory duties. In 1987, I was promoted to Division

Engineer of the Philadelphia Division. From 1989 to 1991, I was assigned to the PECO Corporate Planning Department where I supported PECO's implementation of Total Quality Management. From 1991 to 2000, I progressed through various supervisory and managerial positions in PECO's Operations Department.

In 2000, I was promoted to Vice President of Operations for PECO. In that capacity, I was responsible for the operation and maintenance of PECO's electric and gas transmission and distribution systems and the construction of additions and replacements to those systems. In 2002, I was appointed Executive Vice President and, in that capacity, was responsible for all of PECO's day-to-day operations. In 2003, I was promoted to President of PECO, and, in 2007, was named its CEO.

In March 2012, upon completion of the merger of Exelon and Constellation Energy Group, Inc. ("Constellation"), I assumed my current position with Exelon.

**4. Q. Please identify your other business, professional and civic affiliations.**

A. I am chairman of the board of directors of the Electric Power Research Institute (EPRI) and serve on the board of directors of Independence Blue Cross. I am also chair-elect of the Greater Philadelphia Chamber of Commerce and a member of the boards of trustees of the Pennsylvania Business Council, the CEO Council for Growth, the Franklin Institute, and Drexel University. I previously served on the boards of the American Gas Association, the Energy Association of Pennsylvania,

the Pennsylvania Economy League, the YMCA of Greater Philadelphia and WHYY, Inc.

**5. Q. Have you previously testified before a utility regulatory agency?**

A. Yes. I submitted direct, supplemental direct and rebuttal testimony before the Pennsylvania Public Utility Commission at Docket No. A-110550F0160, which was the proceeding for approval of the proposed merger of Exelon and Public Service Enterprise Group, Inc. ("PSEG"). I also submitted rebuttal testimony before the New Jersey Board of Public Utilities ("BPU") at BPU Docket No. EM05020106, which was the proceeding for BPU approval of the same transaction. The proposed merger of Exelon and PSEG was not consummated. In addition, I submitted rebuttal testimony before the Public Service Commission of Maryland on behalf of the applicants in Case No. 9271, which was the proceeding for approval of the merger of Exelon and Constellation.

**6. Q. What is the purpose of your direct testimony?**

A. My testimony supports the proposed merger ("Merger") of Exelon and Pepco Holdings, Inc. ("PHI"). As CEO of EU, upon consummation of the Merger, I will have a direct role in the management of Atlantic City Electric Company ("ACE"), Delmarva Power & Light Company ("Delmarva Power") and Potomac Electric Power Company ("Pepco") (collectively, the "PHI Utilities"). I will describe Exelon's approach to managing its electric and natural gas delivery utilities, including the role of EU and my role within EU. As part of that discussion, I will explain the role that PHI will play within the Exelon corporate and management

structure after the Merger is consummated. I will also describe Exelon's commitment to maintaining substantial local control of utility operations, summarize the institutional measures that Exelon has in place for its existing utilities to define and preserve local control, and explain how those measures will be extended to PHI after the Merger is completed. Additionally, because sharing of best practices is critical to realizing the benefits expected from the Merger, I discuss my experience in the successful processes of sharing best practices following the merger of PECO and Unicom Corporation ("Unicom") to form Exelon and the merger of Exelon and Constellation, which added Baltimore Gas and Electric Company ("BGE") to the Exelon family of electric and gas distribution and transmission utilities. Finally, I will describe the commitments Exelon and PHI are making with regard to post-Merger employment and compensation at ACE, Delmarva Power and Pepco.

## II. THE EXELON UTILITY MANAGEMENT STRUCTURE

**7. Q. Please describe where PHI and the PHI Utilities will be located in the Exelon corporate structure post-Merger.**

A. The pre-Merger and post-Merger corporate structures of PHI and Exelon are depicted in the organization charts provided as Appendix C to the Joint Application. Consequently, I will provide only a brief overview of the relevant elements of the before and after corporate structures.

**Exelon.** All three of Exelon's utilities – BGE, Commonwealth Edison Company ("ComEd") and PECO – are subsidiaries of Exelon Energy Delivery Company,

LLC ("EEDC"), which is a direct subsidiary of Exelon. EEDC is a holding company and has no employees. ComEd and PECO are direct subsidiaries of EEDC, while BGE is a subsidiary of RF Holdco, LLC ("RF Holdco"), which is, in turn, a subsidiary of EEDC. RF Holdco is a special purpose entity ("SPE") created to implement "ring-fencing" measures designed to insulate BGE from risks the Public Service Commission of Maryland perceived with Constellation's competitive businesses. There will be no change in the positions of Exelon's utilities, RF Holdco or EEDC within the Exelon corporate structure as a result of the Merger.

**PHI.** Currently, Pepco and Conectiv, LLC ("Conectiv") are direct subsidiaries of PHI, and ACE and Delmarva Power are subsidiaries of Conectiv. This structure is a legacy of the merger of PHI and the predecessor of Conectiv in 2002. Post-Merger, PHI will become a subsidiary of EEDC. However, another entity will be placed between PHI and EEDC in order to implement the ring-fencing measures that Exelon is proposing, which are described in greater detail in the direct testimony of Carim V. Khouzami. Specifically, a new SPE will be created with provisions in its organizational documents designed to insulate PHI and the PHI Utilities from potential credit, default and bankruptcy risks of unrelated businesses in the Exelon holding company system, as Mr. Khouzami explains. The PHI Utilities will continue to be subsidiaries of PHI.

**8. Q. Does the post-Merger corporate structure mean that there will be multiple layers of management between Exelon and its operating utility companies corresponding to each corporate tier that you described above?**

A. No, it does not. Simply because multiple tiers exist within the Exelon corporate structure does not mean that there are ascending layers of corporate management at each tier. To the contrary, Exelon employs a straightforward management structure, which maintains clear, direct lines of reporting and responsibility that do not necessarily track the various intermediary legal entities within Exelon's corporate structure. In that regard, both RF Holdco and the SPE to be created between EEDC and PHI will exist only to ring-fence BGE and the PHI Utilities, respectively, and will have no operational role or management responsibility. In addition, as I previously explained, Conectiv is a carry-over from the PHI/Conectiv merger. Beyond its mere legal existence as an entity that holds the stock of ACE and Delmarva Power, it does not currently play any role in the operations or management of those companies, and it will not do so after the Merger.

**9. Q. Explain the role PHI will have in the operation of the PHI Utilities following consummation of the Merger.**

A. As Mr. Rigby explains in his direct testimony, PHI currently plays an important role in the overall management of the PHI Utilities. Based on Mr. Rigby's description of the PHI management structure, PHI's role in the operation of the PHI Utilities will align with the management of BGE, ComEd and PECO. As a consequence, when I or other witnesses providing direct testimony refer to "local

management" in the context of PHI and the PHI Utilities, that term refers generally to PHI and not necessarily the Boards of Directors and officers of the individual PHI Utilities. Mr. Rigby also describes the role of the Regional Presidents for each of the PHI Utilities. Exelon plans to retain the Regional President positions with their current duties and responsibilities. As Mr. Rigby explains, the Regional Presidents work closely with the operational side of the business, provide a strong local connection in each jurisdiction and maintain relationships with state and local governments, regulatory officials and other stakeholders in the communities they serve. We envision the Regional Presidents playing the same role after the Merger.

On or shortly after the effective date of the Merger, PHI will be converted from a corporation to a limited liability company or "LLC." As an LLC, PHI will have a Board of Directors that will function in a fashion similar to that of the Board of Directors of a corporation. Currently, Exelon anticipates a seven-member board with three outside members from the ACE, Delmarva Power and Pepco service areas and four members who will consist of some combination of officers or directors of Exelon and officers of one or more of PHI or the PHI Utilities. The PHI Board of Directors will select the Boards of Directors of each of ACE, Delmarva Power and Pepco, and the boards of each of those PHI Utilities will choose that utility's officers.

PHI's common stock will cease to be publicly traded on and after the effective date of the Merger. Therefore, a number of corporate functions associated with having publicly traded common stock, such as investor relations, will no longer

need to be performed at the PHI level because Exelon already has those capabilities. The elimination of these functions at the PHI level is one important source of synergies the Merger is expected to produce. PHI will, however, have a President/Chief Executive Officer, Chief Financial Officer, Treasurer and a limited number of other officers, but likely fewer than currently exist.

The authority of the PHI Board of Directors and officers to act on behalf of the PHI Utilities will be delineated in a Delegation of Authority, which I describe in more detail later in my testimony.

**10. Q. Please describe the role of the operating utilities' management in Exelon's existing utility management model.**

A. The senior management of each Exelon utility is given the authority and responsibility for developing its respective utility business plan and operating and maintenance ("O&M") and capital budgets. While those business plans and budgets are reviewed by me, Exelon's CEO and the Executive Committee of Exelon, they have to be approved by the Boards of Directors of the respective utilities. As I previously explained, following the Merger, PHI's management will align at the same level as the senior management of Exelon's existing utilities and, therefore, business plans and budgets for the PHI Utilities would have to be approved by the PHI Board of Directors that I described previously.

Additionally, the authority and responsibility delegated to local management is clearly delineated in two formal, written documents, namely, a statement of Corporate Governance Principles and a Delegation of Authority. The Delegation

of Authority includes, among other things, levels of expenditures and defined categories of decisions that can be authorized solely by the utility's CEO or by the utility CEO with utility board approval.

Consistent with the clearly established direction, goals and priorities provided by the utility's business plan and budgets, each utility CEO is held accountable for assuring that safe, reliable and efficient service is furnished to customers and that appropriate fiscal discipline is maintained, consistent with the utility's service obligations, to remain on-budget. For PHI, its CEO will have this authority and responsibility on behalf of the PHI utility subsidiaries. As part of this process, Exelon will provide the resources that BGE, ComEd, PECO and PHI will need to execute their business plans and fulfill their service obligations.

**11. Q. What is EU and what is its role in the Exelon utility management model?**

A. EU was formed in 2012 upon the completion of the Exelon-Constellation merger. With that merger, BGE joined ComEd and PECO in Exelon's family of utilities. Given the greater size of its post-merger utility operations, Exelon determined that it should create a structural vehicle to coordinate the development and oversight of its regulated business. Exelon also concluded that the new management structure should be assigned responsibility for realizing the value inherent in the larger scale of post-merger operations by unlocking the knowledge, expertise and practical experience that otherwise could be isolated within each utility company or within "silos" inside each of those companies. Simply stated, given the breadth and depth of Exelon's utility operations, there was likely to be a precedent or best

practice within one or more of its utility operating companies for many aspects of utility operations, and the new management structure was tasked with working with the individual utilities to identify those precedents and best practices and deploy them across the entire enterprise. I describe various examples of the successful cross-pollination and sharing of best practices from the PECO-Unicom and Exelon-Constellation mergers in Section III of my testimony. In short, EU was the solution Exelon developed to facilitate the horizontal distribution of knowledge and expertise and sharing of best practices across all of Exelon's utilities.

As I previously noted, EU is not a legal entity but, rather, is an unincorporated divisional structure that maintains direct lines of reporting between Exelon's utilities and Exelon's senior management. As part of this process, EU helps local utility management develop business plans and budgets and also helps identify and marshal skills, knowledge and resources within Exelon that local utilities may need to successfully implement those plans. EU is also the organizational tool embedded in the management structure for the express purpose of focusing management attention on cooperation and collaboration across the utility business. While there are many ways in which EU pursues that part of its mission, some of the more important ways include driving the processes for identifying and sharing best practices, leveraging economies of scale, and creating efficiencies by standardizing business and operating processes as appropriate and consistent with each company's service obligations. To that end, EU works with each utility's management: (i) to develop its business strategy and establish

appropriate performance goals in areas such as safety, reliability and customer satisfaction; (ii) to ensure that the utility remains on track to implement its business plan and achieve its performance goals; (iii) to maintain clear lines of reporting to Exelon management on the performance of EU and each utility; and (iv) to formalize the process for sharing knowledge and best practices among utilities by creating cross-company "communities of practice" organized around common functions, objectives and operational challenges. Additionally, EU has primary responsibility for overseeing and monitoring each utility's compliance with regulatory requirements and adherence to applicable Exelon policies and standards.

**12. Q. What is your role in EU?**

A. As I previously indicated, I am CEO of EU, a position I assumed when EU was created. While I continue to live in the Philadelphia area, I maintain offices in Philadelphia, Baltimore and Chicago. Following the completion of the Merger, I will also have an office in Washington, D.C. As CEO of EU, I have general oversight responsibility for BGE, ComEd and PECO. I am also responsible for EU fulfilling its mission of assisting Exelon's utilities to work collaboratively to achieve superior operational performance and to provide their customers safe, reliable and efficient service at just and reasonable rates.

**13. Q. Earlier, you mentioned that Exelon's management structure maintains straightforward, direct lines of reporting. Please describe those lines of reporting.**

A. The CEOs of individual utilities report to me as Senior Executive Vice President with overall responsibility for Exelon's regulated utility business. I report directly to Exelon's CEO, Christopher M. Crane.

The CEOs of the regulated utilities are members of the Exelon Management Executive Committee, which also includes members from other areas of Exelon's business that are selected by Exelon's CEO. The Management Executive Committee exists to assist Mr. Crane in leading Exelon. The Management Executive Committee is the body where important policy and operating decisions for Exelon, including Exelon's utilities, are discussed, analyzed and decided. As members of the Management Executive Committee, the utility CEOs – which will include the CEO of PHI post-Merger – meet with Mr. Crane at least monthly. Consequently, the CEOs of the operating utilities have direct and frequent access to Mr. Crane and other members of Exelon's senior management team.

**14. Q. Will EU and the Exelon management model continue to function in the way you described after the Merger is consummated and the PHI Utilities join Exelon?**

A. Yes, they will. Following the Merger, regulated utility operations will be an even more significant component of Exelon's operations. Consequently, the original rationale for creating EU and employing the Exelon utility management model

will continue and, in fact, be reinforced by the Merger. Based on the success EU and the Exelon management model achieved with the integration and subsequent operation of BGE, I am confident that PHI and the PHI Utilities will also be successfully integrated and operated following the Merger.

**15. Q. Does Exelon expect that the local management of the PHI Utilities will remain in place following the Merger?**

A. Yes, Exelon expects that managers who are "on the ground" in each service area and whom regulators and customers have come to know and trust will still be on the job after the Merger is completed.

**16. Q. Will the PHI Utilities continue to have a strong local presence in the communities they serve?**

A. Yes, they will. In fact, Exelon intends to maintain the headquarters of PHI in the District of Columbia and to maintain Delmarva Power's New Castle Regional Office, which is located in Newark. Additionally, Exelon is making specific commitments with respect to charitable giving and community initiatives, which are discussed in the direct testimony of Calvin G. Butler, Jr.

## III. SHARING OF BEST PRACTICES FOLLOWING THE PECO-UNICOM AND EXELON-CONSTELLATION MERGERS

**17. Q. Briefly describe your experience and involvement in the successful sharing of best practices that followed the PECO-Unicom and Exelon-Constellation mergers.**

A. I was directly involved in the integration and sharing of best practices following the PECO-Unicom and Exelon-Constellation mergers. When the PECO-Unicom merger was consummated, I was Vice President of PECO and, in that capacity, had overall responsibility for the operation and maintenance of PECO's electric and gas transmission and distribution systems. Following the Exelon-Constellation merger, I assumed my current position where I have general oversight responsibility for BGE, ComEd and PECO. After both mergers, the utilities of the merged company became stronger organizations, improved their reliability metrics and had enhanced ability to provide our customers high-quality service. Large numbers of individual best practices were shared across the enterprise following each merger. Some of the most notable examples of best practice sharing following the PECO-Unicom merger involved PECO's adoption of ComEd's seasonal readiness program and detailed capacity planning process and ComEd's adoption of PECO's Preventive Maintenance Program and rigorous safety programs.

Following the Exelon-Constellation merger, best practices identified from among BGE, ComEd and PECO were deployed across all three companies. Some of the more significant examples include the following:

- Extending Exelon's "lock out" and "tag out" ("LOTO") procedures throughout all of Exelon's utilities: LOTO consists of safety procedures used in the electric power industry to ensure that power lines are properly de-energized and not re-energized again before maintenance or servicing work has been completed. Exelon's carefully developed and well-tested LOTO procedures have now been standardized across ComEd, PECO and BGE. In addition to helping our employees stay safe and improving productivity, standardizing "best practice" LOTO procedures enables crews from any one of Exelon's utilities to seamlessly work on the facilities of any other Exelon utility. As a consequence, the performance of inter-company mutual assistance is enhanced and restoration times following system emergencies are reduced. In addition, standardized procedures for working on de-energized equipment were adopted, which improved productivity and reduced outage durations.

- Adoption of criteria developed by ComEd and PECO for prioritizing corrective maintenance work that is identified by circuit patrols: Circuit patrols conduct inspections of distribution circuits. These inspections are designed to do several things, including helping to identify maintenance needs. Implementing an appropriate system for prioritizing corrective maintenance based on carefully designed criteria has reduced the number of outages caused by equipment failures.

- Optimizing the use and placement of "reclosers": Based on their shared experience, Exelon's utilities have been able to optimize the criteria for, and the use and placement of, "reclosers." Reclosers are circuit breakers designed to automatically open or close, as applicable, when a problem is detected on a line, such as when a tree makes contact with a conductor. Optimal use and placement of reclosers reduce the number of sustained customer outages by isolating the segment of a line where a problem is detected while maintaining service on parts of the line that are not adversely affected.

- BGE's adoption of procedures for rejuvenating the insulation of insulated cable: The extension of this ComEd/PECO best practice to BGE has improved reliability, avoided the need to replace insulated cable prior to the end of its service life, and reduced projected equipment replacement costs.

- BGE's adoption of standards employed by ComEd and PECO to protect its facilities from harmful wildlife interactions: Animals may use man-made structures for dens or nesting sites, foraging sites, or as travel routes, and these activities can cause damage to structures and the equipment they contain. For example, wildlife intrusions into electric power substations and the resulting damage they cause to the electrical equipment can trigger outages of all of the circuits served from those substations. Adopting the Exelon approach to controlling wildlife interaction with electrical facilities

has contributed to a reduction in outages experienced at BGE while also protecting wildlife and the environment.

- BGE's avian management program, analysis of accelerated gas asset replacement programs, use of social media to improve customer satisfaction and lessons learned for supporting fleet warranty claims were identified as best practices and used to align common practices across all of Exelon's utilities.

The process of sharing best practices was an important factor driving BGE's improved reliability metrics. As Mr. Alden explains in his direct testimony, as a result of sharing best practices, the reliability improvements at BGE were achieved without increasing BGE's planned expenditure levels. In addition, as noted in some of the examples cited above, sharing best practices can enhance employee safety and reduce costs.

## IV. EXELON'S EMPLOYMENT RELATED COMMITMENTS

**18. Q. Please describe Exelon's commitment with regard to post-Merger employment at the PHI Utilities.**

A. Exelon is committing that, upon approval of the Merger and for two years following consummation of the transaction, it will not permit a net reduction in the employment levels at Pepco, Delmarva Power or ACE due to involuntary attrition resulting from the Merger integration process.

**19. Q. Please describe Exelon's commitment with regard to post-Merger compensation.**

A. Exelon and PHI are committing to honor the PHI Utilities' existing collective bargaining agreements. It is significant that, as Mr. Rigby explains, Locals 210, 1238, 1307 and 1900 of the International Brotherhood of Electrical Workers, which comprise all of the collective bargaining units that represent employees of the PHI Utilities, agree the Merger is in the best interest of Delmarva Power and its employees. These four Locals have also recently agreed to contract extensions for an additional three years. Exelon is also committing that for, two years following consummation of the transaction, it will provide current and former employees at Pepco, Delmarva Power and ACE compensation and benefits that, in the aggregate, are at least as favorable as the compensation and benefits provided to those employees immediately before the Merger.

## V. CONCLUSION

**20. Q. Does this conclude your direct testimony at this time?**

A. Yes, it does.

# EXHIBIT 4

**JOINT APPLICANTS**
**EXHIBIT NO. 4**

BEFORE THE
DELAWARE PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY, EXELON CORPORATION, PEPCO HOLDINGS, INC., PURPLE ACQUISITION CORPORATION, EXELON ENERGY DELIVERY COMPANY, LLC AND NEW SPECIAL PURPOSE ENTITY, LLC FOR APPROVALS UNDER THE PROVISIONS OF 26 DEL. C. §§ 215 AND 1016 (Filed June 18, 2014)

PSC DOCKET NO. 14-

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# DIRECT TESTIMONY
OF
MARK F. ALDEN

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DATED: JUNE 18, 2014

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# DIRECT TESTIMONY
# OF
# MARK F. ALDEN

## I. INTRODUCTION AND PURPOSE

**1. Q. Please state your full name and business address.**

A. My name is Mark F. Alden. My business address is 110 West Fayette Street, Baltimore, Maryland 21201.

**2. Q. By whom are you employed and in what capacity?**

A. I am employed by Exelon Corporation ("Exelon") as Vice President, Utility Oversight and Integration. I am responsible for overseeing and ensuring consistency and best practice application across the operations of the three Exelon utilities – Baltimore Gas and Electric Company ("BGE"), Commonwealth Edison Company ("ComEd"), and PECO Energy Company ("PECO"). I report directly to Denis P. O'Brien, Chief Executive Officer of Exelon Utilities.

**3. Q. Please describe your professional and educational background.**

A. I received a bachelor's degree in civil engineering from Pennsylvania State University and a master's degree in business administration from Saint Joseph's University. I have worked for PECO or its corporate affiliates for the past thirty-two years, starting out as a project manager in PECO's nuclear group and, prior to my current position, serving as Vice President, Customer Operations, for PECO. I have also served as Vice President, Engineering and Services, for PECO and

ComEd and my responsibilities in that position included development of investment strategies for overall system reliability improvements at those utilities.

**4. Q. Have you previously testified before a utility regulatory agency?**

A. Yes. I submitted direct and rebuttal testimony before the Pennsylvania Public Utility Commission ("PA PUC") on behalf of PECO with respect to its 2008 gas base rate filing at PA PUC Docket No. R-2008-2028394.

**5. Q. What is the purpose of your direct testimony in this proceeding?**

A. The purpose of my direct testimony is as follows: (1) to provide an overview of Exelon's approach to utility service reliability and the levels of reliability at Exelon utilities, including improved reliability at BGE after its acquisition by Exelon; and (2) to describe the reliability metrics which Exelon is committed to achieving at Delmarva Power upon approval of Exelon's proposed merger with Pepco Holdings, Inc. ("PHI").

## II. EXELON'S APPROACH TO RELIABILITY

**6. Q. What is Exelon's approach to utility service reliability?**

A. Exelon is committed to continuously improving the reliability of its service in each of its utility service territories. This commitment incorporates numerous programs to maintain, protect and, where needed, improve the electric distribution system at each utility, including proactive inspection, electric infrastructure replacement (such as new substations), and general reliability construction programs (e.g., cable replacement).

**7. Q. How does Exelon effectuate this commitment?**

A. In order to implement this reliability commitment, Exelon has developed the Exelon Management Model (the "Management Model"), a management system designed to identify and generate best practices for operational excellence at each of its utilities and to share and implement those practices system-wide. The Management Model includes forty-four system-wide core functional area teams (such as Operate and Restore, Preventative and Corrective Maintenance, and System Performance) which are directed by senior leaders and staffed by managers who lead the corresponding functional area at each utility. This structure helps ensure alignment, sharing, and implementation of best practices and initiatives across all utilities and drives improved performance and increased customer satisfaction.

**8. Q. How does Exelon measure reliability at its utilities?**

A. Our primary measure of reliability is a set of standard metrics established by the Institute for Electrical and Electronics Engineers ("IEEE") which are used in some form by public utility commissions across the country. We are particularly focused on the following two key metrics:

- **System Average Interruption Frequency Index ("SAIFI")**: The average number of sustained interruptions per customer during a year.

- **Customer Average Interruption Duration Index ("CAIDI")**: The average duration of interruptions that a customer experiences during a year.

SAIFI is useful as it indicates the average number of times that a customer may be interrupted over the course of a year, while CAIDI provides the average length of time of those interruptions. For some jurisdictions, we also regularly calculate the System Average Interruption Duration Index ("SAIDI"), which is calculated by dividing the sum of all sustained customer interruption durations by the total number of customers served and indicates the average length of time that customers were without service.

We also utilize a variety of other metrics to measure reliability. For example, we track a Customer Satisfaction Index for each Exelon utility which measures customer satisfaction with a variety of service components, including the ability to restore electric service after an outage.

In addition to calculating and analyzing each utility's performance on these important metrics, we compare Exelon utility performance to the performance of other similar utilities utilizing industry peer groups and best-practice sessions to drive continuous improvement.

**9. Q. How have Exelon utilities performed on the key reliability metrics you have described?**

A. The effectiveness of Exelon's approach to reliability is reflected in the fact that, in 2013, each Exelon utility maintained its continuing trend of improvement and exceeded its 2012 performance in the key metrics of SAIFI, SAIDI, and CAIDI.

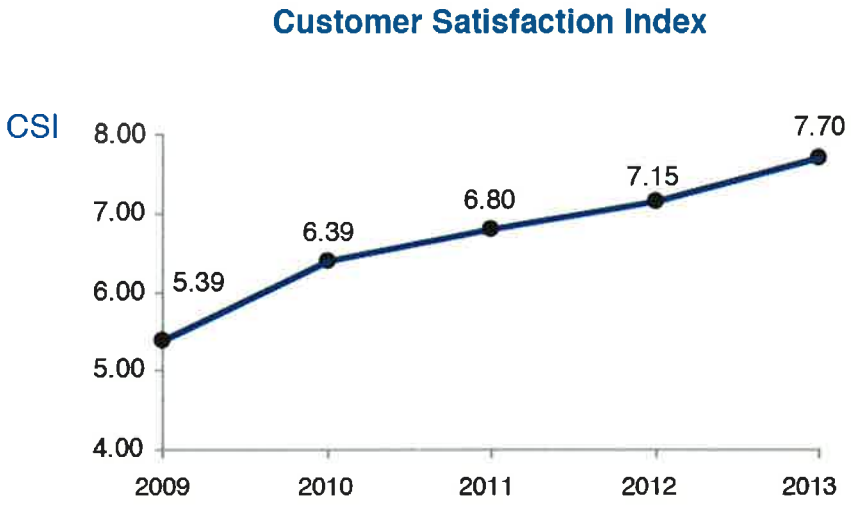
I have included a set of graphs in Exhibit MFA-1 to my testimony which depicts 2013 performance levels on these metrics as well as the trend of improvement

over the last four years for the Exelon utilities. In each graph, the declining index reflects improved reliability for customers: a lower SAIFI corresponds to a reduced number of interruptions and a lower SAIDI and CAIDI (which are shown in minutes over time) correspond to shorter outage duration.[1] We also compare the performance of Exelon utilities to other utilities, and the SAIFI, SAIDI and CAIDI results place both ComEd and PECO in the top quartile of similar utilities in the U.S.

**10. Q. Mr. Alden, how would you characterize the change in reliability metrics at BGE since its acquisition by Exelon?**

A. BGE's reliability metrics have improved significantly since BGE became part of the Exelon family of utilities in 2012. For example, as shown in the Exhibit MFA-1, the average time to restore service to BGE customers who experienced a sustained interruption declined by almost 32%. That enhanced reliability is also reflected in other metrics that we measure, such as the Customer Satisfaction Index, which also improved following Exelon's acquisition of BGE, as shown below:

[1] The calculations reflected in the following graphs are based on the IEEE 2.5 Beta methodology, which is a common standard developed by IEEE to address the inclusion and exclusion of major event days in the calculation of IEEE reliability metrics.




**11. Q. Mr. Alden, did Exelon increase capital spending or operations and maintenance expenditures at BGE after the merger in order to obtain these reliability improvements?**

A. No, it did not. ComEd and PECO worked closely with their colleagues at BGE to share best practices, as described by Mr. O'Brien. As a result, we were able to achieve the improved reliability and customer satisfaction metrics at BGE without increasing planned expenditure levels.

**12. Q. What types of assistance do Exelon utilities provide to each other in the event of major storms?**

A. The Exelon utilities are integrated with each other in a variety of ways that enhance reliability. Perhaps most importantly for many customers, BGE is now fully integrated with ComEd and PECO in its response to major storms. This integration facilitates the deployment of Exelon utility crews quickly and safely between utility service territories and permits teams from all three companies to begin work almost immediately upon arrival in another Exelon utility service

territory through the use of such practices as the standardized "Lock Out" and "Tag Out" ("LOTO") program described by Mr. O'Brien.

**13. Q. Is the ability to dispatch utility crews from other Exelon utilities any different than the resources that are available under mutual assistance agreements between unaffiliated utilities?**

A. Yes. Under utility mutual assistance agreements, there is no guarantee that other utilities will provide resources during or after a storm event, particularly when those other utilities may also be facing a large number of actual or potential outages from a large regional storm. By contrast, Exelon utilities are committed to making their storm restoration resources available to their affiliates on a priority basis, and the use of LOTO and other best practices enables those resources to be more efficient and productive than those that may be obtained from an unaffiliated utility. We are also able to pre-position Exelon-affiliated crews before actual storm events to ensure that those crews will be ready to go to work as soon as an actual storm subsides.

As an example, in response to the 2012 Derecho storm that resulted in more than 748,000 outages in BGE's service territory, PECO utility crews were able to provide over 25,000 full-time equivalent hours of assistance to BGE. The work of these crews reduced the duration of storm restoration efforts by approximately 24 hours.

## III. RELIABILITY COMMITMENTS FOR DELMARVA POWER

**14. Q. Mr. Gausman has described the Delaware Docket No. 50 reliability requirements for Delmarva Power. Will Exelon honor those obligations?**

A. Yes. All of those obligations will be met by Exelon and Delmarva Power following the merger.

As Mr. Crane has explained, we are also confident that we will be able to improve many aspects of reliability and service for Delmarva Power's customers over time through the integration of Delmarva Power with the other Exelon utilities consistent with the Exelon approach to reliability I have described. Exelon will therefore commit to Delmarva Power achieving a SAIDI of 122 minutes on average for the three-year 2018-2020 period.

Compliance with this commitment will be measured using the Commission's current Docket 50 methodology for calculating SAIDI. In addition to Docket 50 annual reporting requirements, Delmarva Power will report its performance against this enhanced commitment to the Commission no later than April 1, 2021. A failure by Delmarva Power to achieve this enhanced SAIDI commitment will result in financial penalties, as described by Mr. Khouzami in his testimony.

The SAIDI average level of 122 minutes for the 2018-2020 period, backed by financial penalties, reflects our substantial commitment to Delmarva Power's customers that reliability will continue to improve and, in fact, will exceed the reliability requirements described by Mr. Gausman. Furthermore, the reliability improvement I have described will be achieved without increasing reliability-

related capital and operations and maintenance expenditures above the levels in Delmarva Power's existing long-range plans absent changes in law, regulations, or extreme weather events (such as Superstorm Sandy) requiring increases in reliability-related spending to restore service and facilities.

**15. Q. Have you calculated Delmarva Power's performance using the same methodology for the most recent three years?**

A. Yes. Using the same methodology, Delmarva Power's three-year historical SAIDI average is 159 minutes. The three-year average reliability commitment proposed by Exelon which I have described above represents an increase of 23.6% above this three-year average actual performance level.

**16. Q. Why are you proposing to calculate whether or not Exelon has met its reliability commitment at Delmarva Power using a three-year average of performance in the 2018-2020 period?**

A. We have proposed using a three-year historical average to account for any abnormal weather variability that could distort results if only the year 2020 was selected for measurement of Delmarva Power's performance. If a three-year average is used, no additional weather normalization of Delmarva Power's performance will be required.

**17. Q. If Delmarva Power is not measured on its this reliability commitment until 2020, will that delay ongoing reliability work by Delmarva Power?**

A. No. Exelon is committed to ensuring that Delmarva Power continues to provide reliable service to its customers, and therefore the additional SAIDI reliability

commitment is best measured at the end of the period in which Delmarva Power is expected to achieve its current reliability goals. Measurement of our success in 2020 will not delay deployment of Exelon best practices at Delmarva Power or Delmarva Power's achievement of its current reliability obligations.

## IV. CONCLUSION

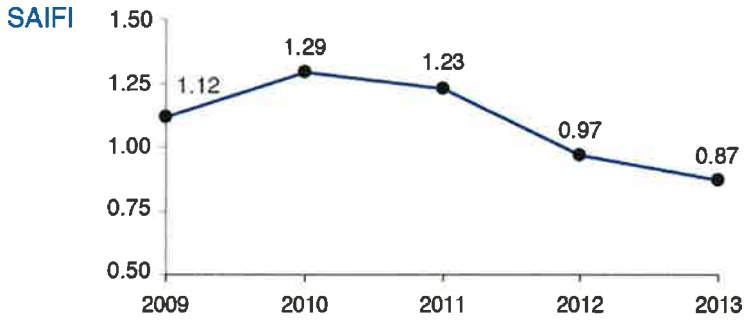
**18. Q. Does this conclude your direct testimony?**

A. Yes.

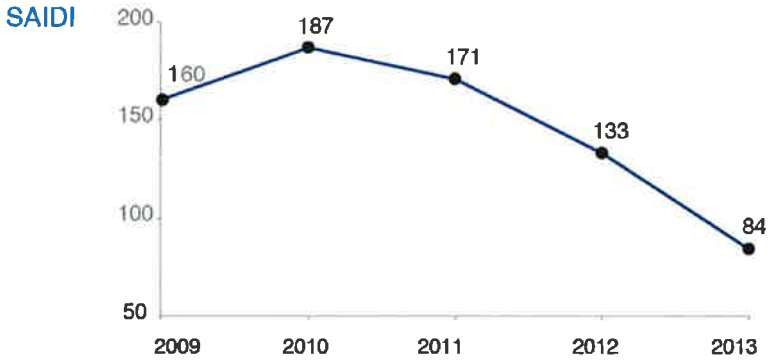
# EXHIBIT MFA-1

# Baltimore Gas & Electric

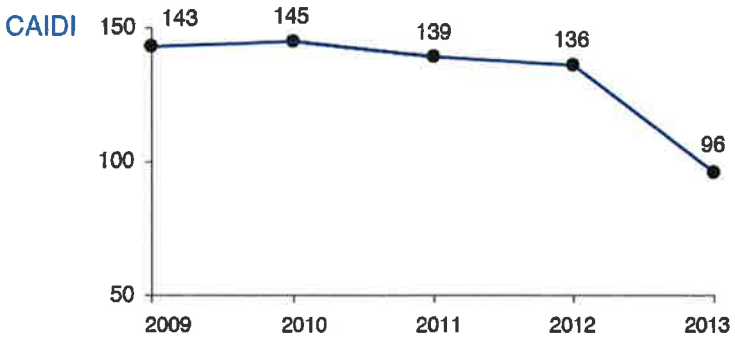
## SAIFI




## SAIDI

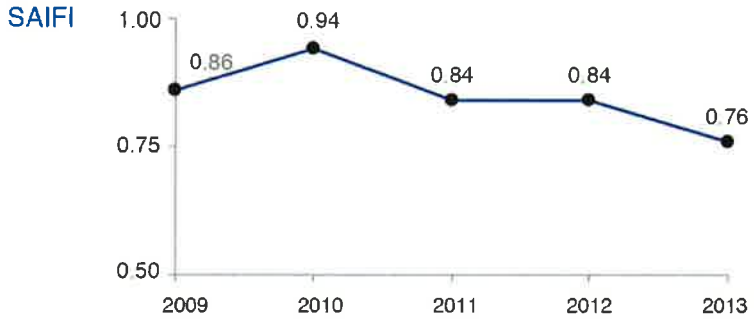



## CAIDI

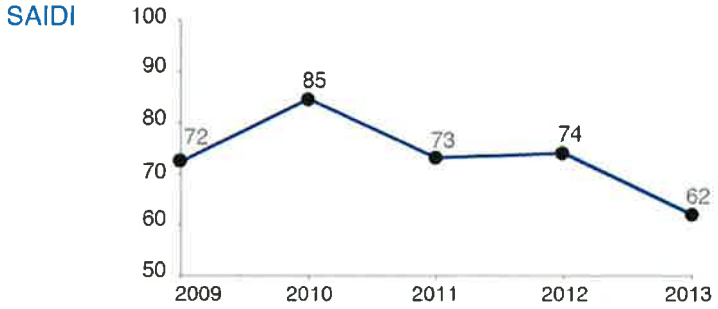


# Commonwealth Edison

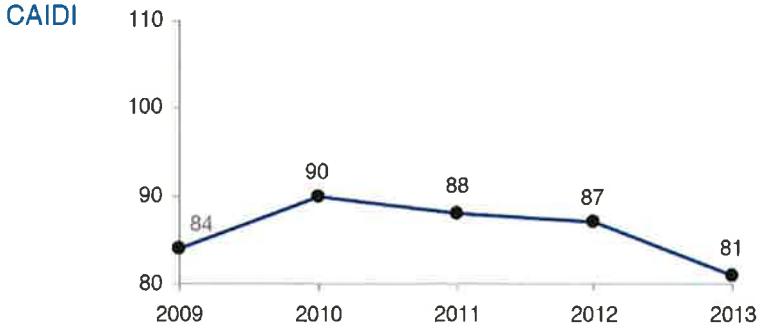
## SAIFI




## SAIDI

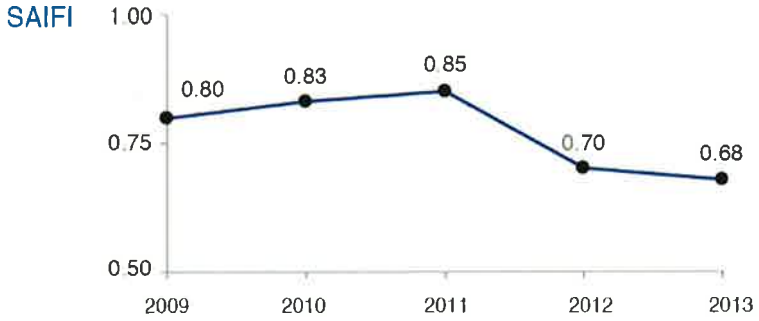



## CAIDI

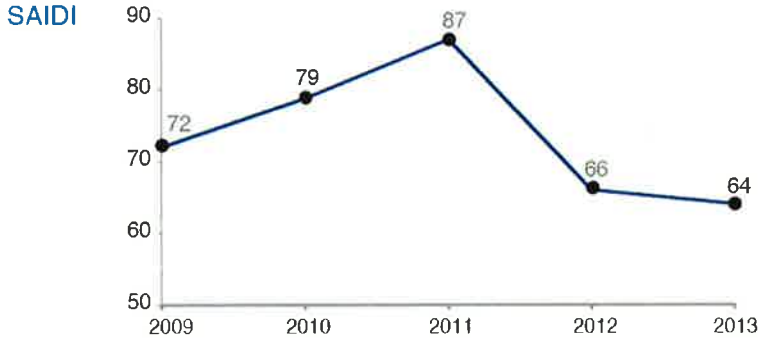


# PECO

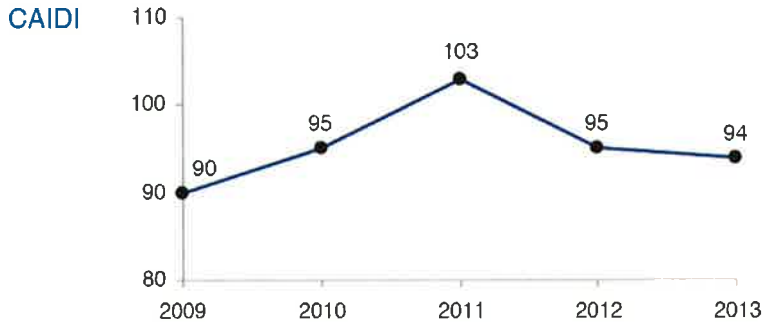
## SAIFI




## SAIDI




## CAIDI



# EXHIBIT 5

**JOINT APPLICANTS**
**EXHIBIT NO. 5**

BEFORE THE
DELAWARE PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY, EXELON CORPORATION, PEPCO HOLDINGS, INC., PURPLE ACQUISITION CORPORATION, EXELON ENERGY DELIVERY COMPANY, LLC AND NEW SPECIAL PURPOSE ENTITY, LLC FOR APPROVALS UNDER THE PROVISIONS OF 26 DEL. C. §§ 215 AND 1016 (Filed June 18, 2014)

PSC DOCKET NO. 14-

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# DIRECT TESTIMONY
OF
WILLIAM M. GAUSMAN

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DATED: JUNE 18, 2014

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# DIRECT TESTIMONY
# OF
# WILLIAM M. GAUSMAN

## I. INTRODUCTION AND PURPOSE

**1. Q. Please state your full name and business address.**

A. My name is William M. Gausman. My business address is 701 Ninth Street NW, Washington, DC 20068.

**2. Q. By whom are you employed and in what capacity?**

A. I am employed by Pepco Holdings, Inc. ("PHI") as Senior Vice President, Strategic Initiatives. I am responsible for the oversight of strategic projects that focus on the long term support of the transmission and distribution systems. This includes the implementation of PHI's Advanced Metering Infrastructure, the procurement of energy (both gas and electric), and compliance with both North American Electric Reliability Corporation and state reliability standards to ensure the safe and reliable operation of the electric system. I have previously been responsible for the engineering of all reliability programs and the design of all assets that support the transmission and distribution of electric service across the service areas of all PHI utilities.

**3. Q. Please describe your professional and educational background.**

A. I hold a Bachelor of Science degree in Electrical Engineering Technology from Temple University. I joined Potomac Electric Power Company ("Pepco") in 1974 as a Project Engineer overseeing the construction of high voltage transmission

facilities. I have served in various management positions within Pepco and PHI, with increasing responsibility for the operation, maintenance, and construction of both the transmission and distribution systems. From 1977 through 1988, I served as Superintendent of Underground Lines and as Manager of Electric System Operation and Construction. In 1988, I was promoted to General Manager – Power Delivery, and in 2001 I became General Manager – Asset Management. In 2002, I was named Vice President – Asset Management of Pepco. After Pepco's merger with Conectiv (the parent company of Delmarva Power), I became Vice President Asset Management over the combined PHI organization. In 2008, I was promoted to Senior Vice President Asset Management and Planning, and assumed my current position in October 2010.

During my career with PHI, I have also served as an advisor to various industry organizations including the Electric Power Research Institute Distribution Committee, the Southeastern Electric Exchange Executive Committee and the Edison Electric Institute ("EEI") Distribution Committee. I am currently a member of the EEI Transmission Executive Advisory Committee. I am also a member of Leadership Greater Washington.

**4. Q. Have you previously testified before this Commission?**

A. Yes. I have testified before the Delaware Public Service Commission (the "Commission") on several occasions on reliability, system performance and other issues.

**5. Q. What is the purpose of your direct testimony?**

A. The purpose of my direct testimony is to describe the current reliability commitments of Delmarva Power in Delaware.

## II. RELIABILITY COMMITMENTS OF DELMARVA POWER

**6. Q. Mr. Gausman, please provide an overview of Delmarva Power's reliability obligations in Delaware.**

A. Certainly. Delmarva Power is committed to delivering safe and reliable service to all of its customers, and Delmarva Power's success in meeting this commitment is measured using a set of standard reliability metrics created by the Institute for Electrical and Electronics Engineers ("IEEE"). The following metrics are used by Delmarva Power:

- **System Average Interruption Frequency Index ("SAIFI")**: The average number of sustained interruptions per customer during a year.
- **System Average Interruption Duration Index ("SAIDI")**: The average duration of sustained interruptions per customer during a year.

SAIFI is calculated by dividing the total number of sustained customer interruptions in a year by the total number of utility customers, and provides insight into the frequency of customer interruptions on a system-wide basis. Similarly, SAIDI is calculated by dividing the sum of all sustained customer interruption durations by the total number of customers served, and indicates how long customers were without service. Lower SAIFI and SAIDI values reflect fewer interruptions and shorter outage durations, respectively.

Currently, in Delaware, the minimum SAIDI standard under what is known as "Regulation Docket No. 50" ("Docket 50") is 295 minutes. However, Docket 50 also provides that: (1) compliance with the 295 minute SAIDI standard is a minimum requirement, (2) compliance does not create a presumption of safe, adequate and proper service, and (3) Delmarva Power needs to exercise its professional judgment based on its systems and service territories in making its reliability performance goals.

This minimum SAIDI performance level excludes major event days. Consistent with Commission requirements, Delmarva Power files an annual Docket 50 Report describing its reliability performance.

7. Q. **What types of programs does Delmarva Power currently have in place to meet its reliability commitments?**

A. Delmarva Power has a set of multi-year programs designed to meet these commitments and provide its customers with the level of reliability they expect and need. These programs incorporate proactive investment as well as corrective maintenance to maintain the reliable operation and performance of system equipment and to reduce the frequency and duration of outages as measured by SAIFI and SAIDI, respectively. Delmarva Power's reliability programs include the following initiatives:

- **Vegetation Management**: For overhead systems, vegetation management (i.e., tree trimming) is Delmarva Power's largest single preventive maintenance program. Delmarva Power currently has a four year cyclical

program of tree trimming. This program is designed to maintain clearances between vegetation and overhead facilities, to reduce tree caused outages and to minimize equipment failures. Efficient implementation of strategic and definitive cyclical vegetation management programs throughout the electric distribution industry has proven to minimize incidental contact between vegetation and overhead distribution circuits, leading to improved SAIFI and SAIDI.

- **Feeder Improvement**: These projects consist of activities designed to address reliability based on historic performance of distribution feeders, which are medium voltage power lines transferring power from the substation to the distribution transformers. The focus of these projects is to arrest negative trends and return a feeder's performance to acceptable levels. In Delaware, Docket 50 also requires Delmarva Power to, at a minimum, take action to improve the performance of its 10 worst performing feeders. While the feeders identified for improvement under Delmarva Power's feeder improvement program include more feeders than just those that are included in accordance with Docket 50, Delmarva Power, in its professional judgment, believes the additional feeders are not performing at the level of reliability reasonably expected by customers served by those feeders.

- **Aging Infrastructure**: A focused approach is used to identify equipment that is approaching the end of its reliable life and to replace and/or repair

such equipment before multiple interruptions are experienced by customers. Delmarva Power is also facing the need to increase the replacement of its aging underground residential cables, substation transformers and switchgear. Delmarva identifies equipment near the end of it useful life through tracking equipment performance and Equipment Condition Assessment ("ECA"), which is a process through which Delmarva's reliability engineers review the age, performance and condition of equipment through monitoring, testing and field inspections. The ECA identifies equipment that is not performing at a level adequate to meet current or projected future loads. When this monitoring and testing reveals deteriorated equipment conditions that could lead to failures, action is taken to prevent customer outages. Currently, Delmarva's ECA has identified an increasing number of distribution substation transformers, as well as switchgear, that will need to be replaced in the next few years to avoid the risks of sustained and expensive outages.

- **Distribution Automation**: Delmarva Power recognizes the benefits of deploying smart grid technology to improve infrastructure reliability, enhance the customer experience, and increase interaction levels with the grid. Delmarva Power's distribution automation approach involves the deployment of advanced control systems across the distribution system, which can automatically identify and isolate trouble spots in the system in real time and restore service to customers in the unaffected parts of the system.

- **Load Growth and Load Maintenance**: Planning for future load growth starts with the development of load growth projections. Peak forecasts are developed for three years to allow adequate time to complete routine construction work. Longer range forecasting (4 to 10 years) is used to develop advance plans for large construction projects that require more than two or three years to complete, to identify the need for additional supply capacity at existing substations, for new substation capacity and to develop advanced plans for the higher voltage substation supply (i.e., 34.5 kV to 230 kV systems). Accordingly, the foregoing planning process supports both new customer growth as well as increased reliability of the electric system.

**8. Q. Mr. Gausman, do you believe that Delmarva Power will be able to meet the reliability commitments that are proposed in this docket if the merger is approved?**

A. Yes, I do. Delmarva Power's management and engineers have reviewed the commitments offered as part of the Merger and we are confident that we will be able to meet these commitments. I am also confident that, as part of the Exelon family of utilities, we will identify additional best practices from the Exelon utilities so that our reliability programs will continue to improve and we will be able to meet the commitments that Mr. Alden discusses in his testimony.

Exelon and Delmarva Power acknowledge and respect the fact that the balance between reliability investment and customer rate impact is an important ongoing

issue in Delaware. The importance of this issue is clear in both the Reliability Capital Investigation docket (Docket 13-152) and the testimony on behalf of Commission Staff in the most recent Delmarva Power electric base rate case (Docket 13-115). Exelon and Delmarva support continuing the discussion with Staff, the Public Advocate and the Commission about the right balance for customers.

## III. CONCLUSION

**9. Q. Does this conclude your direct testimony?**

A. Yes.

# EXHIBIT 6

**JOINT APPLICANTS**
**EXHIBIT NO. 6**

BEFORE THE
DELAWARE PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY, EXELON CORPORATION, PEPCO HOLDINGS, INC., PURPLE ACQUISITION CORPORATION, EXELON ENERGY DELIVERY COMPANY, LLC AND NEW SPECIAL PURPOSE ENTITY, LLC FOR APPROVALS UNDER THE PROVISIONS OF 26 DEL. C. §§ 215 AND 1016 (Filed June 18, 2014)

PSC DOCKET NO. 14-

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# DIRECT TESTIMONY
OF
CARIM V. KHOUZAMI

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DATED: JUNE 18, 2014

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# DIRECT TESTIMONY
# OF
# CARIM V. KHOUZAMI

## I. INTRODUCTION AND PURPOSE OF TESTIMONY

**1. Q. Please state your name and business address.**

A. My name is Carim V. Khouzami. My business address is 750 East Pratt Street, Baltimore, Maryland 21202.[1]

**2. Q. By whom are you employed and in what capacity?**

A. I am a Senior Vice President of Baltimore Gas and Electric Company ("BGE") and am now serving as Chief Integration Officer for the proposed Merger (the "Merger") of Exelon Corporation ("Exelon") and Pepco Holdings, Inc. ("PHI") (including its utility subsidiaries, Potomac Electric Power Company ("Pepco"), Delmarva Power & Light Company ("Delmarva Power") and Atlantic City Electric ("ACE") (the "PHI utilities")).[2] Prior to assuming the position of Chief Integration Officer, I served as BGE's Chief Financial Officer and Treasurer.

**3. Q. Please describe your responsibilities as Chief Integration Officer.**

A. As the Chief Integration Officer for Exelon, I am working with Donna Kinzel (the PHI Chief Integration Officer) to lead the Integration Office for the Merger and report directly to an Integration Steering Committee comprised of top-level

[1] This is my interim business address associated with my role as Chief Integration Officer. My BGE business address is 2 Center Plaza, 110 West Fayette Street, Baltimore, Maryland 21201.

[2] In my testimony, I will refer to the applicants identified in the Application as the "Joint Applicants". The Joint Applicants include Delmarva Power, Exelon, and PHI.

executives from all Exelon business areas involved in the Merger. The Integration Office has oversight of Merger integration activities with responsibilities for establishing strategic, financial, and operational priorities, overseeing development and execution of integration plans, and making recommendations to resolve integration issues.

**4. Q. Please describe the responsibilities you have held as Senior Vice President, CFO and Treasurer.**

A. My responsibilities have included managing the financial condition of BGE and employing financial policies that maintain the financial health and stability of the utility, enabling BGE to obtain the capital necessary to both provide safe and reliable service and maintain a sound capital structure. In my capacity as CFO, I have had oversight of BGE's accounting, financial reporting, financial planning and budgeting, and tax functions, as well as BGE's internal control structure. As Treasurer, I have been responsible for managing BGE's relationship with the financial community and with the credit rating agencies.

**5. Q. What is your educational background?**

A. I hold a Bachelor of Arts degree in Economics and Communication Studies from Vanderbilt University and a Master's Degree in Business Administration from Columbia University.

**6. Q. Please describe your professional experience and affiliations.**

A. I joined Constellation Energy Group, Inc. ("Constellation Energy") in February 2005 and served in various positions of increasing responsibility before being appointed Executive Director, Investor Relations in 2009. During that time, I managed Constellation Energy's relationships with shareholders and analysts. In January 2010, I assumed the additional responsibility of leading Constellation Energy's corporate financial planning and analysis activities. In January of 2011, I was appointed to my position as Treasurer and CFO of BGE. In 2013, I was promoted to Senior Vice President, Treasurer, and CFO of BGE.

Prior to joining Constellation Energy, I worked as an Associate at Bear, Stearns & Co. Inc., primarily focusing on mergers and acquisitions and financing transactions within the financial institutions and insurance sectors. I currently serve on the Board of Directors of two local non-profit organizations – the Port Discovery Children's Museum and the Baltimore Urban Debate League.

**7. Q. Have you previously testified before a state utility commission?**

A. Yes. I testified before the Maryland Public Service Commission in Case No. 9299, *In the Matter of the Application of Baltimore Gas and Electric Company for Adjustment in Its Electric and Gas Base Rates*, which was filed in July 2012.

**8. Q. What is the purpose of your testimony in this proceeding?**

A. The purpose of my testimony is to discuss: (1) finance and accounting issues associated with the Merger, including Exelon's related commitments; and (2) the

Merger integration process and estimated savings and synergies. Specifically as to the finance and accounting matters, I will describe the economic terms of the Merger, the source of funds to be used for the Merger, and the combined company's financial strength. I also will describe Exelon's accounting commitments, its commitment to ring-fence PHI, including Pepco, Delmarva Power, and ACE from Exelon's other entities and operations, and Exelon's commitments to ensure the financial strength of the PHI utilities. Additionally, I will testify regarding the accounting treatment of the Merger for the PHI utilities following the closing of the Merger and why that treatment will not impact customer rates. As to Merger integration and synergies, I will provide an overview of the integration process and associated timelines, as well as the estimated savings we project to be realized by the PHI utilities. Finally, I will describe changes in affiliated agreement arrangements for shared services.

**9. Q. Are you sponsoring any exhibits?**

A. Yes. I am sponsoring the following exhibits:

| | |
|---|---|
| CVK-1 | Project Management Office Organizational Chart |
| CVK-2 | Net Synergies Estimate |
| CVK-3 | Exelon General Services Agreement |

## II. OVERVIEW OF THE MERGER TRANSACTION

**10. Q. Please describe the economic terms of the Merger.**

A. Exelon will acquire PHI for approximately $6.8 billion. Upon consummation of the Merger, each PHI shareholder will receive $27.25 in cash for each outstanding share of PHI common stock not held by PHI, Exelon, a PHI or Exelon affiliate, or a dissenting PHI stockholder properly asserting appraisal rights.[3] The common stock of Exelon will be unaffected by the merger, with each issued and outstanding share of stock remaining outstanding following the Merger. Moreover, the Merger will not change the terms or character of the debt of Exelon currently outstanding and will have no effect on the outstanding debt securities of any of the PHI utilities.

**11. Q. Please explain how Exelon proposes to finance the Merger.**

A. Exelon has the necessary financial ability to complete this transaction and has obtained a bridge loan agreement to fund the acquisition pending completion of the permanent financing. Exelon's strong balance sheet will enable it to source permanent financing for the purchase price using a balanced mix of debt and equity along with cash on its balance sheet. We plan to fund roughly 50 percent of the acquisition price from the proceeds of debt to be issued and serviced by

[3] Additionally, to protect PHI shareholders, Exelon is pre-funding a "reverse break-up fee" through a Subscription Agreement for Series A Non-Voting Non-Convertible Preferred Stock (the "Subscription Agreement"). Per the terms of the Subscription Agreement, on April 30, 2014, Exelon purchased 9,000 shares of Series A Non-Voting Non-Convertible Preferred Stock ("Preferred Shares") issued by PHI for an aggregate purchase price of $90 million ("Initial Purchase"). Exelon will purchase an additional 1,800 Preferred Shares for a purchase price of $18 million every ninety days following the Initial Purchase until the earlier of: (1) the purchase of an aggregate of 18,000 Preferred Shares; (2) the closing of the Merger; or (3) the termination of the Merger Agreement. The Preferred Shares will be entitled to receive a cumulative, non-participating cash dividend of 0.1% per annum, payable quarterly.

Exelon at the holding company level. The remaining portion of the transaction will be funded with proceeds from issuing Exelon common stock and mandatory convertible securities and cash from the sale of non-core assets at Exelon Generation. Exelon plans that the permanent financing will be in place before the Merger closing.

**12. Q. Will transaction costs associated with the Merger be recovered in Delmarva Power's rates?**

A. No. As stated in the Application, and consistent with Exelon's practice in the Exelon-Constellation Energy merger, Exelon will not pass along to utility customers transaction costs incurred in connection with consummation of the Merger. The categories of transaction costs incurred in connection with consummation of the Merger which will not be recovered from utility customers are: (1) consultant, investment banker and legal fees, (2) change in control payments, and (3) costs associated with the shareholder meetings and a proxy statement related to the Merger approval by PHI shareholders.

**13. Q. Please describe the corporate structure that will result from the Merger transaction.**

A. PHI will become a limited liability company and an indirect, wholly-owned subsidiary of Exelon; PHI's stock will no longer be publicly traded. Specifically, PHI will become the direct subsidiary of a bankruptcy-remote special purpose entity ("SPE") being created to "ring-fence" PHI and the PHI utilities, which, in turn, will be a direct subsidiary of Exelon Energy Delivery Company, LLC

("EEDC").[4] EEDC is, and will remain, the direct parent of Commonwealth Edison Company ("ComEd"), PECO Energy Company ("PECO"), and RF Holdco, LLC, which is the SPE that owns BGE. PHI's current unregulated businesses (including Potomac Capital Investment Corp., Pepco Energy Services, Inc. and related companies) will be transferred from the PHI portion of the holding company structure and will become subsidiaries outside of the PHI ring-fenced structure. Pepco and Conectiv will remain as PHI's direct subsidiaries, while Delmarva Power and ACE will continue as Conectiv's subsidiaries.

A corporate organization chart of the post-Merger corporate structure, showing the placement of PHI and its regulated utilities, is attached to the Application as Appendix C.

**14. Q. What is an SPE and what is its role?**

A. An SPE – special purpose entity – is a corporate entity created to provide structural separation of a subsidiary from its parent or affiliates. For a regulated utility, the structural separation provides protections from exposure to financial risks that may be experienced by the parent company or by unregulated affiliates, such as Exelon generation and nuclear operations. Here, because the SPE serves to separate PHI from EEDC and its other Exelon affiliates, PHI will be an indirect, rather than a direct, subsidiary of Exelon, and as such, Delmarva Power will benefit from additional insulation from perceived potential risks associated

[4] Ring-fencing is explained later in Section IV of my testimony. The ring-fencing being offered as part of the Merger is in addition to the existing ring-fencing requirements for Delmarva Power established in PSC Order No. 8011 (Docket No. 09-414).

with Exelon's holding company structure and business activities outside of the PHI utilities.

## III. FINANCIAL STRENGTH OF EXELON AND DELMARVA POWER, POST-MERGER

**15. Q. Please provide an overview of the financial position of the combined company.**

A. The Merger builds upon the existing financial strength of Exelon and of PHI to create, both immediately and in the long term, a combined company that is on firm financial footing, with a financial strength similar to that of each company currently. The combined company will strive to maintain strong financial metrics, with investment grade ratings and financial discipline.

**16. Q. What are Exelon's plans with regard to maintenance of the PHI utilities' investment grade credit ratings?**

A. Exelon is dedicated to maintaining solid investment grade ratings for the combined company and its rated subsidiaries. Since the announcement of the Merger, the credit rating agencies have affirmed the credit ratings and stable outlook for Exelon, PHI, and their respective utilities. Exelon places great importance on the maintenance of investment grade credit ratings. Since Exelon's addition of BGE, BGE has not only maintained, but improved, its credit ratings.

**17. Q. What is the proposed capital structure of the PHI utilities post-merger?**

A. To support the financial condition and solid investment ratings of each of the PHI utilities, Exelon is committed to target an average equity level of at least 48% in Delmarva Power as well as the other PHI utilities for ratemaking purposes.

## IV. RING-FENCING MEASURES

**18. Q. What is meant by ring-fencing?**

A. First, ring-fencing is a topic well known in Delaware as a result of the ring-fencing requirements adopted by the Commission in PSC Order No. 8011 (Docket No. 09-414). "Ring-fencing" refers to the implementation of measures, including certain key legal protections, for specific affiliates within a holding company structure in order to protect such affiliates and their assets. A primary goal of ring-fencing is to provide the ring-fenced entities with "bankruptcy remoteness" from the rest of the holding company structure, such that a bankruptcy filing associated with other parts of the corporate organization, including the holding company itself, would not be expected to result in an involuntary bankruptcy of the ring-fenced entities. In practical terms, ring-fencing measures serve as safeguards to ensure a utility is shielded from events at a parent corporation or its other subsidiaries. Such measures legally wall-off elements of a utility's finances and assets from the parent company and its businesses, while still allowing operational efficiencies and the positive flow of best business practices from one utility to another. An additional benefit of ring-fencing is that it allows differentiation of risk profiles among affiliates or between an affiliate and its corporate parent.

**19. Q. Are ring-fencing measures currently in effect at any of Exelon's utilities?**

A. Yes. The Maryland Public Service Commission adopted a series of ring-fencing measures for BGE in both Case No. 9173, Phase II, Order No. 82986 (Oct. 30, 2009) and in Case No. 9271, Order No. 84698 (Feb. 17, 2012). In addition, both PECO and ComEd have in place respective sets of ring-fencing measures that are intended to maintain independence in the management and direction of the companies.

**20. Q. Is Exelon committing to employ any ring-fencing measures for the PHI utilities?**

A. Yes. Exelon has committed to a suite of ring-fencing measures that are some of the strongest safeguards employed nationwide. The protection afforded by ring-fencing measures has been recognized by both regulators and credit rating agencies, as I explain later. The PHI utilities will be protected from business, financial and operational risk exposures associated with the other Exelon subsidiaries, including the other Exelon utilities and Exelon's unregulated operations and activities (e.g., nuclear operations), through the creation and use of a bankruptcy-remote SPE. In addition, Exelon and PHI will commit to implement the following ring-fencing arrangements for at least five years following completion of the Merger, absent permission from the Commission to act otherwise:

- Delmarva Power will maintain its separate existence and separate franchise privileges;

- Delmarva Power will maintain separate books and records;

- Delmarva Power's books and records pertaining to its operations in Delaware will be available for inspection and examination by the Commission;

- Delmarva Power will maintain separate debt so that it will not be responsible for the debts of affiliate companies and preferred stock, if any, and Delmarva Power will maintain its own corporate and debt credit rating, as well as ratings for long-term debt and preferred stock.

Provisions comparable to those described above will also be adopted by PHI to assure its separateness from the SPE, the PHI utilities, Exelon and other Exelon affiliates.

**21. Q. Please describe the ring-fencing measures associated with the SPE that Exelon is proposing to protect the PHI utilities.**

A. As previously explained, PHI will become a subsidiary of the SPE being created to ring-fence the PHI utilities, which in turn, will be a subsidiary of EEDC. The sole purpose of the SPE will be to hold 100% of the equity interests in PHI. Exelon will transfer the PHI shares to the SPE as an absolute conveyance or "true sale" with the intention of removing the PHI shares from the bankruptcy estate of Exelon. Exelon has committed that the SPE will have adequate capitalization for the nature of its business. The SPE will have no employees and no operational functions other than those related to holding the equity interests in PHI.

The Board of Directors of the SPE will have one independent director. The independent director will be an employee of an SPE administration company in the business of protecting SPEs. A voluntary petition for bankruptcy by the SPE or any amendment to the organizational documents of the SPE that would remove this requirement or other ring-fencing requirements will require the approval of the entire Board of Directors of the SPE, including the independent director. In addition, the SPE will issue a non-economic interest (the "Golden Share") in the SPE to an SPE administration company in the business of protecting SPEs and separate from the SPE administration company retained for the SPE independent director position. A voluntary petition for bankruptcy by the SPE or any amendment to the organizational documents of the SPE that would remove this requirement or other ring-fencing requirements will require the affirmative consent of the holder of the Golden Share.

The SPE will maintain arms-length relationships with Exelon, PHI, and PHI's subsidiaries. At all times, the SPE will hold itself out as a separate entity from each of Exelon, PHI, and PHI's subsidiaries, will conduct business in its own name, and will not assume liability for the debts of Exelon, PHI, or PHI's subsidiaries. To this end, the SPE's funds will not be commingled with the funds of Exelon, PHI, or PHI's subsidiaries; 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; and the SPE will maintain separate books, accounts and financial statements reflecting its separate assets and liabilities.

Exelon anticipates obtaining a legal opinion that, as a result of the ring-fencing measures it proposes to implement, a bankruptcy court would not consolidate the assets and liabilities of the SPE with those of Exelon, in the event of an Exelon bankruptcy, or the assets and liabilities of PHI with those of either the SPE or Exelon, in the event of a bankruptcy of either of those entities.

**22. Q. Do the rating agencies treat BGE differently, relative to the rest of Exelon, due to the ring-fencing measures that were previously put in place?**

A. Yes. In light of the credit insulation provided by the ring-fencing measures adopted for BGE, the rating agencies have indicated that they view the credit quality of BGE on a stand-alone basis, which is reflected in the credit ratings of BGE. Specifically, subsequent to institution of BGE's ring-fencing measures in 2009, S&P raised the corporate credit rating of BGE to BBB+, which became two notches higher than the BBB- rating of its then-parent, Constellation. The upgrade reflected the stand-alone credit quality for BGE. This ratings change reflected S&P's views on the structural protections put in place to insulate BGE from Constellation. Currently, BGE enjoys a credit rating of A-, which is still two notches higher than the BBB rating of its parent, Exelon.

**23. Q. Have the rating agencies indicated how they will treat the ring-fencing of the PHI Utilities?**

A. Yes. S&P has already commented that, in affirming the ratings of PHI and its subsidiaries, the expectation is that the transaction will provide credit insulation

for the subsidiaries sufficient to support ratings above the group credit profile of Exelon.

**24. Q. Is Exelon making any commitments regarding the administration of the ring-fencing measures you have described?**

A. Yes. PHI and each PHI utility will amend its charter and by-laws to include a requirement that the unanimous vote of the Board of Directors is required to file a voluntary bankruptcy petition.

## V. MERGER ACCOUNTING

**25. Q. Please describe the general requirements associated with purchase accounting as they relate to the Merger.**

A. For accounting purposes, Exelon is considered the purchaser of PHI pursuant to the terms of the Merger. As such, Exelon will be required by U.S. Generally Accepted Accounting Principles ("GAAP") to apply purchase accounting to record the Merger transaction in its consolidated financial statements. Under purchase accounting, the sum of the purchase price paid for the common stock of PHI plus the consolidated debt recorded on PHI's balance sheet would be allocated to the assets acquired and the liabilities assumed from PHI based on the fair values of such assets and liabilities as of the acquisition date. If the purchase price for PHI common stock plus PHI debt exceeds the fair value of the net assets acquired, the excess will be recorded as goodwill. Alternatively, if the fair value of the net assets acquired exceeds the purchase price for PHI common stock plus

PHI debt, the resulting "negative goodwill" will be recognized as income in the accounting period in which the Merger closes.

**26. Q. Please describe "push down" accounting and its relevance to this Merger.**

A. Under push-down accounting, Exelon, in its consolidated financial reporting, will be required to adjust the recorded amounts of the assets and liabilities of PHI and each of its subsidiaries to fair value as of the acquisition date. While the U.S. Securities and Exchange Commission ("SEC") generally prefers that such asset and liability adjustments also be reflected on the separate financial statements of each of the acquired company's subsidiaries (referred to as "push down" purchase accounting), such treatment is not always required by the SEC when an acquired company's subsidiary has significant amounts of public debt or preferred stock securities outstanding.

Here, Exelon currently anticipates that no adjustments will be made to the amounts of assets and liabilities recorded by Delmarva Power in its stand-alone financial statements. Exelon employed this approach to the reporting of BGE's assets and liabilities in the Exelon-Constellation transaction and it was approved by the SEC. Exelon intends to employ the same approach with Delmarva Power and is seeking SEC approval of this accounting treatment.

**27. Q. Will Exelon's application of purchase accounting result in the creation of any regulatory assets or liabilities on Delmarva Power's financial statements or the allocation of any additional costs to Delmarva Power?**

A. No costs will be allocated to Delmarva Power related to purchase accounting. As previously discussed, subject to SEC concurrence, Exelon does not currently intend to apply "push down" purchase accounting to Delmarva Power. As such, Exelon expects that Pepco, Delmarva Power and ACE will continue to prepare their financial statements using historical book values, with no adjustments for any new purchase-related regulatory assets or liabilities on their respective books and no additional allocation of costs or credits pursuant to purchase accounting.

**28. Q. Will the accumulated deferred income taxes and accumulated deferred investment tax credits on Delmarva Power's books be affected by the Merger?**

A. No. The tax basis and book basis of Delmarva Power's assets will be unchanged on the date that the Merger closes from what they were immediately preceding the closing, assuming no "push down" purchase accounting is required. Thus, Exelon does not anticipate any impact on accumulated deferred income taxes, accumulated deferred investment tax credits, or the expected utilization of net operating loss carryforwards.

**29. Q. Will the Merger affect the PHI money pool?**

A. Yes. Currently, Pepco and Delmarva are eligible to fully participate in (i.e. invest in and borrow from) a money pool with one another and their non-utility affiliates; ACE, in contrast, is only permitted to borrow from the money pool. Following the Merger, there will not be any non-utility operating entities within the PHI portion of the combined holding company structure, and the money pool,

therefore, will only have the three utility participants (plus PHI and the PHI Service Company, which will only be lenders to the money pool and will facilitate pool transactions).

Given the change in nature of the money pool, Exelon and PHI believe it would be appropriate for ACE to become a full participant in the money pool following the Merger. The three PHI utilities would only participate to the extent they can obtain a more favorable investment or borrowing rate from the money pool than available in the public market. For at least five years following completion of the Merger, no entities other than the PHI utilities (plus PHI and PHI Services Company) will participate in the PHI utilities' money pool, the PHI utilities will not participate in the money pool operated by Exelon, and there will be no commingling of funds with Exelon.

## VI. THE MERGER INTEGRATION PROCESS

**30. Q. Please provide an overview of the planned merger integration process.**

A. Exelon and the PHI utilities have assembled a group of officers, senior managers, and other employees to plan, execute, and coordinate the business integration of the combined companies. Our goal is to ensure execution of integration plans so that upon closing the Merger partners are combined into a unified organization that operates effectively and efficiently, is well managed and is able to realize the goals and objectives established for the post-Merger operation of the PHI utilities.

**31. Q. Please describe the integration process in more detail.**

In order to accomplish this goal, we will use an approach to merger integration developed by Exelon which consists of five distinct phases:

1. **Framework Development** – Establishment of an appropriate foundation for the merger integration process, including formation of "business area teams" ("BATs") and decision-making and issue-resolution processes. A BAT is created for each business area that may be affected by the Merger and its membership includes employees of each company with responsibility for the affected area. The BATs are responsible for developing and executing detailed functional plans so that the combined organization is fully operational upon consummation of the Merger, as well as developing initiatives to achieve synergy targets.

2. **Analysis** – Assessment of the current state of both companies, with an understanding of differences that need to be aligned for "Day 1" (the day on which the companies are merged) and for the long-term realization of savings and synergy opportunities.

3. **Design** – Development of a high-level description of the proposed "end state" for the merged companies, including updating of organizational structures and policies.

4. **Implementation Planning** – Development of an implementation plan to achieve the "end state," with a detailed schedule for completion and final "Day 1" plans.

5. **Implementation** – During implementation, business areas execute the developed plans. Key activities include transitioning work from the integration teams to the "go forward" management and complying with all merger commitments, so that on "Day 1" the companies can operate as an integrated enterprise.

As Chief Integration Officer, I work with the PHI Chief Integration Officer to lead an extensive integration management structure to plan and guide the integration effort. Given the nature of the integration requirements, other executives from Exelon and PHI are also engaged with this effort to provide insights into current operations.

Additionally, we have developed a Project Management Office ("PMO") to oversee and coordinate all activities related to the planning and execution of the integration process. The PMO is supported by a "Core Team" – comprised of Exelon and PHI employees – from the Information Technology ("IT"), Finance, Human Resources, Supply, Communications and Operations areas of the companies. The Core Team provides integration guidance to all BATs and coordinates with the BATs to identify requirements and constraints (e.g., the impact of IT integration on specific business areas) and resolve cross-functional issues.

The structure I have described is illustrated in an organizational chart set forth as Exhibit CVK-1, which shows how employees from various corporate organizations, operations, and support functions work cooperatively with each other as we work towards integrating the companies.

The members of the Integration Office, the Core Teams, and the BATs will be selected based on their knowledge and experience relevant to each core area of the integration process.

**32. Q. Are there particular factors that will guide the Joint Applicants' plans for the integration of the PHI utilities into the Exelon family of utilities?**

A. Yes. As Mr. Crane has described, the Merger is intended to create the premier Mid-Atlantic energy distribution utility. As such, I expect the integration process to be particularly focused on ensuring that the PHI utilities are aligned with the

existing family of Exelon utilities so that best practices for operational excellence can be easily shared.

As Messrs. Crane, Rigby, and O'Brien have also emphasized, Exelon's utility management model allows operating utilities to access the resources, expertise and financial strength of Exelon and all of its utilities while maintaining a strong local presence and remaining fully responsive to local conditions and priorities. As a result, the integration process will also be designed to reflect the fact that each of the PHI utilities will remain as separate corporate entities, with Boards of Directors, and issue their own debt and preferred stock. The utility management model currently employed by PHI and the PHI utilities and the integration of PHI and the PHI utilities into Exelon's utility management model are described in the direct testimony of Mr. Rigby and Mr. O'Brien, respectively.

**33. Q. Will the integration process take into account the Joint Applicants' Merger commitments?**

A. Yes, it will. Exelon has been successful in complying with its current merger commitments and our planned integration process for this Merger will include careful monitoring and compliance with the Merger commitments and the integration of those commitments into Merger implementation plans. By way of example, the integration process and plans will reflect a commitment to maintain PHI's and Pepco's corporate headquarters in Washington, DC, and to maintain the operational headquarters of Delmarva Power in Newark, Delaware, and ACE's operational headquarters in Mays Landing, New Jersey. These plans will

also incorporate the commitments Mr. O'Brien has described with respect to employment levels and employee compensation and benefits.

**34. Q. What is the current timeline for the integration process?**

A. The five-phase integration process I have described is structured so that each phase builds upon the objectives and conclusions of the preceding phase. The companies have already begun the Framework Development phase, and I expect that Framework Development will be complete in July 2014 with formation of all of the necessary BATs. Based upon our work to date, we are focusing on a close in the second or third quarter of 2015 and a thus a "Day 1" for the combined companies in the second or third quarter of 2015.

While the companies will use that timeframe for Day 1 readiness and preparing for effective and efficient operation of the combined organization in the first year of operations, the integration process will continue for several years because the actual combination of business structures, systems and processes must "ramp up" on a carefully staged basis over time. As a consequence, the anticipated savings from the Merger will not be fully realized until several years after the Merger is consummated. To cite just one example, the integration of technology platforms will take place over several years in order to accommodate the priorities of the business and constraints on available resources.

## VII. PROJECTED MERGER-RELATED SAVINGS

**35. Q. Please describe the level of Merger-related savings that you expect to be achieved at the PHI utilities.**

A. Exelon conducted an analysis, utilizing publicly available data, of the potential savings that can reasonably be realized by combining Exelon and PHI and the portion of such savings allocable to the PHI utilities. As shown in Table 1, below, positive Merger-related savings at the PHI utilities, net of the costs that will be incurred to achieve those savings, are projected to begin in the second year after the Merger and grow to approximately $43 million annually by the fifth year. The estimated savings for the PHI utilities, net of the costs to achieve the savings, will total $95 million over that five-year period, as shown below:

**TABLE 1**

| ($ Million) | Pre-Closing | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
|---|---|---|---|---|---|---|---|
| **PHI Utilities** | | | | | | | |
| **Synergies** | | 18 | 25 | 35 | 39 | 43 | 160 |
| **Costs to Achieve** | (11) | (49) | (5) | 0 | 0 | 0 | (65) |
| **PHI Utilities Net Synergies** | (11) | (31) | 20 | 35 | 39 | 43 | 95 |

Additional details of the estimated savings and costs-to-achieve are provided in Exhibit CVK-2.

As Mr. Crane explains in his direct testimony, Exelon is proposing to fund a Customer Investment Fund of $100 million to provide an immediate tangible benefit to PHI customers from the Merger-related savings the PHI utilities are

expected to achieve during the first five years following completion of the Merger. As the data in Table 1 show, the proposed Customer Investment Fund actually exceeds the estimated PHI utilities' Merger savings during that period. Additionally, Exelon and PHI are committing to flow through net Merger savings allocable to the PHI utilities in future rate proceedings. Consequently, if any PHI utility were to file a rate case utilizing a test year within that five-year post-Merger window, customers will benefit from receiving some portion of the net Merger savings twice – once through the Customer Investment Fund and a second time through lower post-Merger expenses reflected in the ratemaking process.

Of course, annual Merger savings (estimated to be $43 million as shown above) will continue beyond five years following the completion of the Merger. As a result, customers will realize additional benefits, in future rate cases, from avoided expenses that continue to accrue during those future periods beyond the $100 million tangible benefit the companies propose to provide immediately following the Merger. The Customer Investment Fund is not subject to downward adjustment if Exelon does not achieve the expected Merger-related savings attributable to the PHI utilities.

**36. Q. How were these estimates of savings developed?**

A. Exelon engaged the Boston Consulting Group ("BCG"), a global management consulting firm, to analyze the potential savings that could be realized through the Merger. BCG undertook this project in two phases.

First, BCG conducted an "outside-in" analysis of the PHI companies. In this phase, BCG collected publicly available information, such as PHI investor communications and documents filed with regulatory agencies (e.g., annual reports to the SEC and Federal Energy Regulatory Commission). BCG then estimated potential synergies and savings that could be achieved at the combined Exelon-PHI company based on information from other mergers of electric and gas utilities and additional data provided by Exelon regarding its operations. The additional data used in this "outside-in" analysis included information on synergies and savings achieved at BGE after Exelon's merger with Constellation Energy and the actual costs to achieve those synergies and savings, but did not include any non-public PHI information.

Second, BCG conducted a "bottom-up" analysis. For this analysis, BCG obtained information from PHI about how various corporate, support and utility functions are performed at the PHI companies and the levels of expenditures and full-time equivalent employees for each function. Using this information, BCG "mapped" the functions performed at the PHI companies to the equivalent functions at Exelon and the Exelon utilities. Based on information Exelon provided about how these functions would likely be staffed and performed for the combined enterprise, BCG calculated expected Merger savings in each functional area and estimated the cost and time necessary to achieve those savings.

Each approach has strengths and limitations, which are generally associated with the type of data available for each. However, together they serve as a useful

"check" on each other to validate projected savings and the associated costs to achieve those savings.

From the "outside-in" analysis, BCG concluded that, at the end of the fifth year following the Merger, the combination of Exelon and the PHI companies (including utility and non-utility operations) would be expected to achieve annual operational expense savings of between $109 million and $151 million. The second "bottom-up" analysis, using more detailed data from the PHI utilities, produced a lower estimate of $96 million in annual savings. In both cases, the estimated annual savings reflect synergies across the entire post-merger company (i.e., all Exelon and PHI utilities and non-utility businesses).

In light of these two estimates and the way each was derived, BCG recommended – and Exelon adopted – a projected level of annual savings from the Merger for the entire company of $130 million beginning at the end of the fifth year following the Merger. Although the $130 million is greater than the "bottom-up" analysis, we believe that this estimate is justified because the "bottom-up" analysis does not capture all of the savings that could be achieved, such as additional performance improvements at the PHI utilities and other opportunities that may be found through the integration process.

Once the estimated steady-state annual savings target of $130 million had been established, BCG was able to project the savings and costs to achieve that would be expected at the PHI utilities in each of the first five years following completion of the Merger. After the Merger was announced, Exelon requested that BCG

prepare a revised estimate of synergies and savings in light of Exelon's Merger commitments (including commitments relating to PHI employees and facilities). BCG's examination projected net savings of $95 million at the PHI utilities in the first five years of the Merger, as shown in Table 1. Exhibit CVK-2 is a copy of BCG's revised estimate of synergies and savings.

**37. Q. Please explain the nature of the synergies and savings that the Applicants expect to achieve.**

A. The Merger of Exelon and PHI will create the opportunity to realize savings by eliminating overlap and duplication in company-wide operations, realizing economies of scale and streamlining corporate functions. For example:

- Information Technology: Significant economies of scale are expected to be achieved through integration and select migration of technology environments, with additional savings from eliminating duplicative investments in technology and reducing expenditures on a combined company basis for data centers, network infrastructure, applications, and technology support.

- Corporate Functions and Support Services: Certain corporate functions required by two distinct companies – such as investor relations and employee benefits administration – become duplicative when those functions are combined. By eliminating this functional duplication and streamlining corporate services, the Merger will result in lower overhead expense and more efficient use of resources to meet the needs of the

combined companies and, in that way, create substantial savings over time.

While most of the projected savings are associated with eliminating duplication and achieving economies of scale in corporate functions, Exelon also expects to achieve some additional savings through the application of best practices in transmission and distribution functions and customer operations and in supply procurement.

The savings Exelon has projected are based entirely on operational expense savings. Savings in future capital expenditures arising from the Merger at the PHI utilities are expected to be reinvested in other needed capital projects.

**38. Q. Mr. Khouzami, what are the "costs to achieve" the savings you have described?**

A. Costs to achieve are actual expenditures that will be incurred as a result of the Merger, and include expenses in such areas as employee compensation, communications, technology migration, financing, accounting, and many others. As shown in the table of estimated merger savings I have provided, we expect the costs-to-achieve to be incurred in the early years after the Merger. Because the Joint Applicants have committed that the PHI utilities will not seek recovery in rates of transaction costs incurred in connection with consummating the Merger, those costs are not considered to be "costs to achieve" in estimating savings from the Merger.

**39. Q. Mr. Khouzami, how were the estimated savings and costs to achieve at the combined company allocated to the PHI utilities?**

A. Because certain functions and resources – such as computer systems and human resource management – at both Exelon and PHI are shared among both regulated and non-regulated or competitive activities, the first step in the allocation process is to determine whether an estimated savings or costs to achieve category could be directly assigned to the regulated or non-regulated business segments based on the nature of the savings or costs to achieve category. For those savings or costs to achieve that can be directly assigned to the PHI utilities (for example, supply chain benefits within the regional transmission and distribution businesses), the net savings assigned to PHI were allocated among the PHI utilities based on a Modified Massachusetts Formula ("MMF") calculation.[5] For those savings that could not be directly assigned to the regulated or non-regulated or competitive business segments (for example, consolidation of corporate support functions supporting both the regulated and competitive business segments), the PHI utilities were allocated a portion of the savings among all of the combined company subsidiaries (regulated and non-regulated) based on the MMF calculation. The results of this allocation process for each PHI utility are also shown in Exhibit CVK-2.

## VIII. RELIABILITY COMMITMENTS AND FINANCIAL PENALTIES

[5] The MMF calculation reflects a three-part formula consisting of revenues, assets and direct labor.

**40. Q. Mr. Khouzami, Mr. Crane has stated that Exelon will back-up its reliability commitments at Delmarva Power with a performance guaranty that will trigger a financial penalty if reliability performance-improvement goals are not achieved. Can you please explain the performance guaranty and financial penalty proposed by Exelon?**

A. Yes. Exelon is providing a performance guaranty that Delmarva Power will achieve a level of improvement by 2020 in its System Average Interruption Duration Index ("SAIDI"). As Mr. Alden explains, Exelon is committing that Delmarva Power will achieve a SAIDI of 122 minutes based on a three-year average calculation in 2021 for the 2018-2020 period. The calculation of SAIDI will be performed using the same procedures as the Commission now uses in calculating Delmarva Power's reliability performance under Regulation Docket 50 rules. Exelon is proposing to use a three-year average to avoid the effects of weather variability in a single measurement year.

If this level of reliability improvement is not achieved, the return on equity ("ROE") 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 twenty-five basis points. This financial penalty would be in addition to any other consequence the Commission might impose if Delmarva Power failed to meet its reliability requirements in 2020.

**41. Q. How long will the penalty imposed in that next base rate case last?**

A. The ROE reduction would apply throughout the period that the rates established by that rate proceeding are in effect. Delmarva Power would be required to initiate a new rate proceeding and obtain an order from the Commission approving new rates in order to end the ROE penalty.

## IX. AFFILIATED INTEREST AGREEMENT

**42. Q. Will there be any changes in Delamarva Power's affiliated interest agreements?**

A. Yes. Upon approval of the Merger and the Merger closing, the Joint Applicants will enter into Exelon's existing General Services Agreement ("GSA"). The GSA is an agreement under which Exelon's Business Service Company (the "EBSC") provides a variety of services to Exelon utilities and other Exelon subsidiaries. As a party to the GSA, Delmarva Power will also be able to receive services from (and provide services to) other Exelon utilities, including services relating to storm management. A copy of the GSA is attached to my testimony as Exhibit CVK-3.

**43. Q. What is the EBSC?**

A. Like many other energy holding-company systems, including PHI, Exelon created a service company, the Exelon Business Services Company, or EBSC, to house specific support functions that it believed could be staffed more efficiently and economically on a centralized basis. The EBSC is designed to provide a range of what would typically be regarded as in-house services in the case of a stand-alone utility. In broad terms, those services fall into the following categories:

information technology; supply; finance; human resources; government and environmental affairs and public policy; general counsel/legal; corporate secretary; strategy; and communications. The EBSC offers its services to the members of the Exelon family of companies, including PECO, ComEd and BGE, and enables those companies to realize economies of scale and scope that could be very difficult to achieve on an individual-company basis.

**44. Q. Will Delmarva Power be required to use the EBSC?**

A. No. Under the terms of the GSA, each utility has the discretion to determine whether and to what extent it will utilize the EBSC's services. The only exception to this general policy falls in the area of "corporate governance," where the EBSC provides services to each party to the GSA.

**45. Q. How will Delmarva Power be charged for services provided by the EBSC?**

A. The GSA provides that the services furnished by the EBSC to Delmarva Power will be billed at the EBSC's cost, and direct charges of those costs will be made wherever possible. If a cost cannot be assigned directly to a utility, it is allocated on the basis of the allocation factors/methodologies identified in an attachment to the GSA.

**46. Q. Will the PHI Service Company be maintained after the Merger?**

A. The PHI Service Company will remain in place for an undetermined period of time during post-merger integration. As integration proceeds and systems and functions are combined in phases, Delmarva Power may receive different services

from the EBSC and the PHI Service Company until all shared corporate support functions are consolidated under the EBSC.

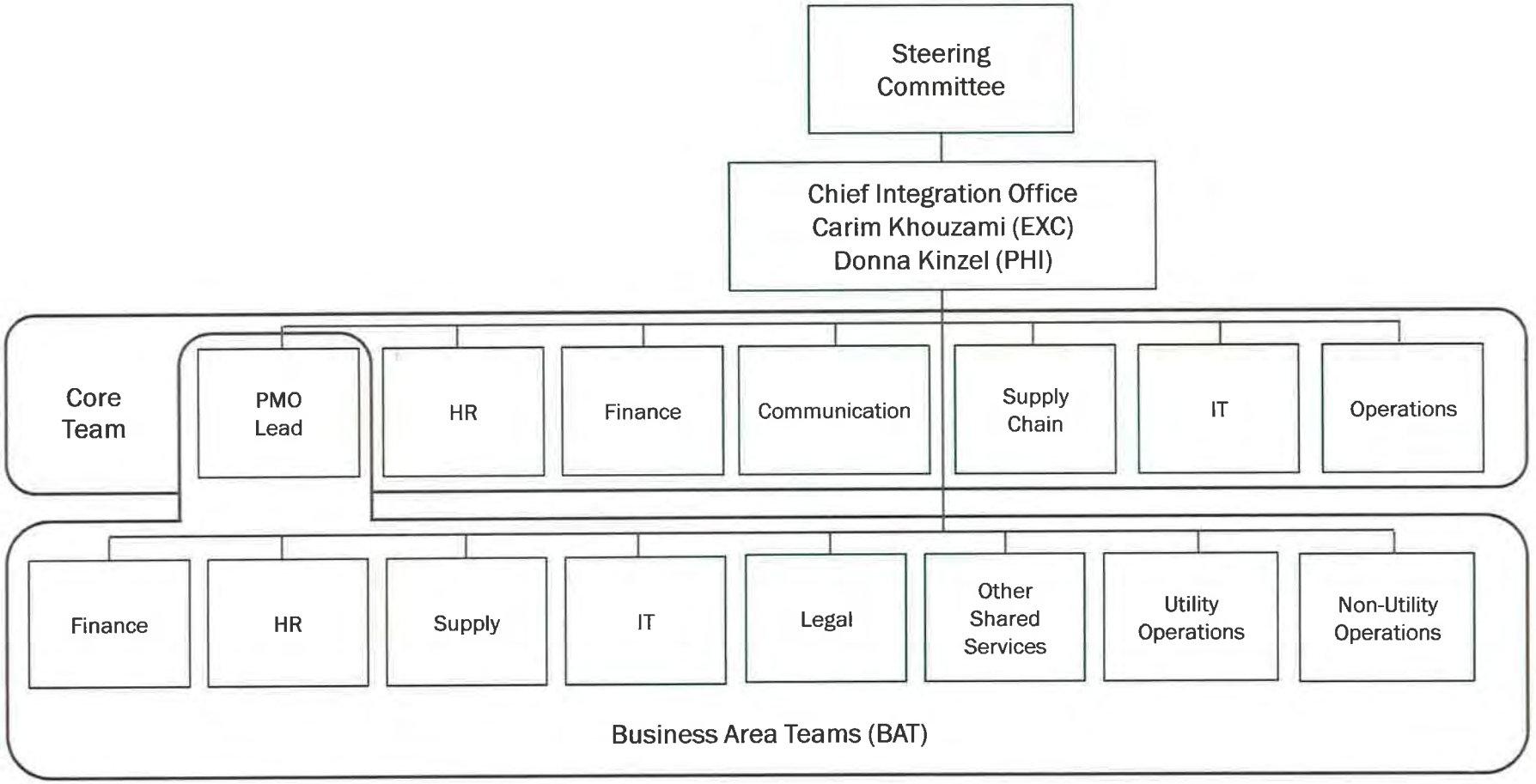
## X. CONCLUSION

**47. Q. Does this conclude your direct testimony?**

A. Yes, it does.

# EXHIBIT CVK-1

# PMO Organization



# EXHIBIT CVK-2

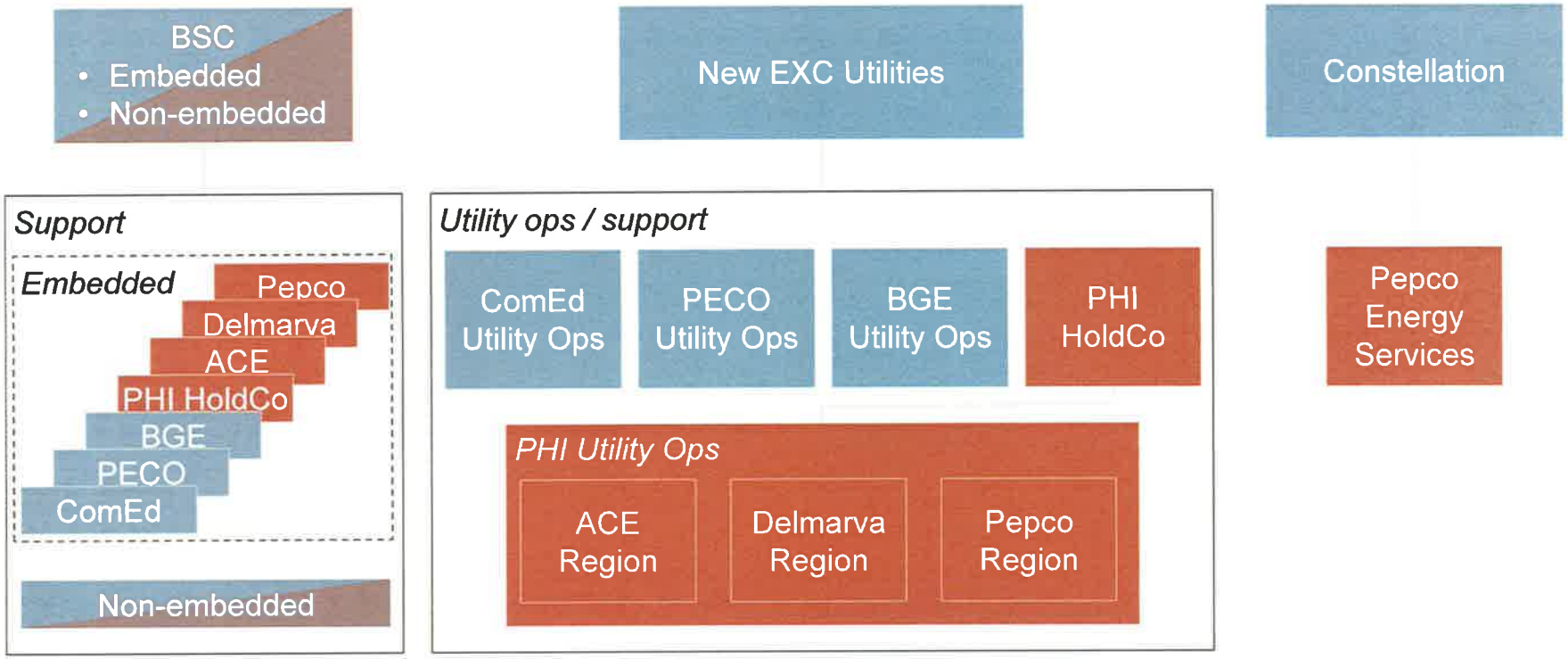
# Net synergy estimates

June 2014

Exelon.

# Target operating model: Incorporate PHI as fourth utility

## Non-embedded BSC to be shared, PES to be incorporated into Constellation




Note: "Embedded" represents employees and associated costs (including all departmental costs) that are part of an actual Operating Company (yet role up to BSC); "Non-embedded" represents employees and associated costs that are all shared service company costs



Exelon.

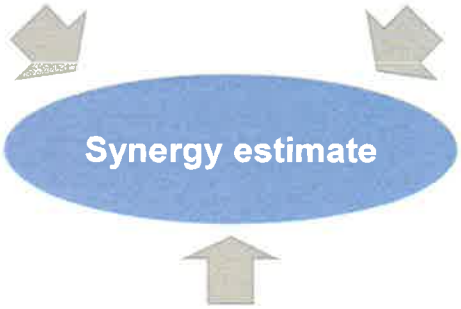
# Synergy estimate: Approach overview

## Outside-in and bottom-up estimates

***Outside-in: Based on publicly available data[1] (FERC, 10-K, PHI external communications)***

**Scale[2] applied to utility ops/support[3] and BSC**

**Scale[2] applied to each function**




***Bottom-up: Based on PHI data from due diligence***

**Bottom-up: Performance improvement and scale[3,4] applied to each subfunction**

1. No internal information was provided by PHI 2. Based on BCG synergy database for power & gas 3. No labor synergies included for utility ops 4. Estimated by working team without any synergy target

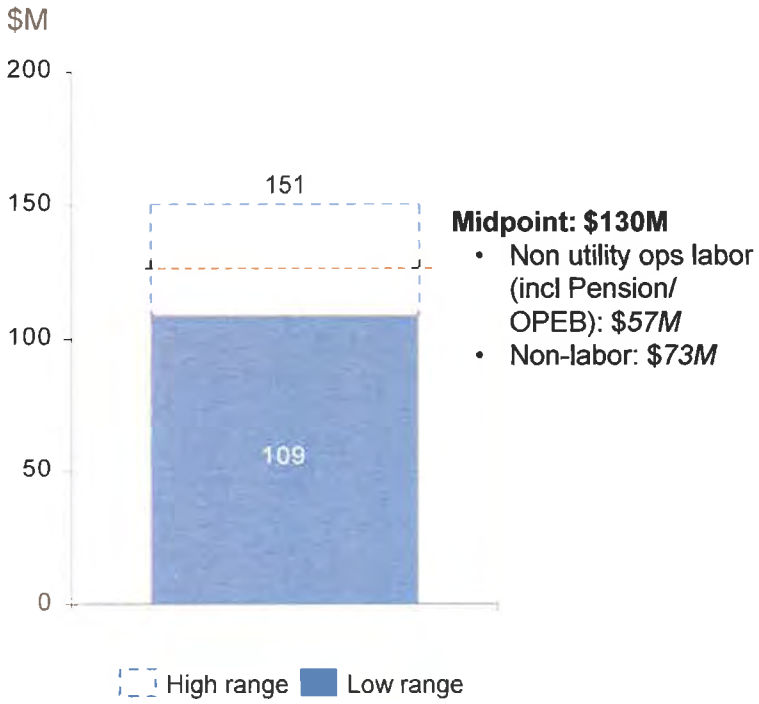


Exelon

# Overview of O&M synergy estimates for EXC and PHI

## $130M outside-in vs. $96M bottom-up

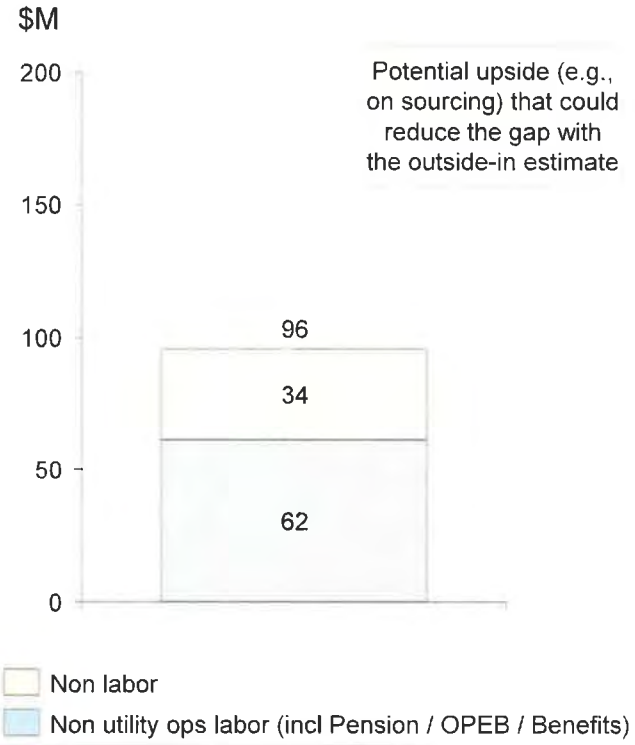
**"Outside-in" Y5 steady state synergy estimate: $130M**




**Midpoint: $130M**

- Non utility ops labor (incl Pension/ OPEB): *$57M*
- Non-labor: *$73M*

**"Bottom-up" Y5 steady state synergy estimate: $96M**




**Recommend targeting $130M annual run rate synergy to capture unidentified upside to bottom-up estimate**

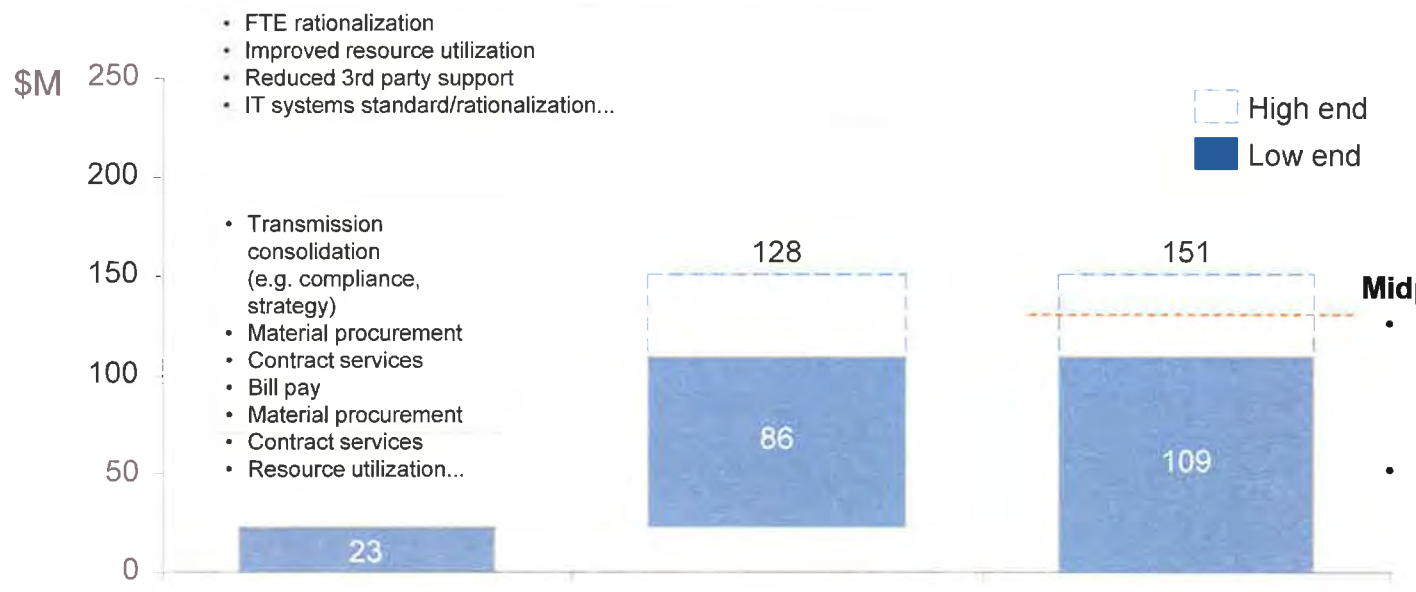


Exelon.

# Outside-in estimate of O&M synergies: ~$130M /yr in year 5

## Estimate ranges from $109M to $151M

**O&M synergy estimate for EXC and PHI – Year 5 steady state synergies**




**Midpoint: $130M**

- Non utility ops labor (incl. pension/ OPEB): ***$57M***
- Non-labor: ***$73M***

| | Utility support services | BSC (non embedded) | Tota l |
|---|---|---|---|
| Combined EXC/PHI O&M baseline | $2,598M[1] | $1052M | $3650M |
| Synergy (% EXC /PHI O&M baseline) | ~1% | 8-12% | 3-4% |
| PHI O&M baseline | $488M[1] | $213M | $701M |
| Synergy (% PHI baseline) | 5% | 40-60% | 16-22% |

Phase 1 baseline

1. Baseline includes utility ops



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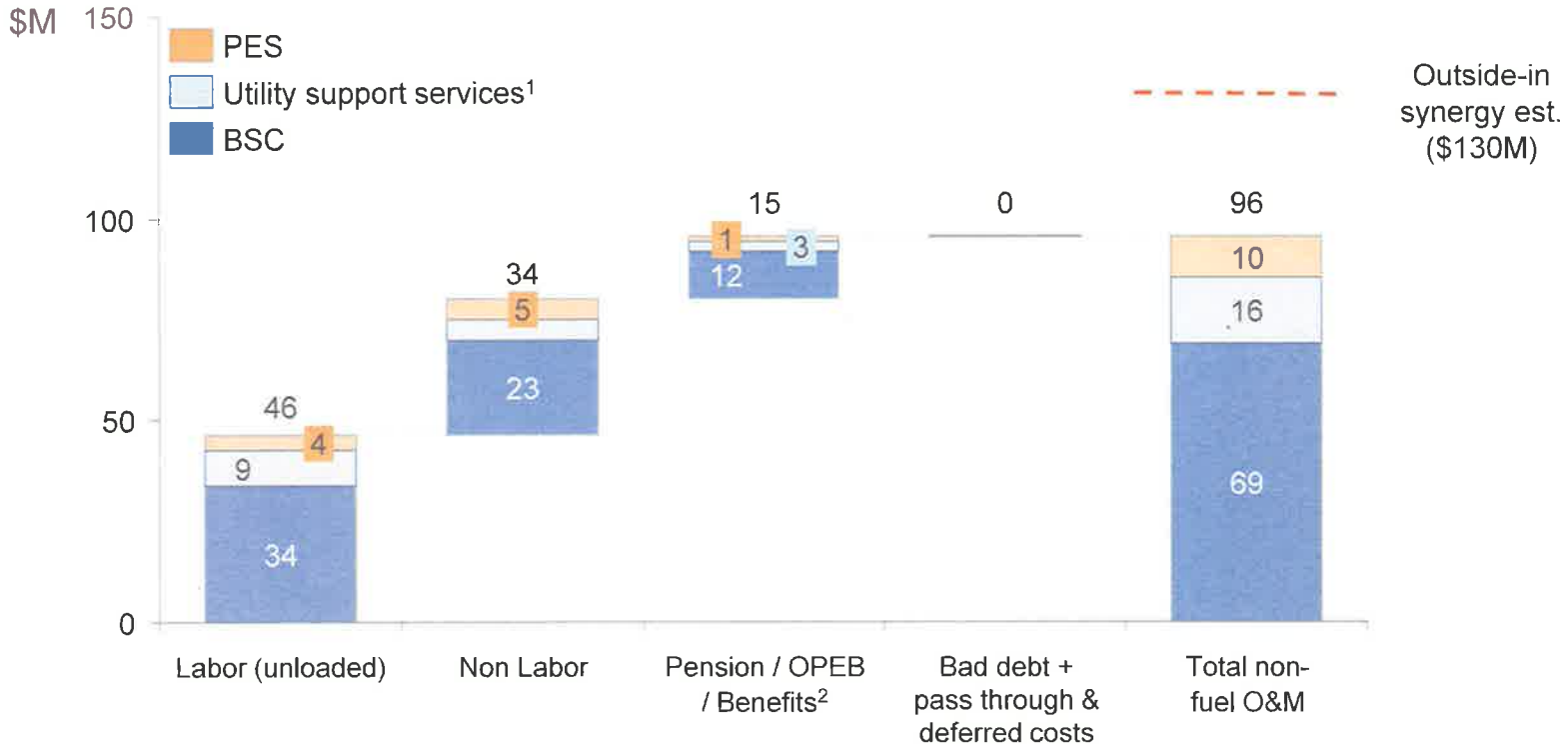
# Bottom-up estimate of O&M synergies: ~$96M / yr in year 5

## Breakdown by cost category

**O&M synergy estimate for EXC and PHI – Year 5 steady state synergies**




| | | | | | |
|---|---|---|---|---|---|
| PHI O&M baseline ($M) | 323 | 561 | 131 | 32 + 122 | 1,169 |
| Synergy (% PHI baseline) | 14% | 6% | 13% | 0% | 8% |

1. Includes sourcing synergies 2. Pension / OPEB / Benefits synergy assumed to be 30% of unloaded labor benefit + SERP



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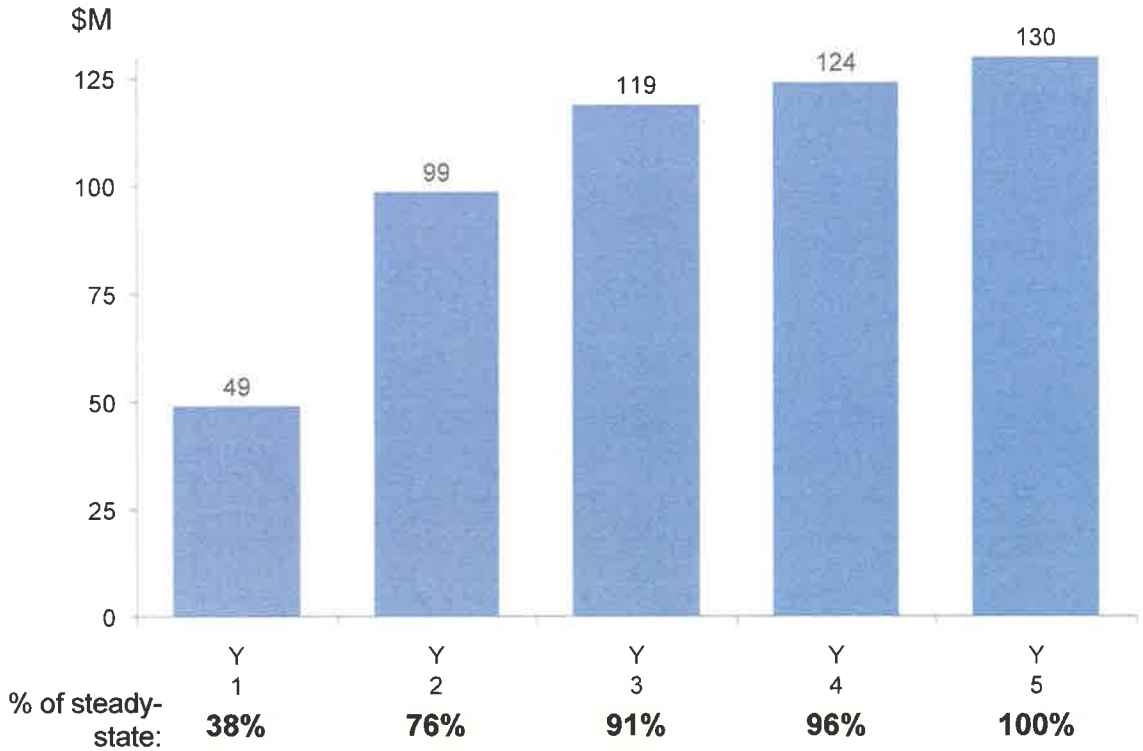
# Glidepath of O&M synergies for EXC and PHI

## Estimated synergy glidepath realization




## Assumptions / data sources

**BSC labor synergies interdependent with IT integration**

- Year 1 FTE reduction: ~30% of target
- Year 2 FTE reduction : ~80% of target
- Years 3-5 FTE reduction: 100% of target

**Utility support performance improvement[1] assumed to begin in Year 3 (2-yr commitment not to impact utility)**

- Year 1 FTE reduction[1]: 0% of target
- Year 2 FTE reduction[1]: 0% of target
- Year 3 FTE reduction[1]: ~50% of target
- Year 4 FTE reduction[1]: ~75% of target
- Year 5 FTE reduction[1]: 100% of target

**Assumes no reduction of utility ops FTEs**

**Non-labor synergies (primarily IT) driven by system decommissioning and not realized until Year 2**

1. FTE reductions assumed on utility support (e.g., engineering)
Source: Glide path based on bottom-up glide path, grossed up to reach $130M outside-in target synergy



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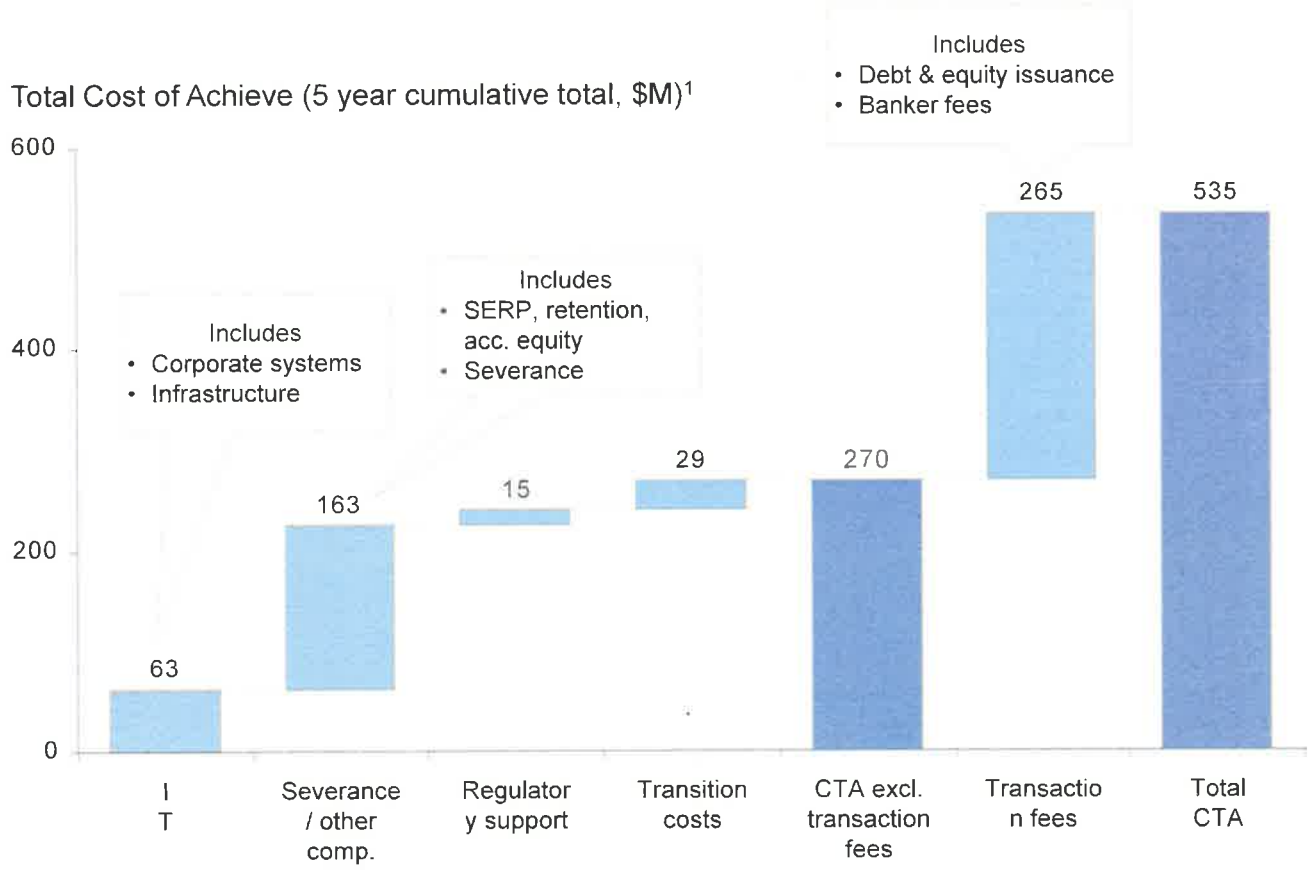
# Preliminary estimate of transaction Cost To Achieve




1. Includes O&M (~94%) and Capex (~6%)
Note: Estimates assume no attrition; Transaction costs estimated by EXC Corporate development



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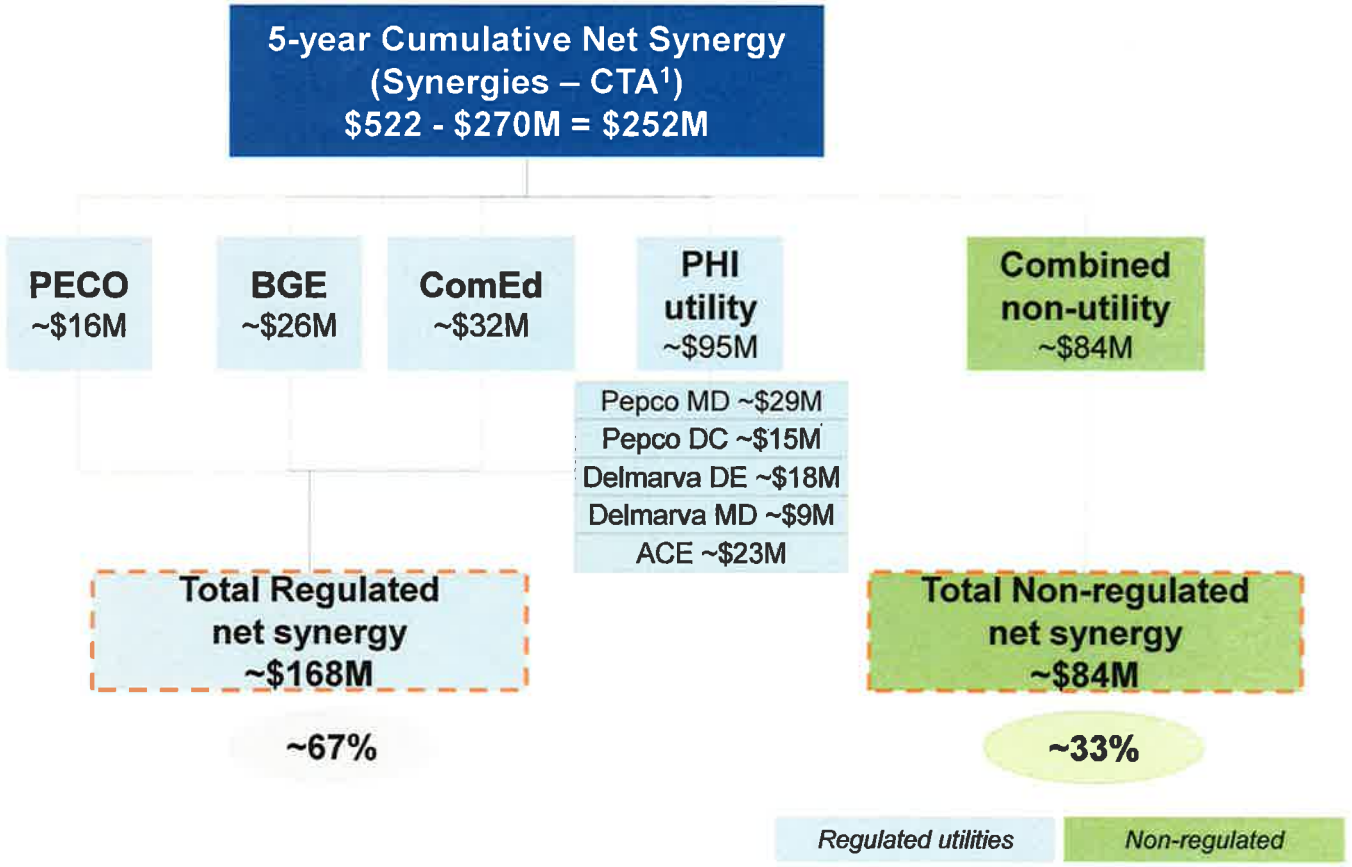
# Total of ~$250M in cumulative net synergy through Y5

## Disaggregated view

**Breakdown of Total Cumulative 5Y Savings (Synergies + CTA) by organization**




1. Excluding transaction costs
Note: MMF calculated using Exelon's methodology (Gross revenue, Assets, Direct labor); Pepco and Delmarva synergies split across jurisdictions using ratio of customer counts
Source: FERC Form 1,2,60; Project PHI synergy estimates, BCG analysis



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# Appendix



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# Net synergies by PHI entity

| ($M) | Pre-close | Y1 | Y2 | Y3 | Y4 | Y5 | Total |
|---|---|---|---|---|---|---|---|
| **Pepco** | | | | | | | |
| Synergies | | 8 | 12 | 16 | 18 | 20 | 74 |
| CTA | (5) | (23) | (2) | 0 | 0 | 0 | (30) |
| Net synergies | (5) | (14) | 9 | 16 | 18 | 20 | 44 |
| **DPL** | | | | | | | |
| Synergies | | 5 | 7 | 10 | 11 | 12 | 46 |
| CTA | (3) | (14) | (1) | 0 | 0 | 0 | (19) |
| Net synergies | (3) | (9) | 6 | 10 | 11 | 12 | 27 |
| **ACE** | | | | | | | |
| Synergies | | 4 | 6 | 9 | 10 | 11 | 40 |
| CTA | (3) | (12) | (1) | 0 | 0 | 0 | (16) |
| Net synergies | (3) | (8) | 5 | 9 | 10 | 11 | 23 |
| **PHI utilities** | | | | | | | |
| Synergies | | 18 | 25 | 35 | 39 | 43 | 160 |
| CTA | (11) | (49) | (5) | 0 | 0 | 0 | (65) |
| Net synergies | (11) | (31) | 20 | 35 | 39 | 43 | 95 |
| **Cumulative** | (11) | (42) | (22) | 13 | 52 | 95 | |

Note: Pepco and Delmarva synergies split across jurisdictions using ratio of customer counts



Exelon.

# Net synergies by PHI entity and jurisdiction

| ($M) | Pre-close | Y1 | Y2 | Y3 | Y4 | Y5 | Total |
|---|---|---|---|---|---|---|---|
| **Pepco MD** | | | | | | | |
| Synergies | 0 | 6 | 8 | 11 | 12 | 13 | 50 |
| CTA | (3) | (15) | (2) | 0 | 0 | 0 | (20) |
| Net synergies | (3) | (10) | 6 | 11 | 12 | 13 | 29 |
| **Pepco DC** | | | | | | | |
| Synergies | 0 | 3 | 4 | 5 | 6 | 7 | 24 |
| CTA | (2) | (7) | (1) | 0 | 0 | 0 | (10) |
| Net synergies | (2) | (5) | 3 | 5 | 6 | 7 | 14 |
| **Delmarva DE** | | | | | | | |
| Synergies | 0 | 4 | 5 | 7 | 8 | 8 | 32 |
| CTA | (2) | (10) | (1) | 0 | 0 | 0 | (13) |
| Net synergies | (2) | (6) | 4 | 7 | 8 | 8 | 19 |
| **Delmarva MD** | | | | | | | |
| Synergies | 0 | 2 | 2 | 3 | 4 | 4 | 15 |
| CTA | (1) | (4) | 0 | 0 | 0 | 0 | (6) |
| Net synergies | (1) | (3) | 2 | 3 | 4 | 4 | 9 |
| **ACE** | | | | | | | |
| Synergies | 0 | 4 | 6 | 9 | 10 | 11 | 40 |
| CTA | (3) | (12) | (1) | 0 | 0 | 0 | (16) |
| Net synergies | (3) | (8) | 5 | 9 | 10 | 11 | 23 |
| **PHI utilities** | | | | | | | |
| Synergies | | 18 | 25 | 35 | 39 | 43 | 160 |
| CTA | (11) | (49) | (5) | 0 | 0 | 0 | (65) |
| Net synergies | (11) | (31) | 20 | 35 | 39 | 43 | 95 |
| **Cumulative** | (11) | (42) | (22) | 13 | 52 | 95 | |

Note: Pepco and Delmarva synergies split across jurisdictions using ratio of customer counts



Exelon.

# EXHIBIT CVK-3

GENERAL SERVICES AGREEMENT

BETWEEN

EXELON BUSINESS SERVICES COMPANY

AND

EXELON CORPORATION; EXELON ENERGY DELIVERY COMPANY, LLC; COMMONWEALTH EDISON COMPANY; PECO ENERGY COMPANY; EXELON VENTURES COMPANY, LLC; EXELON GENERATION COMPANY, LLC; EXELON ENTERPRISES COMPANY, LLC; UNICOM INVESTMENT INC.; AND THE SUBSIDIARIES, AFFILIATES AND ASSOCIATES OF EACH LISTED ENTITY.

THIS AGREEMENT, made and entered into this 1st day of January, 2001, by and between the following Parties: EXELON BUSINESS SERVICES COMPANY ("Services Company"), EXELON CORPORATION; EXELON ENERGY DELIVERY COMPANY, LLC; COMMONWEALTH EDISON COMPANY; PECO ENERGY COMPANY; EXELON VENTURES COMPANY, LLC; EXELON GENERATION COMPANY, LLC; EXELON ENTERPRISES COMPANY, LLC; UNICOM INVESTMENT INC; AND THE SUBSIDIARIES, AFFILIATES AND ASSOCIATES OF EACH LISTED ENTITY (collectively, the "Client Companies");

WITNESSETH:

WHEREAS, Client Companies, including EXELON CORPORATION, which is registered under the terms of the Public Utility Holding Company Act of 1935 (the "Act") and its other subsidiaries, affiliates and associates desire to enter into this agreement providing for the

performance by Services Company for the Client Companies of certain services as more particularly set forth herein;

WHEREAS, Services Company is organized, staffed and equipped and has filed with the Securities and Exchange Commission ("the SEC") to be a subsidiary service company under Section 13 of the Act to render to EXELON CORPORATION, and other subsidiaries, affiliates and associates of EXELON CORPORATION, certain services as herein provided; and

WHEREAS, to maximize efficiency, and to achieve merger related savings, the Client Companies desire to avail themselves of the advisory, professional, technical and other services of persons employed or to be retained by Services Company, and to compensate Services Company appropriately for such services;

NOW, THEREFORE, in consideration of these premises and of the mutual agreements set forth herein, the Parties agree as follows:

Section 1. Agreement to Provide Services

Services Company agrees to provide to Client Companies, upon the terms and conditions set forth herein, the services hereinafter referred to and described in Section 2, at such times, for such period and in such manner as Client Companies may from time to time request. Except with respect to "Corporate Governance Services" as defined in Section 7 hereof, the Services Company shall perform only those services as are requested by the Client Companies. Services Company will keep itself and its personnel available and competent to provide to Client Companies such services so long as it is authorized to do so by the appropriate federal and state regulatory agencies. In providing such services, Services Company may arrange, where it deems

appropriate, for the services of such experts, consultants, advisers and other persons with necessary qualifications as are required for or pertinent to the provision of such services.

Section 2. Services to be Provided

The services expected to be provided by Services Company hereunder may, upon request by a Client Company, include the services as set out in Schedule 2, attached hereto and made a part hereof. In addition to those identified in Schedule 2, Services Company shall provide such additional general or special services, whether or not now contemplated, as Client Companies may request from time to time and Services Company determines it is able to provide.

Notwithstanding the foregoing paragraph, no change in the organization of the Services Company, the type and character of the companies to be serviced, the factors for allocating costs to associate companies, or in the broad general categories of services to be rendered subject to Section 13 of the Act, or any rule, regulation or order thereunder, shall be made unless and until the Services Company shall first have given the SEC written notice of the proposed change not less than 60 days prior to the proposed effectiveness of any such change. If, upon the receipt of any such notice, the SEC shall notify the Services Company within the 60-day period that a question exists as to whether the proposed change is consistent with the provisions of Section 13 of the Act, or of any rule, regulation or order thereunder, then the proposed change shall not become effective unless and until the Services Company shall have filed with the SEC an appropriate declaration regarding such proposed change and the SEC shall have permitted such declaration to become effective.

Section 3. Changes in Parties

New direct or indirect subsidiaries, affiliates and associates of EXELON CORPORATION, which may come into existence after the effective date of this Services Agreement, may become additional Client Companies of Services Company and subject to this General Services Agreement. In addition, entities which are, as of the effective date of this General Services Agreement, direct or indirect subsidiaries, affiliates and associates of EXELON CORPORATION, may thereafter leave the holding company system, in which case they will no longer be subject to this General Services Agreement. The parties hereto shall make such changes in the scope and character of the services to be provided and the method of assigning, distributing or allocating costs of such services as may become necessary to achieve a fair and equitable assignment, distribution, or allocation of Services Company costs among associate companies taking into account both the new subsidiaries and the subsidiaries which have left the holding company system, subject to the provisions of Section 2 above.

Section 4. Compensation of Services Company

As compensation for the services to be rendered hereunder, Client Companies listed in Attachment A hereto, as revised from time to time, shall pay to Services Company all costs which reasonably can be identified and related to particular services provided by Services Company for or on Client Company's behalf (except as may otherwise be permitted by the SEC). All other Client Companies and their affiliates and associates (see Attachment B) shall pay to Services Company charges for services that are to be no less than cost (except as may otherwise be permitted by the SEC), insofar as costs can reasonably be identified and related by Services Company to its performance of particular services for or on behalf of Client Company.

The services described herein or contemplated to be provided hereunder shall be directly assigned, distributed or allocated by activity, project, program, work order or other appropriate basis. The factors for assigning or allocating Services Company costs to Client Company, as well as to other associate companies, are set forth in Schedules 1 and 2 attached hereto. Attachments A and B and Schedules 1 and 2 are each expressly incorporated herein and made a part hereof.

Any charges to the Client Companies on account of use of capital shall reflect a reasonable and efficient capital structure.

Section 5. Securities and Exchange Commission Rules

It is the intent of the Parties that the determination of the costs as used in this Agreement shall be consistent with, and in compliance with, the rules and regulations of the SEC, as they now exist or hereafter may be modified by the Commission.

Section 6. Service Review

The parties shall review each service covered by this Agreement on an as needed basis, to assess the quality of the service and to determine the continued need therefor, and shall, subject to the provisions of Section 2 above, amend the scope of services, delete services entirely from this Agreement, and/or decline services which are not "Corporate Governance Services," as defined in Section 7 hereof, as they determine to be necessary or desirable.

Section 7. Corporate Governance Services.

Whether or not requested by the Client Companies, the Services Company may provide to all Client Companies, and Client Companies shall pay Services Company for, "Corporate Governance Services." Corporate governance consists of those activities and services reasonably determined to be necessary for the lawful and effective management of Exelon System businesses. Corporate Governance Services may be supplied from functions such as accounting, finance, executive, strategic planning, legal, human resources/benefits, audit, corporate communications and public affairs, environmental, health and safety, government affairs and policy, and investor relations. Corporate Governance Services may include, but are not limited to, the following: planning and project evaluation; finance and treasury; accounting and analysis; risk management; tax; shareholder and investor relations; merger and acquisition services; strategic planning; diversity; employee and labor relations; HR planning and development; compensation and benefits; legal services in the areas of securities, PUHCA, employment, regulatory, contract, litigation and intellectual property laws; legal and administrative support to the Board of Directors; environmental compliance activities; ethics and compliance programs; management services for compliance with Federal laws, regulations and other policy requirements, including relationship management with the U.S. Congress and Federal agencies; corporate communications; branding; corporate events; charitable support; community relations and communications to local organizations; and communications to employees.

Section 8. Payment

Payment shall be by making remittance of the amount billed or by making

appropriate accounting entries on the books of the companies involved. Invoices shall be prepared on a monthly basis for services provided hereunder.

Section 9. EXELON CORPORATION

Except as authorized by rule, regulation, or order of the SEC, nothing in this Agreement shall be read to permit EXELON CORPORATION, or any person employed by or acting for EXELON CORPORATION, to provide services for other Parties, or any companies associated with said Parties.

Section 10. Client Companies

Except as limited by law or order of the SEC, Client Companies, their subsidiaries, affiliates and associates may provide services described herein to other Client Companies, their subsidiaries, affiliates and associates on the same terms and conditions as set out for the Services Company.

Section 11. Effective Date and Termination

This Agreement is executed subject to the consent and approval of all applicable regulatory agencies, and if so approved in its entirety, shall be deemed effective from the date that the merger between PECO ENERGY COMPANY and UNICOM CORPORATION was consummated, and shall remain in effect from said date unless terminated by mutual agreement or by any Party giving at least 90 days' written notice to the other Parties prior to the beginning of any calendar year, each Party fully reserving the right to so terminate this Agreement.

This Agreement may also be terminated or modified to the extent that performance may conflict with any rule, regulation or order of the SEC adopted before or after the making of this Agreement. This Agreement shall be terminated with respect to any Client Company immediately upon such Client Company ceasing to be a member of the Exelon holding company system.

The Parties' obligations under this Agreement which by their nature are intended to continue beyond the termination or expiration of this Agreement shall survive such termination or expiration.

Section 12. Access to Records

Records will be maintained in accordance with 17 C.F.R. §257 and in any event no less than seven years following a transaction under this Agreement. The Client Company may request access to and inspect the accounts and records of the Services Company, provided that the scope of access and inspection is limited to accounts and records that are related to such transaction.

Section 13. Assignment

This Agreement and the rights hereunder may not be assigned without the mutual written consent of all Parties hereto.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed and attested by their authorized officers as of the day and year first above written.

**EXELON BUSINESS SERVICES COMPANY**

By _____
Ruth Ann M. Gillis
Title: President

**EXELON CORPORATION,**
ON BEHALF OF ITSELF AND ITS SUBSIDIARIES, AFFILIATES AND ASSOCIATES

By _____
J. Barry Mitchell
Title: Senior Vice President and Treasurer

**EXELON ENERGY DELIVERY COMPANY, LLC,**
ON BEHALF OF ITSELF AND ITS SUBSIDIARIES

By _____
J. Barry Mitchell
Title: Vice President and Treasurer

**COMMONWEALTH EDISON COMPANY,**
ON BEHALF OF ITSELF AND ITS SUBSIDIARIES

By _____
J. Barry Mitchell
Title: Senior Vice President, Treasurer, and Chief Financial Officer

**PECO ENERGY COMPANY,**
ON BEHALF OF ITSELF AND ITS SUBSIDIARIES

By _____
J. Barry Mitchell
Title: Vice President, Treasurer, and Chief Financial Officer

**EXELON VENTURES COMPANY LLC,**
ON BEHALF OF ITSELF AND ITS SUBSIDIARIES

By _____
J. Barry Mitchell
Title: Vice President, Treasurer, and Chief Financial Officer

**EXELON GENERATION COMPANY, LLC,**
ON BEHALF OF ITSELF AND ITS SUBSIDIARIES

By _____
J. Barry Mitchell
Title: Vice President, Treasurer, and Chief Financial Officer

**EXELON ENTERPRISES COMPANY, LLC,**
ON BEHALF OF ITSELF AND ITS SUBSIDIARIES

By _____
J. Barry Mitchell
Title: Vice President and Treasurer

**UNICOM INVESTMENT INC.,**
ON BEHALF OF ITSELF AND ITS SUBSIDIARIES

By _____
J. Barry Mitchell
Title: Chairman, President and Chief Executive Officer,
Director, Vice President and Treasurer

**BALTIMORE GAS AND ELECTRIC COMPANY,**
ON BEHALF OF ITSELF AND ITS SUBSIDIARIES
(effective March 12, 2012)

By _____
Carim V. Khouzami
Title: Vice President, Chief Financial Officer and Treasurer

**Attachment A**

Commonwealth Edison Company

Commonwealth Edison Of Indiana, Inc.

PECO Energy Company

Exelon Generation Company, LLC

Baltimore Gas and Electric Company (effective March 12, 2012)

Any subsidiary involved in directly providing goods, construction or services to the foregoing companies

## Attachment B

All other Client Companies and their affiliates and associates not referred to in Attachment A.

## Service Agreement Schedule 1

**Allocation Ratios:**

**General:**

Direct charges shall be made so far as costs can be identified and related to the particular transactions involved without excessive effort or expense. Other elements of cost, including taxes, interest, other overhead, and compensation for the use of capital procured by the issuance of capital stock, shall be fairly and equitably allocated using the ratios set forth below.

**Revenue Related Ratios:**

Revenues
Sales - Units sold and/or transported
Number of Customers

**Expenditure Related Ratios:**

Total Expenditures
Operations and Maintenance Expenditures
Capital Expenditures
Service Company Billings
Service Company SLA Billings (Non-governance)

**Labor/Payroll Related Ratios:**

Labor / Payroll
Number of Employees

**Units Related Ratios:**

Usage (for example: CPU's, square feet , number of vendor invoice payments)
Consumption (for example: tons of coal, gallons of oil, MMBTU's)
Capacity (for example: nameplate generating capacity, peak load, gas throughput)
Other units related

**Assets Related Ratios:**

Total Assets
Current Assets
Gross Plant

**Composite Ratios:**

Total Average Assets and 12 months ended Gross Payroll
Modified Massachusetts Formula
Other composite ratios

## Service Agreement Schedule 2

**Services Including But Not Limited To:**

**General:**

Direct charges shall be made so far as costs can be identified and related to the particular transactions involved without excessive effort or expense. Other elements of cost, including taxes, interest, other overhead, and compensation for the use of capital procured by the issuance of capital stock, shall be fairly and equitably allocated using the ratios set forth in Schedule 1.

**Administrative & management services including but not limited to:**

accounting
- bookkeeping
- billing
- accounts receivable
- accounts payable
- financial reporting

audit
claims
communications
customer operations
customer services
executive
finance
insurance
information systems services
investment advisory services
legal
library
record keeping
secretarial & other general office support
real estate management
security holder services
tax
treasury
other administration & management services

**Expected allocation ratios:** Revenue Related, Expenditure Related, Labor/Payroll Related, Units Related, Assets Related, Composite

**Personnel services including but not limited to:**

recruiting
training & evaluation services
payroll processing
employee benefits administration & processing
labor negotiations & management
other personnel services

**Expected allocation ratios:** Labor/Payroll Related, Units Related, Composite

**Purchasing services including but not limited to:**

preparation & analysis of product specifications
requests for proposals & similar solicitations
vendor & vendor-product evaluations
purchase order processing
receipt, handling, warehousing and disbursement of purchased items contract negotiation & administration
inventory management & disbursement
other purchasing services

**Expected allocation ratios:** Expenditure Related, Labor/Payroll Related, Units Related, Assets Related, Composite

**Facilities management services including but not limited to:**

office space
warehouse & storage space
transportation facilities (including dock & port, rail sidings and truck facilities)
repair facilities
manufacturing & production facilities
fixtures, office furniture & equipment

**Expected allocation ratios:** Expenditure Related, Labor/Payroll Related, Units Related, Composite

**Computer services including but not limited to:**

computer equipment & networks
peripheral devices
storage media
software

**Expected allocation ratios:** Expenditure Related, Labor/Payroll Related, Units Related, Assets Related, Composite

**Communications services including but not limited to:**

communications equipment
audio & video equipment
radio equipment
telecommunications equipment & networks
transmission & switching capability

**Expected allocation ratios:** Expenditure Related, Labor/Payroll Related, Units Related, Assets Related, Composite

**Machinery management services including but not limited to:**

equipment
tools
parts & supplies

**Expected allocation ratios:** Expenditure Related, Labor/Payroll Related, Units Related, Composite

**Vehicle management services including but not limited to:**

automobiles
trucks
vans
trailers
railcars
marine vessels
aircraft
transport equipment
material handling equipment
construction equipment

**Expected allocation ratios:** Expenditure Related, Labor/Payroll Related, Units Related, Composite

**Operational services including but not limited to:**

drafting & technical specification, development & evaluation
consulting
engineering
environmental
safety
nuclear
construction

design
resource planning
economic & strategic analysis
research
testing
training
customer solicitation
support & other marketing related services
public & governmental relations
other operational services

**Expected allocation ratios:** Revenue Related, Expenditure Related, Labor/Payroll Related, Units Related, Assets Related, Composite

**Exhibit B**

## Service Level Arrangement

## Arrangement between _____ Services Department and [Client Company]

**Purpose**

**Governing Agreement**

**Term of Service**

**Scope of Services**

| Scope of Services |
|---|
| |

**Service Responsibility Matrix**

| Services, Tasks | | |
|---|---|---|
| | | |

**Service Costing Schedule**

**Monthly Billing Table:**

| Service/Transaction | Estimated Monthly Billing |
|---|---|
| | |

**Performance Metrics & Performance Reporting**

| Signatures | |
|---|---|
| Manager Service Company<br><br>_____ _____<br>Signature Date | Name (Client)<br>Title<br><br>_____ _____<br>Signature Date |

**Exhibit C**

**Project Charter**

**Mission:**

**Objective**

- 
- 

**Business Need / Expected Benefits**

- 

**Project Approach**

- 
- 
- 

**Measures of Success / Effectiveness**

- 
- 

**Project Team**

- Sponsor -
- Responsible Director –
- Project Manager –
- Project Team –

**High Level Schedule**

| Activity or Deliverable | Start Date | End Date |
|---|---|---|
| | | |
| | | |
| | | |

**High Level Cost Estimate**

| Item | Cost |
|---|---|
| | |
| | |
| | |

**Major Risks and Issues**

- 

**Assumptions and Constraints**

- 

**Project Charter Authorizing Signatures**

| Name / Title | Signature | Date |
|---|---|---|
| | | |
| | | |
| | | |

# EXHIBIT 7

**JOINT APPLICANTS**
**EXHIBIT NO. 7**

BEFORE THE
DELAWARE PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY, EXELON CORPORATION, PEPCO HOLDINGS, INC., PURPLE ACQUISITION CORPORATION, EXELON ENERGY DELIVERY COMPANY, LLC AND NEW SPECIAL PURPOSE ENTITY, LLC FOR APPROVALS UNDER THE PROVISIONS OF 26 DEL. C. §§ 215 AND 1016 (Filed June 18, 2014)

PSC DOCKET NO. 14-

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# DIRECT TESTIMONY
OF
SUSAN F. TIERNEY, Ph.D.

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DATED: JUNE __, 2014

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EXHIBITS


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# DIRECT TESTIMONY
# OF
# SUSAN F. TIERNEY, Ph.D.

## I. INTRODUCTION AND PURPOSE

**1. Q. Please state your full name and business address.**

A. My name is Susan Fallows Tierney. I am employed at Analysis Group, Inc., 111 Huntington Avenue, 10th Floor, Boston, Massachusetts, 02199.

**2. Q. What is your position?**

A. I am one of Analysis Group's Senior Advisors.

**3. Q. What are your duties as a senior advisor at Analysis Group?**

A. I am a lead consultant for many of our engagements with businesses, government agencies, non-governmental organizations, and other clients on matters relating to the electric and natural gas industries. For these projects, I supervise and work with teams of consultants with training in economics, business and finance, public policy and planning, math and computer science, and other fields.

**4. Q. Please summarize your educational background and training.**

A. I hold a Ph.D. in regional planning (1980) and a Masters in Regional Planning (1976), both from Cornell University. I was an assistant professor for 3.5 years at the University of California at Irvine, and have taught on a part-time basis at the Massachusetts Institute of Technology. I have lectured at numerous universities, including Harvard University, Yale University, MIT, New York University, Tufts

University, the University of Pennsylvania, the University of Michigan, and others.

**5. Q. Please describe your professional experience.**

A. I have been involved in issues related to public utilities, ratemaking and regulation, and energy and environmental economics and policy for nearly 30 years. During this period, I have worked on electric and gas industry issues as a utility regulator and energy/environmental policy maker, educator, consultant, and expert witness. For more than 15 years, I have been a consultant and advisor on a variety of economic and policy issues in the energy sector. Prior to joining Analysis Group in July 2003, I was a consultant at Lexecon, Inc., and its predecessor, the Economics Resource Group, Inc.

Before that, I served in senior state and federal policy and regulatory positions for 13 years. I was the Assistant Secretary for Policy at the U.S. Department of Energy from 1993 through mid-1995. I held senior positions in the Massachusetts state government as Secretary of Environmental Affairs (1991-1993); Commissioner of the Department of Public Utilities (1988-1991); Executive Director of the Energy Facilities Siting Council (during the mid-1980s); and Senior Economist for the Executive Office of Energy Resources.

I currently sit on several non-profit boards and commissions, including serving as chair of the External Advisory Board of the National Renewable Energy Laboratory ("NREL"), chair of the Board of the ClimateWorks Foundation, and a director of World Resources Institute, the Alliance to Save Energy, and the

Energy Foundation. I co-chair the NAESB Gas-Electric Harmonization Committee, am a member of the National Academy of Sciences panel on shale gas risk, and am co-lead author of the energy chapter of the National Climate Assessment. I am a member of the Bipartisan Policy Center's Energy Project, and the Environmental Advisory Council of the New York Independent System Operator. Previously, I served on the U.S. Secretary of Energy Advisory Board (and its Shale Gas Subcommittee), was a director of several companies (including EnerNOC, Inc.; Evergreen Solar; and Ze-gen, Inc), and served on the boards of several non-governmental organizations. On several occasions, I have served on technical review panels conducting peer reviews of DOE's national labs, including NREL's and the Energy Division of the Lawrence Berkeley National Laboratory ("LBNL"). I served as chair of the Policy Subgroup of the National Petroleum Council's study of the North American natural gas and oil resource base; chair of the Massachusetts Ocean Advisory Commission; co-chair of the National Commission on Energy Policy; a director of the Electric Power Research Institute ("EPRI"); chair of the Electricity Innovation Institute's Board of Directors; a representative to committees of the North American Electric Reliability Council ("NERC"); a member of the National Academy of Sciences' Committee on Enhancing the Robustness and Resilience of Electrical Transmission and Distribution in the United States to Terrorist Attack; and a member of the U.S. Secretary of Energy's Electric Reliability Task Force. My complete vita is attached as Exhibit SFT-1.

**6. Q. Have you previously submitted testimony before state or federal bodies?**

A. Yes. I have testified before utility regulatory agencies in many states, the Federal Energy Regulatory Commission ("FERC"), the U.S. Congress, several state legislatures, arbitration panels, and federal and state courts.

**7. Q. What is the purpose of your testimony in this proceeding?**

A. I have been asked by Exelon Corporation ("Exelon"), Pepco Holdings Inc. ("PHI"), and Delmarva Power & Light Company ("Delmarva Power") (together, the "Applicants") to provide testimony on the direct and indirect economic and policy benefits of the proposed merger (the "Merger"). At the request of the Applicants, I have reviewed the Application and have familiarized myself with the various commitments (the "Regulatory Commitments") the Applicants are making to the customers of Delmarva Power and to Delaware in support of the request for the Public Service Commission's ("Commission") approval of the proposed Merger. The Regulatory Commitments are enumerated in the Application. They are also described in more detail in the testimonies of the Applicants' witnesses.

**8. Q. What are your overall conclusions about the economic benefits of the proposed Merger for Delmarva Power customers and the economy of Delaware?**

A. As I describe in detail in my testimony below, the Merger offers many following benefits to Delmarva Power customers and to Delaware as a result of the Regulatory Commitments, which I summarize in Table SFT-1, below.

In terms of basic monetary commitments, Exelon pledges an amount of $100 million for the direct benefit of retail customers of all of the PHI companies, which is apportioned to the various companies based on the number of customers of each distribution company. In Delaware, this Customer Investment Fund amounts to $17 million, or $54.06 per customer.

Additionally, Exelon has strengthened Delmarva Power's commitments to reliability improvements for customers by pledging to be held financially accountable for the achievement of enhanced reliability performance goals ("Enhanced Reliability Commitments") by 2020.[1] Combined with reliability improvement projects already announced by PHI and underway, I calculate that the direct value to Delmarva Power's retail customers of experiencing fewer and shorter service outages is $74.3 million.

[1] See the testimony of Mr. Christopher Crane (Exelon's President and Chief Executive Officer) and Mr. Carim Khouzami (Exelon's Chief Integration Officer) for a description of Exelon's proposal to back-up its Enhanced Reliability Commitments with a performance guaranty that will trigger a financial penalty if performance-improvement goals are not achieved.

| Table SFT-1<br>Summary of Overall Benefits of the Proposed Merger | | |
|---|---|---|
| **Benefits to:** | **Type of Benefits** | **Estimated Economic Benefits Associated with Merger's Regulatory Commitments to Delaware:** |
| Delmarva Power customers | Tangible, quantifiable benefits | **Customer Investment Fund:**<br>▪ The Applicants will provide $17 million, which equates to $54.06 per distribution customer of Delmarva Power.<br>**Enhanced Reliability Commitments:**<br>▪ Delmarva Power will continue to implement its current plan to improve system reliability and, moreover, to improve upon its reliability targets, with financial penalties in the event that Delmarva Power does not achieve increased performance levels for system reliability. These benefits amount to $74.3 million in direct economic benefits to customers. |
| | Other unquantified benefits and commitments | **Rates and Costs:**<br>▪ Delmarva Power customers receive the benefit of synergy savings to Delmarva Power in the future if/when rates are reset (assuming that such relies on a test year covering at least part of the first five years after the Merger is consummated).<br>▪ Reliability and customer-service benefits from sharing best practices among the merged company's distribution companies.<br>**Regulatory Supervision and Governance:**<br>▪ Delmarva Power and its parent submit to the jurisdiction of Delaware Public Service Commission for all matters related to the Merger and the enforcement of these commitments, as well as to all matters relating to affiliate transactions among the various companies.<br>▪ Customers of Delmarva Power will be protected from business and financial risk exposures associated with its parent's unregulated operations and activities through appropriate ring-fencing provisions, which include a commitment to the following arrangements for at least 5 years following completion of the Merger:<br>▪ Delmarva Power will maintain its separate existence and its separate franchises and privileges, as well as maintaining separate books and records, and will commit that all books and records pertaining to its regulated operations in Delaware will be available for inspection and examination by the Commission.<br>▪ Delmarva Power will maintain separate debt so that it will not be responsible for the debts of affiliated companies and preferred stock, if any, and will maintain its own corporate and debt credit rating as well as ratings for long-term debt and preferred stock.<br>▪ Delmarva Power will maintain at least a common equity ratio consistent with the common equity ratios accepted in recent rate cases by the Commission for Delmarva Power.<br>**Low Income Assistance:**<br>▪ Delmarva Power commits to maintain and promote programs that provide assistance to low-income customers.<br>**Merger-Related Costs:**<br>▪ Delmarva Power will not seek to recover any acquisition premium or transaction costs in rates, nor will it incur or assume any debt directly related to the Merger. |
| Delaware economy | Tangible, quantifiable benefits | **Direct, indirect and induced effects of the combined Customer Investment Fund and Enhanced Reliability Commitments on the economy of Delaware:**<br>▪ 982 – 1,538 new jobs in the state.<br>▪ Approximately $88.6 million – $142.4 million in overall economic value to the state.<br>▪ Approximately $6.6 million – $10.2 million in incremental tax benefits to Delaware and local communities in Delaware. |
| | Other unquantified benefits and commitments | **Support for Delaware's economic goals:**<br>▪ Continued local presence of a major corporation with strong community, economic and other goals: The Applicants will maintain Delmarva Power's headquarters in place at the New Castle Regional Office.<br>▪ Continued commitment to existing supplier diversity programs.<br>**Support for community and charitable organizations in Delaware:**<br>▪ Approximately $7 million over 10 years. In 2013, contributions amounted to about $700,000.<br>**Employment benefits:**<br>▪ Commitment to honor all existing collective bargaining agreements.<br>▪ Commitment that, for at least 2 years following consummation of the Merger, there will not be a net reduction, due to involuntary attrition as a result of the Merger integration process, in the employment levels at Delmarva Power, and shall provide current and former employees at Delmarva Power with compensation and benefits that are at least as favorable in the aggregate as the compensation and benefits provided to the employees immediately before the Merger Agreement. |

Those two sets of tangible, quantifiable benefits to Delmarva Power customers – the state-specific Customer Investment Fund and the Enhanced Reliability Commitments – provide not only direct benefits to Delmarva Power's retail

customers totaling $91.3 million in value, but also other, larger economic benefits to the state's economy. Taking those two monetary commitments into account, I estimate conservatively that the Applicants' Regulatory Commitments introduce the following ranges of quantifiable economic benefits to the Delaware economy (with the ranges based on different assumptions about how the Commission will decide to use the money in the Customer Investment Fund)[2]:

- 982 – 1,538 new jobs,
- $88.6 million – $142.4 million in overall economic value to the state[3], and
- $6.6 million – $10.2 million in incremental tax revenues to Delaware and local communities.

I say that those quantitative estimates of Merger benefits are conservative because they do not include several of the Applicants' other Regulatory Commitments that provide value to customers and the state. For customers of Delmarva Power, these other benefits (as shown on Table SFT-1) include[4]: the expectation that retail customers will receive the benefit of synergy savings at the next time that rates are reset (assuming that a test year is within the first five years after the Merger is consummated); the benefits associated with the Applicants' submitting to the jurisdiction of the Commission, their proposed "ring-fencing" provisions,

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2 The estimates of economic impacts on the state reflect different scenarios and assumptions regarding potential uses of the Customer Investment Fund in Delaware, including for (a) a one-time credit of $54.06 on each customer's electricity bill; (b) use of the funds for low-income customer bill assistance; and (c) energy efficiency programs. See further explanation in my testimony below.

3 As described later in my testimony, overall economic value to the state is presented as economic "value added" in the macroeconomic model I use to calculate these benefits. This "value added" is separate from the direct value of the commitments that Delmarva Power customers would receive.

4 These other Merger commitments are described in detail in the testimony of Mr. Khouzami.

the Applicants' commitment to retain low-income assistance programs, and the Applicants' commitment to not seek recovery of merger-related costs or any debt directly related to the Merger. For the state of Delaware, these other unquantified but nonetheless real benefits include Exelon's commitment to maintain Delmarva Power's contributions to community and charitable organizations (which amounted to about $699,000 in 2013); to maintain a "local presence" in Delaware; to maintain existing supplier diversity programs; to honor all existing collective bargaining agreement and other labor-related actions during at least the first two years following consummation of the Merger. These various Regulatory Commitments provide real benefits to the communities in which Delmarva Power conducts its utility service, but I have not quantified their monetary value here in my analysis.

**9. Q. In reaching these conclusions and in your testimony more generally, did you focus on all aspects of the Merger?**

A. No. I focused on the two elements of the package of Regulatory Commitments to Delaware that the Applicants are making as part of their proposed Merger and that provide tangible, quantifiable benefits to Delmarva Power customers. These Regulatory Commitments include those investments, expenditures, and other activities devoted to Delmarva Power customers and the state of Delaware and pledged by Exelon and PHI as part of the Merger package. The Application provides substantial information on these commitments, which has allowed me to provide quantitative estimates and qualitative assessments of the Merger's overall benefits in Delaware.

**10. Q. How is your testimony organized?**

A. After this introductory section, I describe my analysis in Section II and provide a detailed discussion of my analytic framework, my analysis of benefits to Delmarva Power customers, and my assessment of economic and policy benefits to Delaware. In Section III, I briefly summarize my conclusions about the benefits to Delmarva Power customers and to the state.

**11. Q. Before describing your analysis, please comment on whether there are aspects of Delaware's electric reliability and economic-development policy goals that you found to be important as you reviewed the economic benefits of the proposed Merger.**

A. It is clear that state elected officials and regulators are focused on the balance between investing in reliability and the cost of energy as it relates to the Delaware economy. For example, in his State of the State Address in 2013, Governor Jack Markell stated that for "manufacturers and other businesses, we know the reliability and cost of energy is key. We need to expand our energy portfolio, reduce costs and improve air quality."[5] In 2014, Governor Markell stated that the "ability to move goods and services efficiently, connect to cutting-edge information technology infrastructure, and access cleaner, cheaper, and more reliable energy, is essential to every industry in our state."[6]

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5 "Delaware Gov. Jack Markell's 2013 State of the State Speech," available at: http://www.governing.com/news/state/delaware-markell-2013-speech.html.

6 "Delaware Gov. Jack Markell's 2014 State of the State Speech," available at: http://www.governing.com/topics/politics/gov-delaware-governor-jack-markell-2014-state-of-the-state-speech.html.

I note further that Delmarva Power has already made significant progress to accomplish reliability improvements, as reflected in its recent reliability metrics.[7] I also recognized that the Commission has sought to balance the level and speed of reliability improvements with customer rate impacts. I conducted my assessment of the Merger with these electric-reliability and ratemaking goals in mind, and noted that the Merger builds upon the sound policy guidance expressed by the Commission while strengthening Delmarva Power's ability to reach the targeted improvements through the institutional and financial commitments accompanying the Merger.

## II. ANALYSIS OF THE ECONOMIC BENEFITS OF THE PROPOSED MERGER'S REGULATORY COMMITMENTS

### A. Overview

**12. Q. Please provide an overview of your analysis of the benefits of the proposed Merger.**

A. As stated previously, I focused my review and assessment on the Applicants' Regulatory Commitments in Delaware. I performed two types of quantitative analyses: one focused specifically on the measurable and direct benefits that will flow to the *customers* of Delmarva Power as a result of two elements of the Regulatory Commitments (i.e., the Customer Investment Fund and the Enhanced Reliability Commitments); in the other, I calculated economic impacts of these two Regulatory Commitments on the *overall economy of Delaware* and the local communities in which Delmarva Power provides utility service. As part of the

[7] I have reviewed the testimony of Mr. Mark Alden (Exelon's Vice President for Utilities Oversight) and Mr. William Gausman (PHI's Senior Vice President for Strategic Initiatives).

latter analysis, I utilized IMPLAN, a commonly used proprietary modeling tool, to quantify these effects.[8] Specifically, I estimated the direct, indirect and induced impacts of the relevant Regulatory Commitments on employment, income, and the creation of net economic value ("value added") in the State of Delaware.

In addition, I have noted other elements of the Regulatory Commitments that provide intangible but still important benefits to the customers of Delmarva Power and to the State of Delaware as a result of an approved Merger.

**13. Q. Please describe IMPLAN in general terms.**

A. The IMPLAN model is a social accounting/input-output model that attempts to replicate the structure and functioning of a specific economy. The model allows one to investigate various interactions in a defined economy (in this case, a state) and to calculate various economic impacts in that economy when a new activity introduces a change in the conditions in the economy. A typical change could be an investment in a new facility being built in the state, or a new government program to support an economic development strategy. IMPLAN is widely used by government agencies, companies, academics, and others to evaluate the economic impacts of such different activities. Exhibit SFT-2 provides a sampling of applications of IMPLAN in analyses conducted for state agencies in Delaware.

In this particular instance, the changes in economic activity that are occurring as part of the Applicants' Regulatory Commitments are: (a) the monetary payment

[8] IMPLAN (the "IMpact analysis for PLANning") model, available at http://implan.com.

associated with the new "Customer Investment Fund," supplied by shareholders of one utility (e.g., Exelon) as part of its acquisition of another utility (e.g., PHI) and to be used for the benefit of customers of the acquired utility; and (b) the economic value that customers will experience associated with their being exposed to fewer and shorter electric service outages (i.e., the Enhanced Reliability Commitments).

IMPLAN relies on a detailed system of accounting for relationships among different parts of an economy, and employs state-specific national economic data for the relevant region. The model provides estimates of impacts such as new income and employment, "value added" effects (i.e., the net economic value to the economy after taking into account the input costs), and the impacts on state and local taxes.

While the model is focused on economic activity inside an economy, the model tracks the movement of money and people into and out of that economy. For example, IMPLAN tracks the effects of money injected into an economy (e.g., the provision of funding for the new Customer Investment Fund in Delaware) from an outside source, with various economic interactions and dollars flowing from that new activity. At the same time, activities that occur outside of the economy (e.g., the local utility's purchases of new electric distribution equipment or very-efficient lighting devices manufactured or produced outside of Delaware) show up in the model's accounts in the form of money or people exiting the economy. The model thus examines inflows, outflows, and interactions within the economy under study.

In Exhibit SFT-3, I have provided more information on the IMPLAN model and certain definitions of terms it uses.

**14. Q. What are the key concepts and IMPLAN terms that you use in your analysis?**

A. As described in more technical terms in Exhibit SFT-3, I track several core impacts of new economic activity associated with the two elements of the Regulatory Commitments that I have quantified (i.e., the Customer Investment Fund and the value of Enhanced Reliability Commitments to customers):

- *Employment effects* (the total number of jobs created); and
- *"Value-added" effects* (the total economic value added to the economy, which reflects the gross economic output of the area less the cost of the inputs).

There are various ways in which the new activity creates impacts, each of which is separately tracked by the model:

- *Direct effects* (the initial set of inputs that are being introduced into the economy, such as dollars associated with the Customer Investment Fund, or the value (or avoided costs) to customers of experiencing shorter and/or fewer electric outages as a result of Enhanced Reliability Commitments to improve electric distribution system reliability);
- *Indirect effects* (the new demand for local goods, services and jobs as a result of the new activity, such as use of the Customer Investment Fund to purchase goods and services related to energy efficiency, or the indirect

effects of having shorter/fewer outages); and

- *Induced effects* (the increased spending of workers resulting from income earned from direct and indirect economic activity, or customers' purchases as a result of having received a credit on their utility bill).

Finally, I also track the state and local taxes that flow from these direct, indirect and induced effects.

**15. Q. When you used IMPLAN to model the economic impacts of the Applicants' Regulatory Commitments in Delaware, how did you frame your analysis?**

A. I made appropriately different assumptions for modeling the economic impacts of the two types of Regulatory Commitments I analyzed quantitatively.

**16. Q. Please explain your core assumptions about modeling the economic impacts of the Customer Investment Fund.**

A. I assumed that the Customer Investment Fund would operate as a one-time infusion of dollars in 2015 leading to some potential economic activity as directed by the Commission. The direct infusion of money flowing into the Delaware's economy amounts to $17 million, provided by Exelon for the benefit of Delmarva Power customers through the Customer Investment Fund. Depending upon the Commission's decisions about how to use that fund, the combined direct, indirect and induced impacts of that initial investment amount could vary, and my analysis (described further below) provides illustrations of the types of macroeconomic effects that could occur through different uses of the fund.

**17. Q. Regarding the economic impacts of the Enhanced Reliability Commitments, how did you frame your analysis through IMPLAN?**

A. Based on the expectation that the Enhanced Reliability Commitments will cause customers to experience fewer outages and service disruptions of shorter length, and that the fact that the Enhanced Reliability Commitments will enable avoidance of cost impacts (i.e., out-of-pocket costs and/or lost opportunity costs) or other damages associated with outages, I then used estimates of those avoided costs as inputs to IMPLAN in order to calculate the economic value to the economy of Delaware that will result from shorter electric distribution-system outages.

I made a number of assumptions about the ways in which the Regulatory Commitments would show up in economic activity in the Delaware's economy; I list these core assumptions in Exhibit SFT-4. I provide the results of the basic analyses in the description of my assessment, below.

**18. Q. Does IMPLAN provide an estimate of the impacts of the Regulatory Commitments on Delmarva Power customers *per se*?**

A. No. The IMPLAN analysis focuses on the effects on the Delaware economy at large, and does not track how those would specifically affect the customers of Delmarva Power. That is why I chose to specifically discuss those singular impacts on Delmarva Power customers as a separate piece of analysis and in a separate portion of my testimony, below.

## B. Assessment of the Tangible and Intangible Impacts of the Regulatory Commitments on Delmarva Power Customers

**19. Q. Please describe the ways that the customers of Delmarva Power will be directly affected by the proposed merger.**

A. Several aspects of the proposed Merger will result in direct, tangible, and measurable benefits to Delmarva Power customers. Together, these amount to approximately $91.3 million in direct benefits that will flow to Delmarva Power customers if the Merger is approved and consummated. This estimate is based on the combined monetary benefits to customers from the Customer Investment Fund and the Enhanced Reliability Benefits.

**20. Q. Which Regulatory Commitment provides the highest monetary value to Delmarva Power customers?**

A. Although the Applicants' upfront cash contribution to the Customer Investment Fund is a highly concrete and visible commitment being offered for the benefit of Delmarva Power's customers, the Enhanced Reliability Commitments end up providing more value to customers than the Customer Investment Fund. The value associated with these two types of commitments may affect how the Commission weighs options for use of the money in the Customer Investment Fund. Although the decision as to how to direct the Customer Investment Fund will be up to the Commission, my analysis could provide some early insights into the trade-offs of how to spend the money to allow different customer segments to share in the value of the Merger benefits. My discussion below highlights some of the relevant issues.

**21. Q. Please describe the value of the Customer Investment Fund to Delmarva Power customers.**

A. The Regulatory Commitment with the most direct benefit and obvious monetary value to Delmarva Power customers is the one-time contribution by Exelon of $17 million to the Customer Investment Fund, which equates to $54.06 for every customer buying utility service from Delmarva Power.

For context, this particular Regulatory Commitment equates to roughly 1.8 weeks of "free" bundled electricity service (or 1.2 months of free electric delivery service) for a typical residential electric customer.[9]

**22. Q. How does the size of this customer contribution compare to other recent mergers?**

A. Based on my review of other recent utility mergers and acquisitions, the $54.06/customer contribution is larger than in most other corporate consolidations approved by utility regulators. Among all mergers or acquisitions of investor-owned electric and electric/gas utilities since 2010, the per-customer amounts range from about $11/customer to $100/customer, with all but one falling below $30/customer, as summarized in Table SFT-2, below.

[9] This assumes that average bills for a residential Delmarva Power electric customer are as follows: delivery service at $558 per year, or $46 per month; and bundled electric service at $1,558 per year, or $130 per month. These estimated rates are based on 2012 data, and assume no change in base rates (for distribution charges) and known supply rates for standard offer service customers. Source: the Applicants and Energy Information Administration ("EIA") Form-861 2012 data. The $54.06 on-bill credit to each residential customer could also be seen as approximately 10 percent of the typical residential electric customer's annual delivery charges, or three percent of his/her typical total annual electric bill.

**TABLE SFT-2**

**Monetary Commitments of the Acquiring Utility to the Direct Benefit of Customers of the Acquired Utility: Recent Mergers/Acquisitions of Investor-Owned Electric and Electric/Gas Utilities Since 2011**

| Acquirer | Target Acquisition | State | Year | Pledge | Total Amount (million $) | # of Customers Receiving Credit | Average Amount per Customer | Sources |
|---|---|---|---|---|---|---|---|---|
| FirstEnergy | Allegheny (Potomac Edison) | MD | 2011 | $/Customer and Total $ | $6.5 million | ~224,138 (residential) | $29.00 | [1], [2] |
| | Allegheny (Potomac Edison, Monongahela Power Co.) | WV | 2011 | Total $ | $7.5 million (over 2 years) | 522,864 (all classes) | $14.34 | [3], [4] |
| | Allegheny (West Penn Power Co.) | PA | 2011 | Total $ | $10.8 million (over 3 years) | 620,151 (residential) | $17.42 | [4], [5] |
| Northeast Utilities (NU, Western Massachusetts Electric Co, Connecticut Light & Power) | NSTAR | CT | 2012 | Total $ | $25 million | 1,215,257 (all classes) | $20.57 | [6], [7] |
| | NSTAR (NSTAR Electric) | MA | 2012 | Total $ | $15 million | 1,172,997 (all classes) | $12.79 | [6], [8], [9] |
| | NSTAR (NSTAR Gas) | MA | 2012 | Total $ | $3 million | ~272,000 (all classes) | $11.03 | [7], [8], [9], [10] |
| | NSTAR (Western Massachusetts Electric Co.) | MA | 2012 | Total $ | $3 million | 211,185 (all classes) | $14.21 | [6], [8], [9] |
| MidAmerican | NV Energy (Nevada Power Company; Sierra Pacific Power Company) | NV | 2013 | Total $ | $20 million | 1,300,000 (all classes) | $15.38 | [6], [11], [12] |
| Exelon | Constellation (BGE) | MD | 2012 | $/Customer and Total $ | $112 million | ~1,120,000 (residential) | $100.00 | [13], [14] |

**Notes:**

[1] Unless otherwise specified, rate credits are assumed to be spread across all rate classes.

**Sources**


[1] Maryland Public Service Commission, Order No. 83788, January 18, 2011.

[2] "MD PSC approves Allegheny Energy Merger with FirstEnergy," The Daily Record, January 19, 2011.

[3] "West Virginia PSC approves Allegheny Energy/First Energy merger proposal," SNL Financial, December 16, 2010.

[4] EIA 861 file-2, 2011.

[5] "Allegheny Energy, FirstEnergy tout merger benefits," Herald-mail, January 22, 2011.

[6] EIA 861 file-2, 2012.

[7] "NU and NSTAR Reach Comprehensive Merger-Related Agreement with Connecticut AG and OCC," Company Release, March 13, 2012.

[8] "Massachusetts Department of Public Utilities Announces Approval of NSTAR - NU Merger," MA Executive Office of Energy and Environmental Affairs, Press Release, April 5, 2012.

[9] "UPDATE: NSTAR, NU agree to more renewables, rate freeze in Mass. merger deal," SNL Financial, February 15, 2012.

[10] Northeast Utilities 2012 Annual Report

[11] "MidAmerican Energy holdings Company and NV Energy, Inc. Merger Complete," MidAmerican Press Release, December 19, 2013.

[12] "Nev. Regulators OK with MidAmerican's Acquisition of NV Energy, with stipulations," SNL Financial, December 16, 2013.

[13] "Exelon's proposed acquisition of Pepco Holdings," SNL Financial, RRA Special Report, May 7, 2014.

[14] "In the Matter of the Merger of Exelon Corporation and Constellation Energy Group, Inc., - Supplemental Testimony of Susan F. Tierney, Ph.D. In Support of the Joint Petition for Approval of Settlement," Before the PSC of Maryland, Case No. 9271, December 15, 2011.

All mergers and acquisitions are different and provide different opportunities for contributing value to customers at the outset of the transaction versus over time (as synergy opportunities end up affecting the utility's cost of service and customer rates). Exelon's proposed contribution to a Customer Investment Fund based on $54.06/customer represents an amount above the range of all but one recent merger and acquisition approved by state regulators (i.e., the Exelon/Constellation Merger).

**23. Q. Do you know whether each customer will actually receive exactly $54.06 as contributed by the Applicants?**

A. No. The Applicants have offered this Regulatory Commitment in a form that anticipates the Commission determining the appropriate use of the Customer Investment Fund. The Commission might choose to disburse the Customer Investment Fund to customers in the form of a one-time customer credit on each customer's electric bill. Or, the Commission might decide to use the funds to support incremental energy efficiency investments, which might not only fund efficiency measures on customer premises but also lead, over time, to lower demand in the relevant wholesale markets with resulting effects on lowering energy prices paid by customers over many years. Or, the Commission might allocate some portion to low-income customer assistance, or to targeted reliability improvements, and/or any other public-interest benefit deemed to be valuable to customers of Delmarva Power. These diverse examples underscore that different uses of the funds will likely lead to different types of impacts for different types of customers. As I explain further below, the Commission might decide to

distribute this benefit on an equal basis to all customers (e.g., through a $54.06/customer credit on each customer's bill), or disproportionally in favor of those customers who receive fewer of the other types of benefits likely to flow from the Merger (e.g., to residential customers and/or low-income residential customers, for whom the economic value of other Regulatory Commitments, such as the Enhanced Reliability Commitments, may be lower than to commercial and industrial customers). Or, the Commission might decide, in cooperation and coordination with the Sustainable Energy Utility, to use some portion of the funds to support incremental energy efficiency investments. But from a system-wide point of view, the $54.06/customer contribution to the Customer Investment Fund is a tangible and positive benefit of the proposed Merger for customers, totaling $17 million.

**24. Q. Have you quantified any other Regulatory Commitment in terms of benefits provided to customers of Delmarva Power?**

A. Yes. I have quantified the value to customers associated with the Applicants' strengthened commitments to achieve improvements in the local distribution-system reliability that accrue to the benefit of customers (i.e., the Enhanced Reliability Commitments).

**25. Q. Please describe the Enhanced Reliability Commitments and how you have estimated the economic value of this benefit to customers.**

A. Based on the testimony of Mr. Mark Alden (Exelon's Vice President for Utilities Oversight) and Mr. William Gausman (PHI's Senior Vice President for Strategic

Initiatives), I understand that Exelon has committed to further strengthening Delmarva Power's recently demonstrated progress in improving reliability in two ways: first, by committing to performance outcomes by 2020 that will result in shorter outages of utility service to customers; and second, by committing to putting shareholders' money on the line (i.e., in the form of financial penalties) in the event that the utility does not meet those guaranteed performance outcomes by 2020, as measured by a quantifiable metric reflecting actual performance in a three-year period (2018-2020).

**26. Q. Please define the foregoing reliability metric.**

A. There are several metrics that are commonly used in the electric industry to measure how often and how long customers undergo outages of electricity service. One of the more common metrics is "SAIDI," which stands for "system average interruption duration index," and reflects the length of time that customers are without service. SAIDI is typically calculated according to the following formula:

> SAIDI = sum of all customer interruption durations divided by the total number of customers served.

Thus, SAIDI expresses how long all customers go without power (i.e., the average length of service disruptions faced by customers).

Utilities commonly use this index to benchmark reliability, because it provides a reference point for characterizing the duration of service interruptions for a

particular company during a reporting period, how that utility compares to other utilities' service, and how a utility's performance changes over time.

**27. Q. Are there factors that affect a company's performance with regard to service duration outages?**

A. Yes. There are many factors that can affect a company's performance on this metric. For example, the extent to which a system's distribution and transmission system is located underground may affect outages (e.g., the length of time to repair equipment in the event of damage). Other factors can include weather events, age of facilities, utility metering and data-management systems used to collect information on and address outage conditions, and utility practices for system restoration. In recent years, for example, extreme weather events have wreaked havoc on energy and other critical infrastructure in Delaware, and have disrupted electric service to homes, businesses and other critical systems.

**28. Q. Are you aware of any studies that estimate the economic costs of unreliable electric service to customers?**

Yes. One early study (2004) conducted by the LBNL estimated the national cost of power interruptions at $80 billion annually, with a likely range of $30 billion to $130 billion after a sensitivity analysis.[10] More recently, a 2013 study issued by the Executive Office of the President estimated the average cost to the U.S. economy of power outages caused only by severe weather at between $18 billion

[10] Kristina LaCommare and Joseph Eto, "Understanding the Cost of Power Interruptions to U.S. Electricity Consumers," Ernest Orlando Lawrence Berkeley National Laboratory, LBNL-55718, September 2004.

to $33 billion annually for the years 2003 to 2012.[11] The report notes that annual costs can fluctuate significantly and are greatest in the years of major storms such as Hurricane Ike in 2008, a year in which cost estimates range from $40 billion to $75 billion, and Superstorm Sandy in 2012, a year in which cost estimates range from $27 billion to $52 billion. A 2012 Congressional Research Service study estimates the inflation-adjusted cost of weather-related outages at $20 billion to $55 billion annually.[12] Additionally, as co-lead convening author of the recent National Climate Assessment's chapter on "Energy Supply and Use," I am aware of the literature on the impacts of extreme weather events and other climate-related conditions and trends on energy infrastructure (such as electric transmission and distribution systems) and of related impacts on customers of critical services (like electricity) that depend upon that infrastructure.[13]

**29. Q. What is your understanding of the Applicants' commitments to improving service-quality performance of Delmarva Power?**

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[11] "Economic Benefits of Increasing Electric Grid Resilience to Weather Outages," Executive Office of the President, August 2013, available at http://energy.gov/sites/prod/files/2013/08/f2/Grid%20Resiliency%20Report_FINAL.pdf.

[12] Richard J. Campbell, "Weather-Related Power Outages and Electric System Resiliency," Congressional Research Service, August 28, 2012. http://www.fas.org/sgp/crs/misc/R42696.pdf.

[13] See J. Dell, S. Tierney, G. Franco, R. G. Newell, R. Richels, J. Weyant, and T. J. Wilbanks, 2014: Ch. 4: Energy Supply and Use. *Climate Change Impacts in the United States: The Third National Climate Assessment*, J. M. Melillo, Terese (T.C.) Richmond, and G. W. Yohe, Eds., U.S. Global Change Research Program, 113-129. doi:10.7930/J0BG2KWD. http://nca2014.globalchange.gov/report/sectors/energy . See additionally, T. Wilbanks, S. Fernandez, G. Backus, P. Garcia, K. Jonietz, P. Kirshen, M. Savonis, B. Solecki, and L. Toole, 2012: Climate Change and Infrastructure, Urban Systems, and Vulnerabilities. Technical Report to the U.S. Department of Energy in Support of the National Climate Assessment, Oak Ridge National Laboratory. U.S. Department of Energy, Office of Science, Oak Ridge, TN. http://www.esd.ornl.gov/eess/Infrastructure.pdf.

A. I understand that Exelon proposes to use the following metrics to enable the Commission to measure Delmarva Power's reliability outcomes by 2020, as summarized in Table SFT-3:

**Table SFT-3**
**Applicants' Enhanced Reliability Commitments for Delmarva Power**

| | Historical Performance (3-Year Average: 2011-2013) | Average Performance Commitment from the Merger by 2020 (Based on 3-Year Average: 2018-2020) | Change in Performance |
|---|---|---|---|
| SAIDI | 159 | 122 | 24% |
| Source: Testimony of Mr. Mark Alden. | | | |

I understand that these Enhanced Reliability Commitments result in part from the Applicants' plan to share best practices across all of the distribution utilities that will be part of the merged entity's holding company, with opportunities for improvements for Delmarva Power operations and for customer service.[14]

**30. Q. Why do you think that the Merger will provide benefits to customers in terms of reliability of service?**

A. This Merger commitment will provide value to customers by shortening outages of electricity service which otherwise have well-known and adverse impacts on customers' household activities, their business operations, and other aspects of their day-to-day lives. The value to customers of shorter outages is that they will experience lower economic and other negative impacts from outages.

[14] For example, in his testimony, Mr. Alden describes Exelon's Management Model (a management system designed to identify and generate best practices for operational excellence at each of its utilities and to share and implement those practices system-wide), including such things as standardized "Lock Out" and "Tag Out" ("LOTO") practices to restore service during emergency response events.

**31. Q. How have you translated the Enhanced Reliability Commitments into a specific benefit to customers?**

A. I have interpreted Exelon's new Regulatory Commitment to absorb a financial penalty for non-performance on guaranteed reliability metrics as a strengthening of Delmarva Power's prior commitment to improve electric system reliability for customers. In addition, Exelon has committed to reliability improvements by the end of 2020 that go beyond those commitments now in place for Delmarva Power. My understanding is based substantially on other witnesses testifying on behalf of the Applicants, including Mr. Alden and Mr. Gausman.

**32. Q. What is the basis for your view that such reliability improvements will provide economic benefits to Delmarva Power's customers?**

Much has been written about the value of reliability to customers in recent years.[15] Studies have examined the types of costs incurred by electricity customers during outages, which include out-of-pocket costs associated with business disruptions (e.g., damage to equipment), opportunity costs resulting from inability to access electric service (e.g., inability to provide restaurant services that cannot be made up when electricity service is resumed on another day), lost perishables (e.g., food lost due to loss of refrigeration), diminished capability to provide critical services (e.g., street lighting, telecommunications, pumping of

[15] Michael J. Sullivan, Ph.D., Matthew Mercurio, Ph.D., Josh Schellenberg, M.A Freeman, Sullivan & Co, "Estimated Value of Service Reliability for Electric Utility Customers in the United States," Prepared for Office of Electricity Delivery and Energy Reliability, U.S. Department of Energy, by the Energy Analysis Department (Environmental Energy Technologies Division), Ernest Orlando Lawrence Berkeley National Laboratory, June 2009, http://certs.lbl.gov/pdf/lbnl-2132e.pdf; Michael J. Sullivan, Matthew G. Mercurio, Josh A. Schellenberg, and Joseph H. Eto, LBNL, "How to Estimate the Value of Service Reliability Improvements," 2010, http://certs.lbl.gov/pdf/lbnl-3529e.pdf.

gasoline), public health impacts (e.g., due to loss of heating or cooling during extreme weather periods), adverse impacts on quality of life (e.g., due to loss of electricity for cooking, lighting, electronic equipment at homes), and many other impacts. These impacts vary by type of customer; time of day, day of the week, and season of the year during which an outage occurs; length and frequency of outages; extent to which there are substitutes for electricity service; the extent to which an economy depends upon electricity (i.e., its electricity intensity); and other factors. Economic studies have examined these various impacts and quantified the cost of outages and the related value of reliable service. These studies consistently indicate that the value that customers place on reliable electricity service exceeds the cost of paying for electricity service.

**33. Q. How have you quantified the value to customers of such reliability improvements?**

A. I have based my assessment on an economic analysis of the 'value of reliability,' which is customers' avoided economic loss(es) associated with outages. The value of reliability shows up in customers experiencing lower costs and other lower adverse impacts as a result of having fewer and shorter interruptions of electricity service. More specifically, I have quantified the value to customers as a whole by using a publicly available, on-line calculator (the "Interruption Cost Estimator" ("ICE Calculator")[16]) provided by the U.S. Department of Energy

[16] "The Interruption Cost Estimate (ICE) Calculator is an electric reliability planning tool developed by Freeman, Sullivan & Co. and LBNL. This tool is designed for electric reliability planners at utilities, government organizations or other entities that are interested in estimating interruption costs and/or the benefits associated with reliability improvements in the United States. The ICE Calculator was funded by the Office of Electricity Delivery and Energy Reliability at the U.S. Department of Energy." http://www.icecalculator.com/ice/

("DOE") and based on research and analysis from the DOE's national laboratory, LBNL.[17]

Using information about the value of reliability and the costs of outages to customers, I proceeded as follows to estimate the value of Enhanced Reliability Commitments (and associated reliability improvements) to customers. First, I entered the three-year average historical values (2011-2013) from Table SFT-3 into the ICE Calculator to populate the "without reliability improvements" scenario in the model.[18] Second, to determine the inputs for the "with reliability improvements" scenario, I entered an annual value for each year between 2015 and 2020 by calculating a linear trend between the historical values and the 2018-2020 average commitment values from Table SFT-3. I also entered the number of residential and non-residential customers, and otherwise accepted the state-specific default values that the ICE Calculator contains.

The resulting output from the ICE Calculator provides two important results that I used in my quantification of benefits: the annual benefits resulting from the reliability improvements for each year between 2015 and 2020, and the portion of benefits attributable to residential versus non-residential (i.e., commercial and

[17] As indicated in a prior footnote, LBNL has conducted much of the research to compile information about value of reliability service to retail electricity customers.

[18] The ICE Calculator includes three settings: 1) calculating the cost of an interruption event, 2) estimating the value of a reliability improvement in a static setting (where reliability does not improve over time), and 3) estimating the value of a reliability improvement in a dynamic setting based on forecasts of SAIDI. I used the setting that allows for calculating benefits in a dynamic environment.

industrial) customers. I then calculated the net present value of these reliability benefits over the period from 2015 through 2020 using a social discount rate.[19]

**34. Q. What are the results of your assessment of the direct value of the Enhanced Reliability Commitments to Delmarva Power's customers?**

A. The results, shown in Table SFT-4, reflect the different economic impacts on residential customers as well as commercial and industrial customers, who often experience direct business losses and opportunity costs in addition to the inconvenience of service disruptions. As indicated, these customer benefits are substantial.

**Table SFT-4**
**Total Dollar Benefit:**
**Delmarva Power Customers (DE)**

| | All Customers | Average Benefit per Customer |
|---|---|---|
| Residential | $742,901 | $2.66 |
| Commercial and Industrial | $73,547,201 | $2,098 |
| Note: Amounts are shown as Net Present Value ("NPV") of Benefits (2014$), 2015-2020. | | |

**35. Q. What is your estimate of the total value to customers of the Applicants' two Regulatory Commitments (i.e., the Customer Investment Fund and the Enhanced Reliability Commitments)?**

[19] The discount rate is the tool that accounts for the time value of money – the concept that a dollar today is typically worth more than the same amount of money in the future because of the opportunity cost of money to various private and public entities in society. I used a social discount rate (i.e., 3 percent) in my analysis because it reflects dollars in the hands of producers, who are largely private enterprises, and consumers, made up of households, businesses, government energy users, and others. See, e.g., U.S. Environmental Protection Agency (National Center for Environmental Economics, Office of Policy), "Guidelines for Preparing Economic Analyses," EPA 240-R-10-001, December 2010, pages 6-7 to 6-8 ("As of the date of this publication, current estimates of the consumption rate of interest, based on recent returns to Government-backed securities, are close to 3%.").

A. Based on $17 million in payments to the Customer Investment Fund and the $74.3 million in value associated with the Enhanced Reliability Commitments, I conservatively calculate that the Merger will provide $91.3 million in tangible benefits to customers. These benefits are summarized in Table SFT-1.

**36. Q. Are there other benefits that Delmarva Power customers will receive, on top of the $91.3 million you describe above?**

A. Yes. There are other, less-easily-measurable but still important benefits that will flow to Delmarva Power's customers if the Merger is consummated.

First, Delmarva Power's customers will receive the benefit of the Merger's synergy savings to Delmarva Power.[20] In future rate cases based on test years after the Merger is consummated, Delmarva Power's cost of service will be lower than it would otherwise have been in the absence of the Merger. This is the effect of the incremental synergy savings from the Merger (net of costs to achieve those savings) that arise over time. In fact, the company's customers will receive the benefits of synergy savings twice: once in the form of the immediate share of the Customer Investment Fund (equivalent to approximately $54.06 per-distribution-customer credit in 2015); and then again when rates are reset in the future (assuming that such relies on a test year covering at least part of the first five years after the Merger is consummated).

Second, the Applicants have committed to retain and promote current assistance provided to low-income customers.

[20] Mr. Khouzami describes such merger synergies in his testimony.

Third, the Applicants have made commitments to the state with respect to regulatory supervision and corporate governance, all of which will provide protections to customers of Delmarva Power. As described by Mr. Khouzami, these protections include not only the commitment to submit to the jurisdiction of the PSC on matters related to the Merger and the enforcement of commitments and on matters related to affiliate transactions, but also the commitment to 'ring-fence' the distribution company Delmarva Power to separate it from the business and financial risks associated with the Applicants' unregulated business activities. These latter commitments support the financial integrity of Delmarva Power and the role of the state's Commission in supervising it.

Finally, the Applicants have committed to not seek recovery of any acquisition premium or transaction costs in rates, and to not incur or assume any debt, including the provision of guarantees or collateral support, directly related to the Merger.

Together, these regulatory, organizational and financial commitments will support and further enhance the performance of Delmarva Power's utility business units in meeting their public service obligations. In sum, the Applicants are putting in place a number of safeguards that appropriately address and mitigate both perceived and potential risks from the Merger – all of which will accrue to the benefits of Delmarva Power's customers.

### C. Assessment of the Economic Impacts of the Regulatory Commitments to Delaware

**37. Q. In addition to those measurable direct benefits and less measurable benefits to Delmarva Power customers (who, of course, reside in Delaware), are there other measurable economic benefits of the proposed Merger to the state's economy and local community?**

A. Yes. I examined these other measurable economic benefits through my IMPLAN analysis, to which I referred above.

**38. Q. Before you describe the specific economic impacts of the different pieces of the Merger package, please summarize your assessment.**

A. The Regulatory Commitments will result in substantial economic benefits for the Delaware economy. These various benefits derive from the infusion of dollars and economic value into the local economy.

The *direct* benefits derive from two things: the Customer Investment Fund and the Enhanced Reliability Commitments affecting Delmarva Power's distribution system. Both of these two Regulatory Commitments provide direct value to customers, but both also have larger impacts on the state's economy.

For example, as I described previously, the Customer Investment Fund will have different impacts on the local Delaware economy, depending upon how the Commission decides to deploy the dollars in the Customer Investment Fund. Without knowing how the Commission will choose to use that fund for the benefit of customers of Delmarva Power, and without meaning to suggest that one

particular use of the fund is preferable to others, I have modeled the impacts under three different sets of assumptions about potential use of the Customer Investment Fund's monies:

- In one scenario, I assumed that the Customer Investment Fund would be fully deployed in the form of a $54.06 credit on each distribution customer's bill, including residential and commercial and industrial customers. In this analysis, the money in the fund would go into the pockets of households, businesses and other organizations, as if it were new after-tax income to each of them.

- In another analysis, I assumed instead the money in the fund would be used to pay for energy efficiency measures. Spending the money this way would lead to the direct expenditure of the funds to hire contractors to install energy efficiency measures and to purchase more energy-efficient equipment, and to lower electricity usage in general, resulting in savings on customers' electricity bills. My analysis assumed that such expenditures on energy efficiency would lower customers' purchases of electricity, but I only counted the avoided cost of commodity supply but not the distribution portion of customers' bills.[21] Thus, from a larger economic point of view, the use of the Customer Investment Fund for energy efficiency leads to expenditures on goods and services in the local

[21] I made this assumption because of ratemaking policies which end up – over time – resetting distribution rates to ensure recovery of fixed costs of distribution service from all customers. In light of different investment recovery assumptions for commodity supply, I did not assume that lost revenues from lower sales resulting from energy efficiency would be made up by suppliers over time.

economy, as well as to new after-tax income to consumers in the form of lower electricity bills.[22]

- I also explored the implications of using the Customer Investment Fund to provide direct credits on the electricity bills of low-income residential electricity customers alone. This impact shows up in the form of new after-tax income to such customers.

In each instance where I quantified benefits for customers in the form of direct impacts, there are also indirect and "induced" effects of the Customer Investment Fund and the Enhanced Reliability Commitments.

Indirect impacts flow from purchases of goods and services associated with the direct activity. An example might be the use of the Customer Investment Fund to invest in energy efficiency measures, with the direct impact being the original $17 million contribution from the Applicants, and the indirect impact being the purchase of more energy efficient appliances or equipment. Regarding the value

[22] My analysis is conservative in that it does not track the impact of any avoided distribution or 'wires' charges, nor does it project the impact of energy efficiency on wholesale electricity prices (i.e., reflecting any reduction in such prices because demand is lower than it otherwise would be). I presumed that because of ratemaking for utility distribution service, loss of revenues from energy efficiency measures' impact on total sales would be addressed in subsequent rate case or revenue decoupling mechanisms. With respect to estimating the value to Delmarva Power's customers and the economy associated with lower wholesale energy prices from investments in energy efficiency, I did not calculate the value of this indirect impact through the IMPLAN tool, in part because quantifying this impact involves more complicated modeling that would be required to simulate the specific dispatch of the PJM electric energy market with a lower demand curve and the consequent impact on lowering locational marginal clearing prices in wholesale markets. That said, my knowledge of and participation in prior studies leads me to conclude that the benefits of the Merger for customers that I did quantify are conservative because such impacts on wholesale electric energy clearing prices are not quantified in my analysis submitted here. See, for example, Paul J. Hibbard, and Susan F. Tierney, "Carbon Control and the Economy: Economic Impacts of RGGI's First Three Years." Electricity Journal, December 2011; and Paul J. Hibbard, Susan F. Tierney, Andrea M. Okie, Pavel G. Darling, "The Economic Impacts of the Regional Greenhouse Gas Initiative on Ten Northeast and Mid-Atlantic States: Review of the Use of RGGI Auction Proceeds from the First Three-Year Compliance Period, November 15, 2011.

of fewer or shorter outages, customers receive the direct value of avoided outages, and the indirect impacts reflect economic transactions between those residential and business customers that experience fewer/shorter outages and other businesses and economic actors with whom the customers can interact in the absence of the outage.

For both the Customer Investment Fund and the Enhanced Reliability Commitments, there are also "induced" effects associated with the direct and indirect economic impacts. These induced impacts result from the increased spending of workers who either get new income from the direct activity (e.g., the $54.06 in each household's or business' pocket) or are employed in the activities funded by the initial projects (e.g., the workers hired to install energy efficiency or reliability improvements on the distribution system). Together, these effects add new economic value to the local economy and generate tax revenues to state and local governments in Delaware.

**39. Q. What are the results of your assessment?**

A. Using IMPLAN and the core assumptions I previously described (and summarized in Exhibit SFT-4), I estimate that the Merger will result in: (a) 982 – 1,538 new jobs; (b) $88.6 million – $142.4 million in added value to the Delaware economy; and (c) incremental tax benefits (revenues) to the state of Delaware and

local communities totaling $6.6 million – $10.2 million dollars.[23] These results are summarized in Table SFT-5 (and in more detail in Exhibit SFT-5).

**Table SFT-5**
**Economic Benefits Resulting from the Merger:**
**Applicants' Customer Investment Fund and Enhanced Reliability Commitments for Delmarva Power in Delaware:**
**Net Present Value (2014$)**

| | Customer Investment Fund | | | Enhanced Reliability Commitments | Total Economic Benefits |
|---|---|---|---|---|---|
| | Assuming a $54.06 per Customer Credit on Each Customer's Utility Bill | Assuming the Funds are Spent on Energy Efficiency Measures | Assuming a Credit on Low-Income Residential Customers' Utility Bill | | |
| Jobs | 124 | 680 | 134 | 858 | 982 – 1,538 |
| Value Added (NPV, 2014$) | $25.2 million | $79.0 million | $28.0 million | $63.4 million | $88.6 – $142.4 million |
| Incremental Tax Revenues (NPV, 2014$) | $0.9 million | $4.4 million | $1.0 million | $5.7 million | $6.6 – $10.2 million |

As indicated, I have estimated economic impacts based on various scenarios reflecting different ways the Commission might decide to spend the money in the Customer Investment Fund, and the quantitative economic impacts vary according to these scenarios. I fully and respectfully recognize that there are intangible unquantified benefits that the Commission may want to take into consideration in determining how to use the Customer Investment Fund, and therefore my assumptions are illustrative and not intended to suggest a recommendation as to

[23] In general, I am rounding the numbers that were produced in my IMPLAN analyses. See Exhibits SFT-4 and SFT-5 for the back-up information for these estimates. State and local taxes include personal income and corporate profit taxes, along with indirect personal and business taxes and dividends. Federal taxes are assumed to exit the Delaware economy.

the Commission's decision. I have thus described the results in terms of ranges of economic impacts, with a reasonable representation of the economic value of the Merger for Delaware's economy.

**40. Q. Are there any parts of the Regulatory Commitments that you did not include in the IMPLAN results reported above? If so, please explain.**

A. Yes. To be conservative, there are several aspects of the Regulatory Commitments that I did not attempt to quantify. Many such commitments are described in the testimonies of Mr. Crane and Mr. Rigby, as well as in the testimony of Mr. Calvin Butler, Chief Executive Officer of Baltimore Gas and Electric Company.

For example, I did not include in my IMPLAN analysis any of the approximately $7 million that the Applicants have committed to provide to community and charitable organizations in the state of Delaware over 10 years. In 2013, for example, the direct economic value of such charitable contributions was approximately $700,000.

Also, I did not quantify the economic impacts associated with the Applicants' commitment to "local presence" – that is, retaining various business operations in places where they now exist before the Merger. The Regulatory Commitments include support for labor and other economic activity through maintaining the headquarters of the Delmarva Power in place at the New Castle Regional Office.

Additionally, I did not quantify the economic benefits of the Applicants committing to retain existing supplier diversity programs, to honor all existing collective bargaining agreements, and to labor-related actions during at least the first two years following consummation of the Merger. The latter commitment would preclude, for several years, any net reduction (due to involuntary attrition as a result of the Merger integration process) in the employment levels at Delmarva Power and would maintain compensation and benefits for current and former employees at Delmarva Power that are at least as favorable in the aggregate as the compensation and benefits provided to the employees immediately before the Merger Agreement.

These various Regulatory Commitments provide real but unquantified benefits to the communities in which Delmarva Power conducts its utility service.

## III. CONCLUSIONS ON ECONOMIC IMPACTS OF THE PROPOSED MERGER

**41. Q. Please summarize your overall conclusions.**

A. Based on my review of the Application and the Regulatory Commitments in particular, along with my assessment of the economic impacts for Delmarva Power customers and for the larger economy in the state, I conclude that the proposed Merger will provide significant tangible and intangible benefits to customers of Delmarva Power and to the economy of Delaware.

**42. Q. Does this conclude your testimony?**

A. Yes.

# EXHIBIT SFT-1

# Exhibit SFT-1
# CV of Susan F. Tierney, Ph.D.

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Dr. Tierney, a Senior Advisor at Analysis Group, is an expert on energy economics, regulation and policy, particularly in the electric and gas industries. She has consulted to businesses, government, tribes, environmental groups, and other organizations on energy markets, economic and environmental regulation and strategy, and energy projects. Her expert witness and consulting services have involved market analyses, wholesale and retail market design, contract disputes, resource planning and procurements, regional transmission organizations, the siting of electric and gas infrastructure projects, electric system reliability, ratemaking for electric and gas utilities (including cost allocation, rate design, incentive ratemaking mechanisms), clean energy resources, climate change policy, and other environmental policy and regulation. She has participated as an expert in civil litigation cases, regulatory proceedings before state and federal agencies, and business consulting engagements.

Previously, she served as the Assistant Secretary for Policy at the U.S. Department of Energy in the Clinton Administration. She was the Secretary for Environmental Affairs in Massachusetts, Commissioner at the Massachusetts Department of Public Utilities, Chairman of the Board of the Massachusetts Water Resources Authority, and executive director of the Massachusetts Energy Facilities Siting Council.

Dr. Tierney has authored numerous articles and speaks frequently at industry conferences. She serves on a number of boards of directors and advisory committees, including chairing the External Advisory Council of the National Renewable Energy Laboratory (NREL) and the board of ClimateWorks Foundation. She is a director of the World Resources Institute, the Alliance to Save Energy, and the Energy Foundation. She is a member of the Bipartisan Policy Center's Energy Project, the National Petroleum Council (NPC), the China Sustainable Energy Program's Policy Advisory Council, and the Environmental Advisory Council of the New York Independent System Operator (NYISO). She co-chairs the NAESB Gas-Electric Harmonization Committee, the Bipartisan Policy Center's cyber security and the electric grid, is a member of the National Academy of Sciences panel on shale gas risk, and is co-lead author of the energy chapter of the National Climate Assessment. She chaired the Policy Subgroup of the NPC's study of the natural gas and oil resource base in North America, and served on the U.S. Secretary of Energy Advisory Board (and its Shale Gas Subcommittee). Previously, she chaired several non-profit organizations (the National Commission on Energy Policy; the Electricity Innovations Institute; and the Massachusetts Ocean Commission); was formerly a director of several companies (EnerNOC, Inc.; Evergreen Solar, Inc.; Ze-gen, Inc.; Catalytica Energy Systems Inc.), and several non-profit organizations (Clean Air Task Force; Clean Air – Cool Planet; the Electric Power Research Institute); and was a member of the Advisory Council of the New England Independent System Operator (ISO-NE) and the Massachusetts Renewable Energy Trust Advisory Council. She taught at the Department of Urban Studies and Planning at MIT and at the University of California at Irvine, and has lectured at Harvard University, Yale University, New York University, Tufts University, Northwestern University, and University of Michigan. She earned her Ph.D. and M.A. degrees in regional planning at Cornell University and her B.A. at Scripps College.

## EDUCATION

| | |
|---|---|
| 1980 | Ph.D. in Regional Planning, Public Policy, Cornell University, Ithaca, NY<br>Dissertation: *Congressional policy making on energy policy issues* |
| 1976 | M.A. in Regional Planning, Public Policy, Cornell University, Ithaca, NY |
| 1973 | B.A. in Art History, Scripps College, Claremont, CA (studied political science at L'Institute d'Etudes Politiques, Paris, France) |

## PROFESSIONAL EXPERIENCE

| | |
|---|---|
| 2003-present | Analysis Group, Inc., Boston, MA<br>*Senior Advisor (April 2014 – present); Managing Principal (July 2003 – March 2014)* |
| 1999-2003 | Lexecon, Inc., Cambridge, MA (formerly The Economics Resource Group, Inc.)<br>*Senior Vice President* |
| 1995-1999 | Economics Resource Group, Inc., Cambridge, MA<br>*Principal and Managing Consultant* |
| 1993-1995 | U.S. Department of Energy, Washington, DC<br>*Assistant Secretary for Policy* |
| 1991-1993 | Commonwealth of Massachusetts, Executive Office of Environmental Affairs, Boston<br>*Secretary of Environmental Affairs* |
| 1988-1991 | Commonwealth of Massachusetts, Department of Public Utilities, Boston, MA<br>*Commissioner* |
| 1984-1988 | Commonwealth of Massachusetts, Energy Facilities Siting Council, Boston, MA<br>*Executive Director* |
| 1983-1984 | Commonwealth of Massachusetts, Executive Office of Energy Resources, Boston, MA<br>*Senior Economist* |
| 1982-1983 | Commonwealth of Massachusetts, Energy Facilities Siting Council, Boston, MA<br>*Policy Analyst* |
| 1982 | National Academy of Sciences, Washington, DC<br>*Researcher* |
| 1978-1982 | University of California at Irvine, Irvine, CA<br>*Assistant Professor* |

## SELECTED CONSULTING EXPERIENCE

- **Various confidential engagements** involving power sales agreements, gas supply contracts, advisory services on gas and electric matters, transmission policy, oil market issues, water utility issues, and market power and monitoring issues.
- **Entergy Wholesale Commodities**
  Provided strategic advice on wholesale and retail market issues. (2013-ongoing)

- **Barr Foundation**
  Prepared a report on the impacts of the Massachusetts Green Communities Act of 2008 on the Massachusetts economy. (2013-2014)
- **Five California Utilities (LADWP, PG&E, SCE, SDG&E, SMUD)**
  Served on the four-person expert Independent Advisory Panel for the third-party study of integration of renewable energy into California's Electric System ("Investigating a Higher Renewables Portfolio Standard in California"). (2013-2014)
- **State of Colorado**
  Prepared expert report on behalf of the three public utility commissioners in Colorado, in support of the complaint against them on implementing Colorado's renewable energy standard under alleged violations of interstate commerce clause. (2013-2014)
- **Energy Foundation**
  Wrote white paper on the implications for electric system reliability of the Environmental Protection Agency's implementation of its authority under Section 111(d) of the Clean Air Act, to regulate greenhouse gas emissions from existing power plants. (2013-2014)
- **Ambri (battery company)**
  Analyzed energy system issues related to integration of renewables on a military base. (2013-2014)
- **Advanced Energy Economy Institute**
  Facilitated workshop for state utility commissioners in Midwest states, on advanced energy technologies and related regulatory issues. (2013)
- **Environmental Defense Fund – North Carolina**
  Testified on energy efficiency program design issues. (2013)
- **Advanced Energy Economy Institute (with the New England Clean Energy Council and the New England Conference of Regulatory Utility Commissioners)**
  Supported workshop on advanced energy technologies and related regulatory issues. (2013)
- **Lawrence Berkeley National Laboratory Energy Program**
  Support on regulatory issues at workshop for the New Jersey Board of Public Utilities on smart grid issues. (2013)
- **Advanced Energy Economy Ohio**
  Testimony before the Ohio Senate Public Utilities Committee in support of the Ohio Energy Efficiency Resource Standard. (2013)
- **Pepco Holdings Inc., and its operating affiliates, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company**
  Testimony in support of appropriate incentives for investment in electric transmission. (2013)
- **Baltimore Gas and Electric Company**
  Testimony in support of appropriate incentives for investment in electric transmission. (2013)
- **Advanced Energy Economy Institute**
  Survey of CEOs of advanced energy companies doing business in California, with regard to the state's energy and environmental policies. (2012-2013)
- **NSTAR and Cape Wind**
  Testimony in support of the long-term power purchase agreement of NSTAR and Cape Wind. (2012)
- **Energy Foundation**
  Strategic planning for the China Sustainable Energy Program. (2012)
- **Pacific Gas & Electric Company**
  Testimony on ratemaking issues for PG&E's proposed pipeline safety enhancement plan. (2012)
- **COMPETE Coalition**
  Testimony on energy efficiency as part of the performance of state and wholesale electric markets in New Jersey. (2011)

- **Compressed Air Energy Storage Company**
  Confidential engagement to analyze regional wholesale markets for baseload and renewable energy power generation. (2011)
- **Merck Family Foundation**
  Analysis of the economic impacts of the funds collected through the auction of allowances under the Regional Greenhouse Gas Initiative. (2011)
- **American Clean Skies Foundation Corporation**
  Analysis of the reliability and air emission issues associated with potential retirement of the Potomac River Generating Station. (2011)
- **Colorado Public Utilities Commission**
  Analysis of the Colorado solar photovoltaic incentive program. (2011)
- **Exelon Corporation and Constellation Energy (Baltimore Gas & Electric)**
  Analysis of the economic impacts on the Maryland economy associated with the proposed clean-energy commitments tied to the proposed merger of Exelon and Constellation Energy. (2011-2012)
- **New England Power Generators Association**
  Analysis of competition issues associated with the proposed merger of Northeast Utilities and NSTAR. (2011)
- **Dominion Generation**
  Analysis of proposed state tax on output from in-state power generation. (2011)
- **Exelon Corporation and Clean Energy Group**
  Analysis of electric industry issues involved in responding to the U.S. Environmental Protection Agency's air emission regulations. (2010-present)
- **Major electric distribution company and independent power producer**
  Analysis of the net benefits of retiring a set of generating units, and replacing it with a long-term contract to provide power from a gas-fired power plant and biomass power plant. Modeled locational energy prices, capacity prices, and revenue streams in the region. (2010)
- **Major electric utility company**
  Analysis of changing fuel-market conditions affecting the value of gas-fired power generation in the context of litigation. (2010)
- **Commonwealth Edison Company**
  Analysis of the ratemaking issues for a electric distribution utility with respect to energy efficiency program effects in Illinois. (2010-2011)
- **National Grid – Massachusetts electric distribution companies**
  Analysis of the market for and other attributes of the long-term contract for power from the Cape Wind project. (2010)
- **Spectra Energy (with the Interstate Natural Gas Association of America)**
  Analysis of the markets for natural gas, and analysis of the implications of the U.S. Environmental Protection Agency's Advanced Notice of Proposed Rulemaking on PCBs. (2010-2011)
- **Renewable energy company**
  Analysis of transmission access, planning, cost allocation and siting conditions in regions through the U.S. (2010-present)
- **Indian tribe in MidWest**
  Analysis of the value of an oil pipeline right-of-way. (2010)
- **Dominion Generation**
  Analysis of the proposed legislation in Connecticut to establish a windfall profits tax on all generating assets located in the state. (2010)
- **Transmission consortium**

Analysis of cost-allocation models for an interstate transmission project involving transmission utilities and merchant transmission companies. (2009-2010)

- **Massachusetts renewable energy trust**
  Analysis of transmission-related models and considerations for the development of offshore renewable energy. (2009)
- **Major electric utility**
  Development of business models and approaches for deploying energy efficiency within the context of the American Climate and Energy Security Act framework. (2009)
- **Major industrial electricity consumer**
  Assistance in analyzing the implications of the American Climate and Energy Security Act for the company, in light of impacts on energy prices and trade considerations. (2009)
- **National Grid**
  Assistance in developing a revenue decoupling mechanism for retail distribution service, and providing expert witness assistance in electric and natural gas distribution rate cases in Massachusetts, Rhode Island, New York and New Hampshire. (2009-2011)
- **Sandia Pueblo**
  Assistance in valuing a transmission corridor on tribal reservation land. (2008-present)
- **Major electric and gas company**
  Analytic and strategic support for company's development of a business plan for energy efficiency and other energy-related investments on the customer side of the meter. (2008)
- **AEP Transmission**
  Prepared a white paper on the design and cost allocation framework for a high-voltage transmission system designed to support renewable and other resources. (2008)
- **Reliant**
  Prepared study assessing competition in the wholesale and retail electricity markets in ERCOT. (2008)
- **Major environmental organization**
  Analytic and strategic support for utility ratemaking policies for advancing energy efficiency in many states. (2008-present)
- **New York Independent System Operator**
  Supported strategic planning and assessment for the Board of Directors. (2008-2010)
- **Commonwealth Edison Company**
  Provided testimony on ratemaking policy issues relating to regulatory lag. (2008)
- **Energy Association of Pennsylvania (EGA)**
  Analysis of proposed legislation to cap retail electricity rates in Pennsylvania after the expiration of rate caps. (2008)
- **National Association of Regulatory Utility Commissioners (NARUC)**
  Preparing study on best practices relating to state regulatory agency policies and utility practices on competitive procurement of resources to serve retail electricity customers. (2007)
- **KeySpan/Boston Gas**
  Analysis of the implications of utility ratemaking for valuation of utility assets for property taxation purposes. (2008)
- **Electric company**
  Analysis of state's retail and wholesale power market structure. (2008)
- **Electric company**
  Preparation of expert report on electric industry structure in the 1990s and 2000s. (2007-2008)
- **Major electric company**

Analytic support for company's development of strategic plan for company-wide greenhouse gas reduction commitments. (2008)

- **Sierra Pacific Power Company**
  Provided testimony on policy issues relating to the use of historic, future, and hybrid test years in state utility rate cases. (2007-2008)

- **Harvard University**
  Provided strategic assistance relating to regulatory issues affecting the planning and design of Harvard's "green campus" development in Allston Landing. (2007-2008)

- **Public Service Gas & Electric Company of New Jersey (PSEG)**
  Provided assistance in facilitating the development of a policy to address "leakage" of greenhouse gas emissions associated with the adoption of a cap-and-trade program in various Northeast states and the interstate sales of electricity in various Northeast/MidAtlantic power markets. (2007)

- **Electric Power Supply Association**
  Prepared white paper on economic, environmental & regulatory trends in the electric industry (2007).

- **Sempra Energy Company – San Diego Gas & Electric Company and SoCalGas Company**
  Provided testimony on policy issues relating to the provision of financial incentives to electric and gas utilities for the successful provision of energy efficiency programs. (2007)

- **PECO Energy Company**
  Provided advice on various economic and policy issues relating to electric industry restructuring policy. (2007)

  Provided testimony on issues relating to the market for alternative energy credits and the proposal of PECO to voluntarily solicit, procure and bank alternative energy credits. (2007)

- **Commonwealth Edison Company**
  Provided testimony on issues relating to the relationship of auctions for wholesale supply for basic service customers and alternative proposals for utility resource procurement. (2007)

- **ISO New England**
  Assisting Regional Transmission Organization in scenario planning process examining various future technology mixes for New England's electric system. (2006-2007)

- **PJM**
  Preparing report on market monitoring functions performed under various federal regulatory agencies with responsibility to oversee electricity and energy markets (i.e., the Federal Energy Regulatory Commission and the Commodities Futures Trading Commission). (2006-2007)

- **Major Industrial and Power Plant Company**
  Assisted company (located outside of New England) in analyzing market and negotiating the price and other terms and conditions for long-term gas supply (2006-2007). Assisted company in valuing a power plant asset. (2007)

- **State of North Carolina**
  Provided expert witness services on electric utility economics and regulatory issues, on behalf of the North Carolina Attorney General in a nuisance lawsuit to require the Tennessee Valley Authority to put in place air pollution control equipment on coal-fired power plants in TVA's system. (2006-2008)

- **Major Regional Transmission Organization**
  Performed analysis of market conditions and trends, and benchmarking market rules and reliability performance with other comparable organizations – in support of RTO's strategic planning process. (2006-2007)

- **Special LNG Committee, Commonwealth of Massachusetts**
  Prepared report on the need for natural gas and liquefied natural gas in the Northeast, the need for LNG facilities, the role of government in the LNG facility siting process, and other issues relating to LNG proposals in the Commonwealth. Provided on *pro-bono* basis to the Commonwealth. (2006)

- **Ute Indian Tribe of the Uintah and Ouray Reservation**
  Prepared a report on economic and policy issues relating to use of tribal lands for energy rights-of-way, as called

for in Section 1813 of the Energy Policy Act of 2005. (2006)

- **New York ISO**
  Prepared white paper on fuel diversity issues in the New York market. (2008)

  Prepared white papers on long-term contracting issues in states with restructured electric industries, and on the economic foundations for single-clearing-price markets versus pay-as-bid markets. (2007)

  Performed economic benefit/cost study of the introduction of competition into the wholesale electric market in the region. (2006-2007)

- **Commonwealth Edison Company**
  Provided testimony on appropriate ratemaking principles for recovery of pension-related costs in proceeding to set rates to go into effect following the transition period. (2006)

- **Commonwealth Edison Company**
  Provided testimony on economic principles associated with single-price auction design versus pay-as-bid auction design, for the procurement of wholesale power supplies to meet the needs of retail all-requirements customers. (2006)

- **Exelon Corporation**
  Provided analysis of designs of mandatory carbon control policies. (2005-2007)

- **Sonosky, Chambers, Sachse, Endreson & Perry, LLP, on behalf of various Indian Tribes**
  Provided analysis in support of comments filed with the Departments of Interior and Energy with respect to the study of energy rights of way on tribal land which was called for in Section 1813 of the Energy Policy Act of 2005. (2005-2006)

  Provided analysis in support of various tribal negotiations with energy companies with respect to valuation of energy rights of way on tribal reservation lands. (2007)

- **Electric utility company**
  Performed independent evaluator services in procurement for power resources. (2005-2006)

- **Power Generation Company**
  Provided analysis of product market development in MidWest and Eastern RTOs. (2005)

- **New England Energy Alliance**
  Prepared a white paper on energy infrastructure needs in the New England states. (2005)

- **Committee on Regional Electric Power Cooperation (of the Western Interstate Energy Board)**
  Provides research and advising with respect to market monitoring and assessment for the Western wholesale electric markets. (2005-2007)

- **Southern California Edison Company**
  Provided Independent Evaluator services for a competitive procurement of new long-term generation resources and renewable resources. (2005)

- **LNG / Interstate Gas Pipeline project – Duke Energy/Excelerate project**
  Prepared regional market study for the project proposed for Massachusetts. (2004-2005)

- **Electric Generating Company**
  In a contract dispute, provided expert witness services relating to whether changes in a region's wholesale power market rules nullified a power sales agreement. (2004-2006)

- **Louisville Gas & Electric and Kentucky Utilities**
  For two vertically integrated electric companies, provided expert witness services in a state investigation of which regional transmission approach satisfies state policy objectives. (2004)

- **Independent Generating Company**
  For a power company owned by commercial lenders in a Northeast power market, provided consulting services to monitor state regulatory policies and actions with respect to utility regulation and environmental regulation, and legislation affecting power plants. (2004)

- **Major Electric and Gas Company**
  Performed confidential study of the benefits, costs and current conditions in certain wholesale and retail electric power markets. (2004-2005)
- **Regional Transmission Organization**
  For a confidential project, analyzed market monitoring and mitigation approaches. (2004-2005)
- **Major Commercial Bank**
  For a confidential project, advise with regard to electric industry restructuring and profitability of large energy marketer and trading organization. (2004-2005)
- **Consumer Energy Council of America**
  For a group of electric industry market participants, regulators, and interest groups, prepared white papers on the need for transmission enhancements in U.S. power markets. (2004)
- **Retail electric company**
  Provides confidential analysis of business models and regulation approaches for providing retail electric service in the state. (2004)
- **Independent system operator**
  Provided confidential analysis and research on aligning retail and wholesale market policies. (2004)
- **California State attorney general**
  Provided expert witness services with regard to state resource adequacy & planning practices. (2004)
- **Pacific Gas & Electric Company**
  Provided expert witness services relating to the public benefits of the settlement between PG&E and the California Public Utility Commission, to enable PG&E to emerge from bankruptcy. (2003)
- **Independent power company**
  Provided consulting advice on economics of compliance strategies for air and water permits. (2003)
- **Major public utility company**
  Provided expert advisory services to a buyer of power supplies relating to the pricing and other terms for a long-term purchase power agreement. (2003)
- **Duke Power**
  Provided expert advisory services relating to rate-making and other regulatory practices. (2003)
- **Exelon Generation**
  Provided strategic advice and analytic services relating to market conditions affecting the client's generating assets in New England. (2003)
- **Entergy Services Inc.**
  Provides services as the independent monitor of Entergy's Fall 2002, Spring 2003 and Fall 2003 Requests for Proposals for Supply-Side Resources. (2002-2005)
- **Power generation company in New England**
  Provided expert testimony in contract dispute regarding allocation of uplift costs in an agreement concerning the supply of wholesale power for standard offer service. (2002)
- **Connecticut Light and Power Company**
  Provided expert testimony in contract dispute regarding allocation of congestion costs in an agreement concerning the supply of wholesale power for standard offer service. (2002-2003)
- **Ocean State Power**
  Provided arbitration services in a dispute regarding a gas purchase contract between Ocean State Power and ProGas Ltd. (2002-2003)
- **Regional independent system operator**
  Provided strategic advice on regional transmission organization strategy. (2002)
- **PJM Interconnection**

Provided advice to the appointed mediator as part of the Alternative Dispute Resolution process, in a dispute involving PJM and a market participant. (2002)

- **Duke Energy Corporation**
  Provided analysis on strategic issues in gas and electric regulatory policy for Duke Energy's corporate office, including with regard to code of conduct issues, wholesale competition, regional transmission organization policy. (2001-2002)

- **Pacific Gas and Electric Corporation**
  Provided expert witness testimony in proceedings of the Federal Energy Regulatory Commission on public benefits of the proposed restructuring of PG&E assets as part of its emergence from bankruptcy. (2001-2002)

- **Massachusetts Renewables Trust**
  Provided assistance in support of the Trust's renewables and power quality program. (2001-2002)

- **Major electric holding company**
  Prepared an analysis of the regulatory policies for reviewing merger applications in states where potential merger candidates are located. (2001)

- **Western Massachusetts Electric Company**
  Provided expert testimony in contract disputes regarding allocation of congestion costs in agreements concerning the supply of wholesale power for standard offer service. (2001-2002)

- **The Energy Foundation**
  Researched and wrote a white paper on California's process for permitting new power plants. (2001)

- **Cross-Sound Cable Company**
  Provided expert testimony regarding public benefits of proposal to construct merchant transmission facility across Long Island Sound. (2001-2002)

- **Major independent power company**
  Provides expert witness support in litigation surrounding power plant development project, involving viability of project's environmental and siting permitting. (2001-2004)

- **MASSPOWER Inc.**
  Mediator in a contract dispute involving pricing of power purchases. (2001)

- **NRG Energy and Dynegy**
  Provided expert witness support in regulatory proceeding to review these companies' acquisition of power plants being divested by Sierra Pacific and Nevada Power. (2001)

- **Occidental Chemical Corporation**
  Provided expert witness support and economic analysis of a major electric utility's transmission policies and practices, and review of the proposed RTO. (2000)

- **PP&L Global**
  Provided economic and environmental analysis and expert witness support for proposal to build the Kings Park Energy power plant in Long Island, New York. (2000)

- **Calpine Corporation**
  Provided economic and environmental analysis and expert witness support for proposal to build the Wawayanda power project in Rockland County, New York. (2000)

  Provided environmental analysis and expert witness support for proposal to build the Towantic power plant in Oxford, Connecticut. (2001)

- **American National Power, Calpine, El Paso, NRG Energy, Sithe, Southern Energy**
  Provided support for the development of a proposal for a Regional Transmission Organization for New England. (2000-2001)

- **Duke Energy/Maritimes and Northeast Pipeline**
  Provided expert reports on the market and environmental impacts of new natural gas infrastructure and supply in New England and the public benefits of the Maritimes and Northeast Phase III and Hubline project. (2000-2003)

- **Arkansas Electric Distribution Cooperatives and Arkansas Electric Cooperative Corporation**
  Provided expert witness support and analysis on economic and public policy issues associated with various aspects of wholesale and retail competition in Arkansas. (2000-2001)
- **TransÉnergie U.S.**
  Provided expert testimony regarding public benefits of proposal to construct merchant transmission facility. (2000-2001)
- **Conectiv**
  Provided strategic wholesale market analysis and support for procurement of supplies for distribution utility company's provision of Basic Generation Services to retail customers. (2000)
- **SCS Energy Corp. – Astoria Energy**
  Provided economic and environmental analysis and expert witness support for proposal to build new power plant in New York City. (2000-2001)
- **HEFA Power Options**
  Provided strategic advice regarding wholesale power market for retail buyers' group. (2000-2003)
- **Major real estate development company**
  Provided strategic support for configuration of electric and gas infrastructure for large regional mixed-use development project. (2000-2001)
- **Investment company**
  Provided strategic advice to investment company with regard to potential investment in major electric generating equipment manufacturing company. (2000)
- **Major independent power company**
  Provided economic and environmental support for company's application to construct a merchant power plant in Florida. (2000)
- **Major railroad company**
  Provided expert witness support on economic and regulatory policy issues for railroad in state regulatory proceeding on a proposed utility merger. (2000)
- **Coalition of Wireless Telecommunications Carriers**
  Prepared an expert report on economic benefits of wireless telecommunications. (2000)
- **Major brownfield property developer**
  Provided valuation of property to be developed as site for new electric generating facility. (2000)
- **Fitchburg Gas and Electric Company**
  Provided litigation support for a gas and electric company on rate design policy. (2000)
- **Consortium of electric companies**
  Provided economic analysis, contract review, and litigation support for a consortium of electric companies with power purchase agreements with PURPA projects. (1999)
- **FirstEnergy Corp.**
  Provided expert witness support regarding generation asset valuation and the impacts of a new electric industry restructuring law on the company. (1999-2000)
- **Ozone Attainment Coalition**
  Provided strategic analysis and advice on electric system reliability issues relating to electric companies' implementation of 2003 NOx requirements issued by the U.S. EPA. (1999)
- **Municipal electric department**
  Provided expert witness services and analysis of the economics and need for a new natural gas pipeline proposed to serve an existing electric power plant in Massachusetts. (1998-2001)
- **Seneca Nation**
  Provided expert analysis and strategic advice regarding the value of transmission rights of way, in a dispute with an electric utility company. (1998-2000)

- **Major cable company**
  Provided strategic advice in a series of regulatory and court cases involving inter-affiliate transactions of electric utility company entering into competitive telecommunications and cable markets. (1998)

- **Major electric utility company**
  Provided expert witness support regarding structural changes in the electric industry, in litigation pertaining to the company's restructuring plans. (1998-1999)

- **Sithe Energies, Inc.**
  Provided strategic advice and regulatory support on a variety of issues (market analysis, transmission and ISO issues, federal and state market rules, legislation, siting, environmental strategy) relating to the company's participation in the New England, New York, and PJM markets. (1997-2003)

  Provided transition assistance to the company in its acquisition and integration of approximately 2,000 MW of existing fossil fuel generation from Boston Edison Company. (1997-1998)

  Provided transition assistance to the company in its acquisition and integration of approximately 4,100 MW of existing fossil and hydroelectric generation capacity from GPU Genco. (1998-1999)

  Provided support for the company's participation in electricity product markets structured by NEPOOL and operated by the Independent System Operator-New England, the New York power pool and the New York ISO, and PJM. (1997-2002)

  Provided strategic project development advice and expert witness support for the company's applications to construct three natural gas merchant power plants (totaling 2865 megawatts) in Everett, Weymouth, and Medway, Massachusetts. (1998-2001)

  Provided strategic guidance and regulatory support regarding design of air quality improvement plan for existing fossil units at Mystic Station. (1998-2001)

  Provided strategic guidance regarding company's natural gas-fired merchant power plant development projects in Ontario, Canada. (2000-2001)

- **Natural Resources Canada**
  Prepared a white paper on the implications for electric system reliability in Canada that are associated with restructuring the electric industry in the United States. (1999)

- **Cummins Engine Company, Inc.**
  Provided strategic analysis on implications of national energy and environmental policies for the Company's long-term business opportunities. (1999)

- **Electric utility company**
  Provided advice and regulatory support with regard to the economics and prudency of an existing long-term power purchase agreement. (1998)

- **National Association of Regulatory Utility Commissioners (NARUC)**
  Assisted the Executive Director and NARUC leadership in updating its strategic plan and in preparing a business plan for its implementation. (1998)

- **State energy office**
  Assisted the office in analyzing options for supporting renewable resource development in the state and in designing a market-based strategy to implement a new legislative mandate for a "renewables portfolio standard." (1997-1998)

- **U.S. Generating Company (now PG&E Generating Company)**
  Provided analysis of the economic, reliability, and environmental benefits to the host state and region of a new merchant power generation facility: the 360-megawatt Millennium project in Massachusetts. Provided expert witness testimony on the results of this analysis to the Massachusetts Energy Facility Siting Board. (1996-1997)

  Provided analysis of the economic, reliability, and environmental benefits of a new merchant power generation facility: the 792-megawatt Lake Road Generating Project in Connecticut. Provided expert witness testimony on the need for this project to the Connecticut Siting Board. (1997-1998)

- **Pennsylvania Power & Light Company**

Provided strategic guidance, economic and policy analysis, and regulatory support for electric utility company as it developed and proposed its plan for restructuring its company for retail competition. Issues and tasks included electricity market price estimation, rate design, revenue analysis, consumer protection, corporate structure, and regulatory strategy. Provided expert witness testimony on rate design policy issues. (1996-1998)

- **Major diversified electric equipment company**
  Provided strategic advice and analysis on market opportunities and risk in various regions of the U.S. electric industry, under numerous restructuring scenarios. (1996-1997)

- **Major nationwide electricity consumer**
  Conducted analysis of buying options and strategies for acquisition of electricity services in states with customer choice in retail generation markets. Analysis included review and comparison of eight states' implementation of customer choice, from the perspective of how retail rate and function are unbundled, how the commercial and reliability functions are structured in the regional generation market, and how the customer should approach the market to competitively procure power across various states. (1997)

- **National Council on Competition in the Electric Industry**
  Prepared a Briefing Paper on Regional Issues in Electric Industry Restructuring, for the NCCEI—a joint project of the National Association of Regulatory Utility Commissioners, the National Conference of State Legislatures, the U.S. Department of Energy, and the U.S. Environmental Protection Agency. Analyzed regional issues, including electric system reliability, transmission access and siting, environmental protection, market power, interstate reciprocity in retail access policies, and regulation of multi-state electric utility companies. (1997)

- **Major western coal company**
  Analysis of western states' electric industry restructuring policies and market prices for power in various states within the Western Systems Coordinating Council area. (1996-1997)

- **Major gas pipeline company**
  Provided analysis of market structures and prices for generation and delivery services in electric service territories where the gas pipeline would locate facilities that use electricity. (1997)

- **Major electric supply company**
  Provided analysis of regional electricity market conditions to support this company's analysis of the value of various utility assets that were being divested as part of an electric utility company's corporate restructuring. (1997)

- **Massachusetts Division of Energy Resources**
  Analyzed Boston Gas Company's proposal for unbundling its retail service, its proposal for performance-based rates, and its plan for departing the merchant function. Provided analytic, policy and negotiation support on gas industry restructuring issues in a variety of cases. (1996-1998)

- **Massachusetts Division of Energy Resources**
  Assisted the state's energy office in developing policies for establishing a statewide fund to support renewable resource development as part of the state's electric industry restructuring plan. Provided analytic support to the energy office as it participated in a working group of stakeholders attempting to reach consensus on the institutional design of such a renewables fund. Drafted legislative language to create the fund and the non-bypassable charge on distribution service in the state. (1997)

- **Massachusetts Water Resources Authority Advisory Board**
  Analyzed opportunities for the MWRA, a public authority with major energy-using and -producing assets, to position itself beneficially as a participant in a restructured retail electricity market in New England. (1996-1997).

- **Coalition of marketers and independent power producers**
  Analyzed state public utility commission proposed rules for restructuring the electric industry, from the point of view of whether the proposed structure would assure a workably competitive market. Examined the transmission owners' proposal for an independent system operator. (1996-1997)

- **Major independent power producer**
  Analyzed market opportunities and risks for merchant plant development in a U.S. region. (1996)

- **Major independent power producer**
  Analyzed the expected market price of power in two regions of the U.S. electricity markets. Presented results to

company board of directors. (1996)

- **MCI, Inc.**
  Provided strategic regulatory advice in local competition proceeding before a state public utility commission. Provided testimony on local competition policy issues in public utility commission proceedings in Massachusetts and New York. (1996)

- **Group of municipal electric companies in New York State**
  Provided expert witness testimony on cost allocation issues in court litigation on wholesale power contracts. (1996)

- **Intercontinental Energy Corporation**
  Provided strategic guidance, analytic support, and regulatory support for the company, a major independent power producer, as it developed its position in the state's electric industry restructuring proceeding. Issues involved regional industry structure (including independent system operator proposals), stranded cost recovery policy, stranded cost calculation methodologies, horizontal and vertical market power issues, environmental protection, and securitization. Provided expert witness testimony in state retail restructuring proceedings in Massachusetts and New Jersey. (1995-1997).

- **Nextel Communications**
  Provided economic and policy analysis on barriers to entry in the local commercial mobile radio service market in region. Provided expert witness testimony before the Massachusetts Department of Public Utilities. (1995-1998)

- **Arizona Public Service Company**
  Provided expert witness testimony on regulatory reforms necessary to align traditional existing utility planning proceedings with competitive retail markets as being proposed in the state. (1995)

## TESTIMONY ON BEHALF OF CLIENTS

**Many confidential expert reports, testimonies, declarations, affidavits, and depositions in** confidential arbitrations and mediations.

- **On her own behalf**
  Before the Oregon State Legislature's House Interim Committee on Revenue, Senate Interim Committee on Finance and Revenue, on "Consideration of the Feasibility and Implications of a Clean Air Tax or Fee in Oregon: Implementing Greenhouse Gas Emission Reduction Policies – Experience from Other States," January 15-16, 2014.

- **On her own behalf**
  Before the U.S. House of Representatives Energy and Commerce Subcommittee on Energy and Power, "Hearing on EPA's Proposed GHG Standards for New Power Plants and H.R. _, Whitfield-Manchin Legislation," November 14, 2013.

- **Joshua Epel, James Tarpey, and Pamela Patto, et. al.**
  Before the U.S. District Court of the State of Colorado, on behalf of Joshua Epel, James Tarpey, and Pamela Patton (commissioners of the Colorado Public Utilities Commission), and Environment Colorado, Conservation Colorado Education Fund, Sierra Club, The Wilderness Society, Solar Energy Industries Association, and Interwest Energy Alliance, in re: *American Tradition Institute and Rod Lueck, v. Epel at al.*, Civil Action Number 11-cv-00859-WJM-BMB, expert report, November 7, 2013.

- **On her own behalf**
  Before the Federal Energy Regulatory Commission, in the Matters of Centralized Capacity Markets in Regional Transmission Organizations and Independent System Operators," Docket No. AD13-7-000, re: considerations for the future, September 9, 2013.

- **Environmental Defense Fund and North Carolina Sustainable Energy Association**
  Before the Public Utilities Commission of North Carolina, Docket E-7, SUB 1032, August 7, 2013.

- **Advanced Energy Economy Ohio**
  Before the Ohio Senate Public Utilities Committee in support of the Ohio Energy Efficiency Resource Standard, April 9, 2013.

- **Pepco Holdings, Inc., and its operating affiliates, Potomac Electric Power Company, Delmarva Power &**

**Light Company, and Atlantic City Electric Company**
Before the Federal Energy Regulatory Commission, in Delaware Division of Public Advocate, *et. al.*, v. Baltimore Gas and Electric Company and Pepco Holdings Inc., Docket No. EL13-48-000, April 3, 2013.

- **Baltimore Gas and Electric Company**
  Before the Federal Energy Regulatory Commission, in Delaware Division of Public Advocate, *et. al.*, v. Baltimore Gas and Electric Company and Pepco Holdings Inc., Docket No. EL13-48-000, April 3, 2013.

- **NSTAR Electric Company and Cape Wind LLC**
  Before the Massachusetts Department of Public Utilities, in the Petition of NSTAR Electric Company for Approval of a Proposed Long-Term Contract for Renewable Energy with Cape Wind Associates, LLC Pursuant to St. 2008, c. 169, §83, Prefiled Direct Testimony, March 30, 2012; testimony under cross-examination, August 2, 2012.

- **Pacific Gas and Electric Company**
  Before the California Public Utilities Commission, in the Rulemaking on the Commission's Own Motion to Adopt New Safety and Reliability Regulations for Natural Gas Transmission and Distribution Pipelines and Related Ratemaking Mechanisms, Rulemaking 11-02-019, Rebuttal Testimony filed on February 28, 2012; testimony under cross-examination, March 20, 2012.

- **COMPETE Coalition**
  Before the New Jersey Board of Public Utilities, In the Matter, In the Matter of the Board's Investigation of Capacity Procurement and Transmission Planning, Docket No. EO11050309, October 14, 2011.

- **On her own behalf**
  Before the U.S. House Energy and Commerce Committee, Subcommittee on Energy and Power, EPA Regulations and Electric System Reliability, September 14, 2011.

- **On her own behalf**
  Before the U.S. Senate Environment and Public Works Committee, Subcommittee on Clean Air and Nuclear Safety, June 30, 2011, Oversight Hearing: Review of EPA Regulations Replacing the Clean Air Interstate Rule (CAIR) and the Clean Air Mercury Rule (CAMR).

- **Exelon Corporation and Constellation Energy Group**
  Before the *Maryland Public Service Commission,* In the Matter of the Merger of Exelon Corporation and Constellation Energy Group, Case No. 9271, prefiled direct testimony (May 25, 2011); rebuttal testimony (October 12, 2011), supplemental testimony (December 15, 2011), testimony under cross-examination (November 10, 2011, January 25, 2012).

- **New England Power Generators Association**
  Before the *Massachusetts Public Utilities Commission, In the Matter of the Joint Petition for Approval of Merger [of Northeast Utilities and NSTAR] Pursuant to G.L. c. 164* , § 96, Docket D.P.U. 10-170, prefiled direct testimony (May 20, 2011); testimony under cross-examination (July 15 and 18, 2011).

- **Commonwealth Edison Company**
  Before the *Illinois Commerce Commission*, Investigation of Proposed General Increase in Electric Rates of Commonwealth Edison Company, Docket No. 10-0467, ComEd Exhibit 13.0, prefiled direct testimony (filed June 30, 2010); rebuttal testimony (filed November 22, 2010); surrebuttal testimony (filed January 2, 2011), testimony under cross-examination (January 18, 2011).

- **National Grid: Massachusetts Electric Company and Nantucket Electric Company**
  Before the *Massachusetts Department of Public Utilities*, Investigation as to the Petition of Massachusetts Electric Company and Nantucket Electric Company each d/b/a National Grid for approval by the Department of Public Utilities of two long-term contracts to purchase wind power and renewable energy certificates, pursuant to G.L. c. 169, § 83 and 220 C.M.R. § 17.00 et seq. – Docket D.P.U. 10-54 (the Cape Wind contract proceeding), prefiled direct testimony (filed June 4, 2010), rebuttal testimony (filed September 1, 2010), testimony under cross examination (September 8, 13, 14, 23, 24, 2010).

- **National Grid: Boston Gas Company, Essex Gas Company, Colonial Gas Company**
  Before the *Massachusetts Department of Public Utilities*, Investigation as to the Propriety of Proposed Tariff Changes, Docket No. D.P.U. 10-55, prefiled direct testimony (filed April 16, 2010); testified under cross-

examination, June 28-29, 2010.

- **National Grid: EnergyNorth Natural Gas, Inc., d/b/a National Grid NH**
  Before the *New Hampshire Public Utilities Commission*, Investigation as to the Propriety of Proposed Natural Gas Tariff Changes, Docket DG 10-017, prefiled direct testimony (filed February 26, 2010).

- **National Grid: Niagara Mohawk Power Corporation**
  Before the *New York Public Service Commission*, Investigation as to the Propriety of Proposed Electric Tariff Changes, Docket No. 10-E-0050, prefiled direct testimony (filed January 29, 2009), rebuttal testimony (filed August 2010).

- **National Grid: Narragansett Electric Company**
  Before the *Rhode Island Public Utilities Commission,* Investigation as to the Propriety of Proposed Tariff Changes, Docket No. R.I.P.U.C. 4065, prefiled direct testimony (filed June 1, 2009; testimony under cross-examination, November 4, 2009).

- **National Grid: Massachusetts Electric Company and Nantucket Electric Company**
  Before the *Massachusetts Department of Public Utilities*, Investigation as to the Propriety of Proposed Tariff Changes, Docket No. D.P.U. 09-39, prefiled direct testimony (filed May 15, 2009; testimony under cross-examination, August 7 and 25, 2009, and September 8, 2009).

- **Amerada Hess Corp., et al.**
  Before the District Court of the United States for the Southern District of New York, on behalf of Amerada Hess Corp., et al., in *City of New York v. Amerada Hess Corp. et al.*, Case No. 1:00-1898, testimony in deposition, May 12, 2009.

- **State of North Carolina**
  Before the District Court of the United States for the Western District of North Carolina, on behalf of North Carolina in *State of North Carolina, ex rel. Roy Cooper, Attorney General, v. Tennessee Valley Authority*, Case No. 1:06CV20, testimony in deposition, May 17, 2007; testimony at July 22, 2008.

- **KeySpan Energy Delivery (National Grid)**
  Before the Massachusetts Appellate Tax Board, Boston Gas Company, d/b/a KeySpan Energy Delivery New England v. City of Boston, Docket No. F275055-F275056 (FY 2004), F279207-F279208 (FY 2005), F284088-F286194 (FY 2006), testimony and cross-examination, May 20-21, 28, June 4, 2008.

- **Commonwealth Edison Company**
  Before the *Illinois Commerce Commission*, Investigation of Proposed General Increase in Electric Rates of Commonwealth Edison Company, Docket No. 07-0566, ComEd Exhibit 18.0, prefiled rebuttal testimony (filed April 12, 2008).

- **Sierra Pacific Power Company**
  Before the Public Utilities Commission of Nevada, In the Matter of the Application of Sierra Pacific Power, filed pursuant to NRS 704.110(3), for authority to increase its general rates charged to all classes of electric customers to reflect an increase in annual revenue requirement, Docket No. 07-12 (filed December 3, 2007), Prefiled Direct Testimony; cross examination, April 17-18, 2008.

- **Amerada Hess Corp., et al.**
  Before the District Court of the United States for the Southern District of New York, on behalf of Amerada Hess Corp., et al., in *County of Suffolk and Suffolk County Water Authority v. Amerada Hess Corp. et al.*, Case No. 1:00-1898, testimony filed October 1, 2007.

- **Sempra Energy Company – San Diego Gas & Electric Company and SoCalGas Company**
  Before the *California Public Utility Commission*, Order Instituting Rulemaking to Examine the Commission's post-2005 Energy Efficiency Policies, Programs, Evaluation, Measurement and Verification and Related Issues, Rulemaking Docket 06-04-010 (Filed April 13, 2006), testimony filed May 3, 2007, cross examination, May 29, 2007.

- **Commonwealth Edison Company**
  Before the *Illinois Commerce Commission*, Investigation of Rider CPP of Commonwealth Edison Company, and Rider MV of Central Illinois Light Company d/b/a AmerenCILCO, of Central Illinois Public Service Company

d/b/a/ AmerenCIPS, and of Illinois Power Company d/b/a Ameren IP, pursuant to Commission Orders regarding the Illinois Auction, Docket No. 06-0800, testimony filed April 6, 2007; cross-examination, April 24, 2007.

- **PECO Energy Company**
  Before the *Pennsylvania Public Utility Commission*, Petition of PECO for Approval of (1) a Process to Procure Alternative Energy Credits During the AEPS Banking Period, and (2) A Section 1307 Surcharge and Tariff to Recover AEPS Costs, Prefiled Direct Testimony, March 19, 2007.

- **Masspower**
  Before the Superior Court Department of Suffolk County, Massachusetts, *Massachusetts Municipal Wholesale Electric Company v. Masspower, et al.*, Civil No. 05-02710 (BLS1), on the changes in conditions in the electric industry in New England as they relate to Masspower's performance under its power supply agreement with MMWEC; Expert Report, September 11, 2006; oral testimony under cross examination at trial, October 16-17, 2006.

- **Commonwealth Edison Company**
  Before the *Illinois Commerce Commission*, Proposed general increase in electric rates, general restructuring of rates, price unbundling of bundled service rates, and revision of other terms and conditions of service, Docket No. 05-0597, Rebuttal Testimony, January 30, 2006; Surrebuttal Testimony, March 14, ,2006; oral testimony under cross-examination, March 23, 2006. Testimony on rehearing, September 20, 2006.

- **Commonwealth Edison Company**
  Before the *Illinois House of Representatives, Electric Utility Oversight Committee*, on the Pay-as-Bid versus Uniform Price Auction Approach To Procurement of Wholesale Power for ComEd's Full-Requirements Customers, January 18, 2006, Springfield, Illinois.

- **Louisville Gas & Electric Company and Kentucky Utilities Company**
  Before the *Kentucky Public Service Commission*, Application of LG&E and KU to transfer functional control of their transmission assets, Case No. 2005-xxxx, Direct Testimony, November 19, 2005.

- **Western Massachusetts Electric Company**
  Before the Superior Court Department of Norfolk County, Massachusetts, *Alternative Power Source, Inc., v. Western Massachusetts Electric Company*, Civil Action No. 00-1967, on the allocation of costs related to transmission congestion in wholesale power contract for standard offer service. Expert Report, September 19, 2001; deposition, October 15, 2001; testimony at trial, July 15, 2005.

- **Entergy Louisiana, Inc. and Entergy Gulf States Inc.**
  Before the *Louisiana Public Service Commission*, Application of Entergy Louisiana, Inc. for Approval of the Purchase of Electric Generating Facilities and Entergy Gulf States, Inc. for Authority to Participate in Contract for the Purchase of Capacity and Electric Power, Docket No. U27836, January 21, 2005.

- **Louisville Gas & Electric Company and Kentucky Utilities Company**
  Before the *Kentucky Public Service Commission*, Investigation Into The Membership of Louisville Gas and Electric Company and Kentucky Utilities Company In The Midwest Independent Transmission System Operator, Inc., Case No. 2003-00266, September 29, 2004; Supplemental Rebuttal Testimony, January 10, 2005; testimony at hearing, June 2005.

- **Entergy Services Inc.**
  Before the *Federal Energy Regulatory Commission,* Entergy Services Inc., et al., in support of the application for approval of market-based power purchase agreements under Section 205 of the Federal Power Act. Affidavit, February 28, 2003; Affidavit, March 31, 2003; Testimony, September 2003; Testimony at deposition, November 20, 2003; Rebuttal Testimony, May 11, 2004; Deposition, May 27, 2004, and June 10-11, 2004; Testimony under cross-examination, July 19-23, 26-27, 2004.

- **Pacific Gas & Electric Company**
  Before the *California Public Utilities Commission*, In Re: Order Instituting Investigation into the ratemaking implications for Pacific Gas and Electric Company (PG&E) pursuant to the Commission's Alternative Plan of Reorganization under Chapter 11 of the Bankruptcy Code for PG&E, in the United States Bankruptcy Court, Northern District of California, San Francisco Division, In re Pacific Gas and Electric Company, Investigation 02-04-026, Pre-Filed Testimony, July 23, 2003, Testimony under cross-examination, September 12, 2003.

- **Entergy Louisiana, Inc.**
  Before the *Louisiana Public Service Commission, Entergy Service*, In Re: Application of Entergy Louisiana, Inc., for Authorization to Enter into Certain Contracts for the Purchase of Capacity and Energy, Docket No. U-27136, Rebuttal Testimony, April 25, 2003.

- **Pacific Gas and Electric Company/PG&E Corporation**
  Before the *Federal United States Bankruptcy Court, Northern District of California, San Francisco Division*, In Re: Pacific Gas and Electric Company, Debtor, Federal I.D. No. 94-0742640, on the public policy concerns raised by the proposed reorganization plan of PG&E Corporation. Expert report, November 8, 2002; rebuttal report, November 26, 2002.

- **PP&L Global**
  Before the *New York Public Service Commission, Article X Siting Board*, on the economic and environmental benefits of the Kings Park Energy power plant. Prefiled direct testimony (with James Potter, Stephen T. Marron, David J. Kettler, and Thomas Conoscenti), January 2002; rebuttal testimony (with James Potter, Stephen T. Marron, William C. Miller, Jr., N. Dennis Eryou, and Robert W. Brown), October 23, 2002.

- **Connecticut Light & Power Company**
  Before the *Federal United States District Court, District of Connecticut, Connecticut Light & Power Company v. NRG Power Marketing Inc.,* on their standard offer service wholesale sales agreement. Expert report, August 30, 2002; deposition, September 27, 2002.

- **Pacific Gas and Electric Company/PG&E Corporation**
  Before the *Federal Energy Regulatory Commission, in the Matter of Pacific Gas and Electric Company, PG&E Corporation, on behalf of its Subsidiaries Electric Generation LLC, ETrans LLC, and GTrans LLC,* on the public benefits of the application seeking approval under Section 203 of the Federal Power Act and Section 12 of the Natural Gas Act for various actions relating to restructuring of the company to emerge from bankruptcy, November 30, 2001.

- **Cross-Sound Cable Company LLC**
  Before the *Connecticut Siting Council*, on the public benefits of the proposed Cross Sound Cable Project's *Application for a Certificate of Environmental Compatibility and Public Need*, Docket No. 208. Prepared direct testimony, July 23, 2001; oral testimony under cross-examination, October 24-26, 29-30, 2001.

- **Sithe New England (Sithe Edgar LLC, Sithe New Boston LLC, Sithe Framingham LLC, Sithe West Medway LLC, Sithe Mystic LLC)**
  Before the *Federal Energy Regulatory Commission, in the Matter of NSTAR Electric & Gas Corp., v. Sithe Edgar LLC, Sithe New Boston LLC, Sithe Framingham LLC, Sithe West Medway LLC, Sithe Mystic LLC, and PG&E Energy Trading*, Docket No. EL01-79-000. Affidavit comparing historical cost recovery by Boston Edison for its fossil generation units (pre-divestiture) under rate regulation, versus Sithe's revenue recovery for these same units (post-divestiture) under market prices, June 5, 2001.

- **NRG Energy Inc. and Dynegy Holdings Inc.**
  Before the *Public Utilities Commission of Nevada*, In Re: petition of the Attorney General's Bureau of Consumer Protection to issue an Order staying further proceedings regarding divestiture of Nevada's electric generation assets and to open a docket to consider whether to issue a moratorium on divestiture in Nevada. Supplemental prepared direct testimony on behalf of Valmy Power LLC, April 6, 2001; testimony under cross-examination.

  Before the *Public Utilities Commission of Nevada*, In Re: petition of the Attorney General's Bureau of Consumer Protection to issue an Order staying further proceedings regarding divestiture of Nevada's electric generation assets and to open a docket to consider whether to issue a moratorium on divestiture in Nevada, prepared direct testimony on behalf of Reid Gardner Power LLC and Clark Power LLC, April 3, 2001; testimony under cross-examination.

- **Sithe New England, LLC**
  Before the *Federal Energy Regulatory Commission, In the Matter of Maine Public Utilities Commission and The United Illuminating Company v. ISO New England, Inc.*, affidavit on the role of price "spikes" in compensating generators for the services that they provide in the region, September 7, 2000.

- **Arkansas Electric Distribution Cooperatives**
  Before the *Arkansas Public Service Commission, In the Matter of a Generic Proceeding to Establish Uniform*

*Policies and Guidelines for a Standard Service Package.* Prepared joint reply testimony (with Janet Gail Besser), July 21, 2000; prepared joint surreply testimony (with Janet Gail Besser), August 3, 2000.

- **TransEnergie U.S.**
  Before the *Connecticut Siting Council*, on the public benefits of the proposed Cross Sound Cable Project. Expert report, July, 2000; prepared direct testimony, September 20, 2000; oral testimony, September 27, 2000; supplemental written testimony, December 7, 2000; oral testimony under cross-examination, December 14, 2000; oral testimony January 9-11, 2001.

- **SCS Energy Corp.**
  Before the *New York State Public Service Commission*, on the economic and environmental impact of a new combined cycle power plant in Queens, NY, June 19, 2000.

- **Reading Municipal Light Department**
  Before the *Massachusetts Energy Facilities Siting Board, Docket No. EFSB 97-4*, on the economics and need for a new natural gas pipeline, June 19, 2000; testimony under cross-examination September 19, 2000, September 21-22, 2000, October 5, 2000, and October 17, 2000.

- **Fitchburg Gas and Electric Light Company**
  Before the *Massachusetts Department of Telecommunications and Energy, Docket D.T.E. 99-66*, on gas and electric company rate design policy, testimony under cross-examination, January 14, 2000.

- **FirstEnergy Corp.**
  Before the *Public Utilities Commission of Ohio*, In the Matter of the Application of FirstEnergy Corp. on behalf of Ohio Edison Company, the Toledo Edison Company, and The Cleveland Electric Illuminating Company: for Approval of an Electric Transition Plan and for Authorization to Recover Transition Revenues (Case No. 99-1212-EL-ETP); for Approval of New Tariffs (Case No. 99-1213-EL-ATA); for Certain Accounting Authority (Case No. 99-1214-EL-AAM), on recovery of transition costs and calculation of the market value of generation assets. Joint testimony (with Dr. Scott T. Jones), December 22, 1999; supplemental testimony (with Dr. Scott T. Jones), April 4, 2000; deposition, April 7, 2000.

- **Sithe New England, LLC**
  Before the *Massachusetts Energy Facilities Siting Board, Docket EFSB 98-10*, in support of an application to construct a 540 MW gas-fired single cycle peaking power plant in Medway, Massachusetts. Prepared direct testimony, April 1999; oral testimony under cross-examination, July 27, 1999.

- **Village of Bergen, et al.**
  Before the *Supreme Court of the State of New York, Index No. 081556*, Affidavit in Response to Defendant's Submission of February 25, 1999, in *Village of Bergen, et al., Plaintiffs, v. Power Authority of the State of New York, Defendant*, March 3, 1999.

  Before the *Supreme Court of the State of New York, Index No. 081556*, Affidavit in Support of Petition to Correct Rates, in *Village of Bergen, et al., Plaintiffs, v. Power Authority of the State of New York, Defendant*, October 17, 1996.

- **Sithe New England, LLC**
  Before the *Massachusetts Energy Facilities Siting Board, Docket EFSB 98-7*, in support of an application to construct a 750 MW gas-fired combined cycle power plant at the Fore River Station in Weymouth, Massachusetts (Edgar). Prepared direct testimony, February 10, 1999; oral testimony under cross-examination, July 26, 1999.

- **Sithe New England, LLC**
  Before the *Massachusetts Energy Facilities Siting Board, Docket EFSB 98-8*, in support of an application to construct a 1500 MW gas-fired combined cycle power plant at the Mystic Station in Everett, Massachusetts. Prepared direct testimony, February 10, 1999; oral testimony under cross-examination, May 25, June 2, 1999.

- **U.S. Generating Company**
  Before the *Connecticut Siting Board, Docket No. 189*, on an application to construct a new Lake Road Generating Project, September 1998. Oral testimony under cross-examination.

- **Central Hudson Gas & Electric Corporation**
  Before the *Supreme Court of New York, Index No. 255/1998, CHGE v. West Delaware Hydro Associates*, on issues relating to ratemaking treatment of costs relating to power contracts, April 13, 1998.

- **Sithe New England Holdings, LLC**
  Before the *Massachusetts Department of Telecommunications and Energy and the Massachusetts Energy Facilities Siting Board, Docket Nos. DTE98-84 and EFSB98-5,* on issues pertinent to forecast and supply planning by electric companies, September 14, 1998.

- **Sithe Energies, Inc.**
  Before the *Massachusetts Energy Facilities Siting Board, Docket No. EFSB98-3,* on issues related to the agency's rulemaking establishing a Technology Performance Standard, June 8, 1998.

  Before the *Massachusetts Energy Facilities Siting Board, Docket No. EFSB98-1,* on issues related to the agency's review of project viability as part of review of power plant applications, March 16, 1998.

- **Pennsylvania Power & Light**
  Rebuttal testimony on codes of conduct governing affiliate relations. *Pennsylvania Public Utility Commission, Docket Nos. A-122050F0003, A-120650F0006,* testimony under cross-examination, February 17, 1998.

  Rebuttal testimony on rate unbundling and rate design issues, on consumer protection issues. *Pennsylvania Public Utility Commission, Docket No. R-00973954,* testimony under cross-examination, August 5, 1997.

  Before the *Penn Public Utility Commission, Docket No. R-00973954,* on rate design, April 1, 1997.

- **Nextel Communications**
  Before the *Massachusetts Department of Public Utilities, Docket 95-59-B,* on telecommunications facility matters, testimony under cross-examination, January 1997.

- **Arizona Public Service Company**
  Before the *Arizona Corporation Commission, Docket No. U-0000-95-506,* on integrated resource planning and competition, October 1996.

- **U.S. Generating Company**
  Before the *Massachusetts Energy Facilities Siting Board, Docket 96-4,* on an application to construct a new Millennium power generating facility, testimony under cross-examination, October 1996.

- **MCI Communications, Inc.**
  Before the *Massachusetts Department of Public Utilities,* in the NYNEX interconnection docket. Opening up the Local Exchange Market to Competition: Common Themes with Retail Competition in Electricity and Natural Gas Industries, August 30, 1996.

- **Intercontinental Energy Corporation**
  Before the *New Jersey Board of Public Utilities, No. EX94120585Y,* on the Energy Master Plan Phase I Proceeding to Investigate the Future Structure of the Electric Power Industry, July 1996.

  Before the *Massachusetts Department of Public Utilities, DPU 96-100,* on the Investigation Commencing a Notice of Inquiry/Rulemaking for Electric Industry Restructuring, July 1996.

**PUBLICATIONS, REPORTS, ARTICLES**

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Tierney, Susan, "State shouldn't pursue hydropower from Quebec," *The Boston Globe* Opinion (The Podium (online)), March 25, 2014.

Hibbard, Paul, Susan Tierney, and Pavel Darling, "The Impacts of the Green Communities Act on the Massachusetts Economy: A Review of the First Six Years of the Act's Implementation," March 4, 2014.

Arvizu, Dan, Severin Borenstein, Susan Tierney, and Stephen Wright, "Report of the Independent Advisory Panel Regarding the Five California Utilities' Study of Integration of Renewable Energy into California's Electric System: 'Investigating a Higher Renewables Portfolio Standard in California'," January 2014.

Tierney, Susan, with Steve Carpenter, "Planning for Offshore Energy Development: How Marine Spatial Planning Could Improve the Leasing/Permitting Processes for Offshore Wind and Offshore Oil/Natural Gas Development," paper prepared for the Fund for Ocean Economic Research," June 2013.

Tierney, Susan, "Framing the Issues: Growing Tensions at the Interface of the Natural Gas and Electricity Markets (or, If You Want People to Think Outside of the Box, Don't Put Them in One)," paper prepared for MIT Energy Initiative (MITEI) Symposium: Growing Concerns, Possible Solutions: The Interdependency of Natural Gas and Electricity Systems, April 16, 2013.

Hibbard, Paul, Andrea Okie, Susan Tierney, "California's Advanced Energy Economy: Advanced Energy Business Leaders' Perspectives and Recommendations on California's Energy Policies," February 2012.

Alliance Commission on National Energy Efficiency Policy (Susan Tierney, member), "Energy 2030: Doubling U.S. Energy Productivity by 2030," February 2013.

Bipartisan Policy Center Energy Project (Susan Tierney, member), "America's Energy Resurgence: Sustaining Success, Confronting Challenges," February 2013.

Tierney, Susan, Co-lead Convening Author, Energy Supply and Use Chapter, Draft National Climate Assessment, January 2013.

Tierney, Susan, "The Positive Outlook for Cleaner Air and Reliable Electric Service," June 11, 2012.

Tierney, Susan, "America's Bright Future: Cleaner Air and Affordable, Reliable Electricity," April 23, 2012.

Tierney, Susan, Foreword to CERES Report, "Practicing Risk-Aware Electricity Regulation: What Every State Regulator Needs to Know (How State Regulatory Policies Can Recognize and Address the Risk in Electric Utility Resource Selection," authored by Ron Binz, with Richard Sedano, Denise Furey, Dan Mullen, April 2012.

Tierney, Susan, "Time to retire coal-fired plants," Politico, March 20, 2012.

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Bradley, Michael J., Susan F. Tierney, Christopher E. Van Atten, Amlan Saha, and Carrie Jenks, "Ensuring a Clean, Modern Electric Generating Fleet while Maintaining Electric System Reliability: Summer Update 2011," prepared for the Clean Energy Group, June 2011.

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Tierney, Susan, "Policies for a Secure Energy Future: Issues in Supply and Demand," paper prepared for the Aspen Institute Congressional Program, February 22-27, 2011.

Tierney, Susan, "Guest Commentary: EPA Air Pollution Rules are Good for the Nation," CarbonMarket North America, February 11, 2011.

Tierney, Susan, "Electric Reliability under New EPA Power Plant Regulations: A Field Guide," January 18, 2011, http://www.wri.org/stories/2011/01/electric-reliability-under-new-epa-power-plant-regulations-field-guide.

Tierney, Susan, and Robert Earle, "The Costs of Compliance to EPA's Advance Notice of Proposed Rulemaking on the PCB Use Authorization for Interstate Natural Gas Pipelines," prepared on behalf of the Interstate Natural Gas Association of America ("INGAA"), September 10, 2010.

Bradley, Michael J., Susan F. Tierney, Christopher E. Van Atten, Paul J. Hibbard, Amlan Saha, and Carrie Jenks, "Ensuring a Clean, Modern Electric Generating Fleet while Maintaining Electric System Reliability," prepared for the Clean Energy Group, August 2010.

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Tierney, Susan, "The Prospects for Natural Gas, Coal, and Nuclear Power in America's Energy Future," paper prepared for the Aspen Institute's Congressional Program on Energy Security and Climate Change: Policy Challenges for the Congress, Lisbon, Portugal, April 7, 2010.

Tierney, Susan, with Andrea Okie and Stephen Carpenter, "Strategic Options for Investment in Transmission in Support of Offshore Wind Development in Massachusetts: Summary Report with Expanded Technical Information" Report prepared for the Massachusetts Renewable Energy Trust, January 2010.

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Baldick, Ross, Ashley Brown, James Bushnell, Susan Tierney, and Terry Winter. "A National Perspective on Allocating the Costs of New Transmission Investment: Practice and Principles," A White Paper Prepared by The Blue Ribbon Panel on Cost Allocation for WIRES, the Working group for Investment in Reliable and Economic electric Systems, September 2007.

Tierney, Susan, "Adaptation and the Energy Sector," National Summit on Coping with Climate Change, University of Michigan, Ann Arbor, May 8-10, 2007.

Tierney, Susan, and Edward Kahn, "A Cost-Benefit Analysis of the New York Independent System Operator: The Initial Years," March 2007.

Tierney, Susan, and Paul Hibbard, "Market Monitoring at U.S. RTOs: A Structural Review," March 2007 (Appendix 17 of PJM 2007 Strategic Report, April 2, 2007).

"A Cost-Benefit Assessment of Wholesale Electricity Restructuring and Competition in New England," co-authored with Dr. Matthew Barmack and Dr. Edward Kahn, *Journal of Regulatory Economics*, 2007, vol. 31, issue 2, pages 151-184.

Tierney, Susan, "Recollections of a State Regulator," NRRI 30th Anniversary, *Journal of Applied Regulation*, Volume 4, December 2006.

Barmack, Matthew, Edward Kahn, Susan Tierney, and Charles Goldman, "A Regional Approach to Market Monitoring in the West," Prepared the Western Interstate Energy Board Committee on Regional Electric Power Cooperation and Office of Electricity Delivery and Energy Reliability, Department of Energy, LBNL-61313, October 2006.

"Electric Reliability," letter to the Editor, *Issues in Science and Technology*, Fall 2006, Forum.

Report to the Massachusetts Special Commission Relative to Liquefied Natural Gas Facility Siting and Use, June 2006.

"Energy Policy Act Section 1813 Comments: Report of the Ute Indian Tribe of the Uintah and Ouray Reservation for Submission to the U.S. Departments of Energy and Interior," co-authored with Paul J. Hibbard, In Cooperation With The Ute Indian Tribe of the Uintah and Ouray Reservation, May 15, 2006.

"In support of a Sound plan," Op Ed co-authored with John DeVillars, *Boston Globe*, April 23, 2006.

"Let's Talk About the Weather: Interview with Susan Tierney on climate change risks that corporate boards should know about and address," *Corporate Board Member Magazine*, January/February 2006.

"New England Energy Infrastructure – Adequacy Assessment and Policy Review," White Paper prepared for the New England Energy Alliance; co-authored with Paul J. Hibbard November 2005.

"New energy bill doesn't do enough." Op Ed, *Boston Globe*, July 29, 2005.

"The Benefits of New LNG Infrastructure in Massachusetts and New England: The Northeast Gateway Project," Prepared for Northeast Gateway Energy Bridge, L.L.C., and Algonquin Gas Transmission, LLC, White Paper co-authored with Paul. J. Hibbard, June 2005.

"Principles for Market Monitoring and Mitigation in PJM: A Review of Economic Principles, Legal and Regulatory Structures, and Practices of Other Regions, with Recommendations," White Paper prepared for PJM Interconnection, January 3, 2005.

"Keeping the Power Flowing: Ensuring a Strong Transmission System to Support Consumer Needs For Cost-Effectiveness, Security and Reliability – A Report of the Transmission Infrastructure Forum of the Consumer Energy Council of America," co-authored the report with CECA staff for this CECA Transmission Infrastructure Forum, January 2005.

Signatory to "Ending the Energy Stalemate: A Bipartisan Strategy to Meet America's Energy Challenges, Summary of Recommendations," National Commission on Energy Policy, December 2004.

"Comments of Susan F. Tierney and Paul. J. Hibbard on their own behalf," before the *Federal Energy Regulatory Commission, in the Matters of Solicitation Processes for Public Utilities (Docket No. PL04-6-000) and Acquisition and Disposition of Merchant Generation Assets by Public Utilities (Docket No. PL04-9-000),* on the role of independent monitors in public utility resource solicitations, July 1, 2004.

"Energy and Environmental Policy in the United States: Synergies and Challenges in the Electric Industry" (with Paul J. Hibbard), prepared for Le Centre Français sur les Etats-Unis (The French Center on the United States), July 2003; presentation in Paris, October, 2003.

"Supplemental Report on the Benefits of New Gas Infrastructure in New England: The Everett Extension Project" (with Charles Augustine), prepared for Algonquin Gas Transmission Company, February 5, 2003.

"The Political Economy of Long-Term Generation Adequacy: Why an ICAP Mechanism Is Needed as Part of Standard Market Design" (with Janet Gail Besser and John Farr), *The Electricity Journal,* August/September 2002.

"Siting Power Plants in the New Electric Industry Structure: Lessons California and Best Practices for Other States" (with Paul J. Hibbard), *The Electricity Journal*, June 2002.

"Maritimes Phase III & Algonquin Hubline: 'Coastal Dependency'" *CZM Consistency Review*, May 2002.

"Siting Power Plants: Recent Experience in California and Best Practices in Other States" (with Paul J. Hibbard), prepared for The Hewlett Foundation and The Energy Foundation, February 2002.

"Economic and Environmental Benefits of the Kings Park Energy Project: System Production Modeling Report" (with Joseph Cavicchi), prepared for PPL Global, January 25, 2002.

"The Benefits of New Gas Infrastructure in New England: The Maritimes & Northeast Phase IV Pipeline Project" (with Charles Augustine), prepared for Maritimes & Northeast Pipeline, LLC, January 2002.

"Activating Ontario's Capacity Market: Design and Implementation Issues" (with Janet Gail Besser and John Farr), prepared for Sithe Energies, Inc., October 24, 2001.

White paper on "Ensuring Sufficient Capacity Reserves in Today's Energy Markets" (with Janet Gail Besser and John Farr), prepared for submission as part of comments filed by Sithe Power Marketing LLC, Sithe New England Holdings, FPL Energy LLC, in FERC Docket No. EX01-1-000, October 17, 2001.

"The Rationale and Need for Capacity Obligations and a Capacity Market in a Restructured Ontario Electricity Industry" (with Janet Gail Besser & John Farr), prepared for Sithe., September 27, 2001.

"Economic and Environmental Benefits of the Wawayanda Energy Center: System Production Modeling Report" (with Joseph Cavicchi), prepared for Wawayanda Energy Center, LLC, August 24, 2001.

"A Better $CO_2$ Rule," op-ed, *The New York Times*, May 16, 2001.

"Air Pollution Reductions Resulting from the Kings Park Energy Project" (with Joseph Cavicchi), prepared for PPL Global, January 24, 2001.

"Report on "Economic Benefits of Wireless Telecommunications," prepared on behalf of the N.H. Coalition of Wireless Carriers for the New Hampshire HB 733 Study Committee, November 13, 2000.

Expert Report: "Public Benefits of the Proposed Cross Sound Cable Project Prepared for TransÉnergie U.S. Ltd.," July 2000.

"The Benefits of New Gas Infrastructure in Massachusetts and New England: The Maritimes & Northeast Phase III Pipeline and the Algonquin Gas Transmission Company HubLine Projects" (with Wayne Oliver of Navigant Consulting), prepared for Maritimes & Northeast Pipeline, LLC and Algonquin Gas Transmission Company, October 2000.

"Production Modeling for the Astoria Project: Report on Results" (with John G. Farr), report for SCS Energy Corp., June 14, 2000.

"Observations from Across the Border: Implications for Canadian Reliability of Recent Changes in U.S. Electricity Markets and Policy," white paper for Natural Resources Canada, 1999.

"Research Support for the Power Industry" (with M. Granger Morgan), *Issues in Science and Technology,* Fall 1998.

"Maintaining Reliability in a Competitive U.S. Electricity Industry," Final Report of the Task Force on Electric System Reliability, U.S. Department of Energy, September 29, 1998.

"Regional Issues in Restructuring the Electric Industry," *The Electricity Industry Briefing Papers*, The National Council on Competition and the Electric Industry, April 1998.

"Fueling the Future: America's Automotive Alternatives" (with Philip Sharp), The American Assembly, Columbia University, Arden House, NY, September, 1995.

"Needed: Broad Perspective, Fresh Ideas," guest editorial, *The Electricity Journal*, November 1994.

Foreword in J. Raab, *Using Consensus Building to Improve Utility Regulation*, American Council for an Energy-Efficient Economy, Washington, DC, 1994.

"Massachusetts' Pre-Approval Approach to Prudence in Massachusetts," *The Electricity Journal*, December 1990.

"Using Existing Tools to Pry Open Transmission—A New England Proposal," *The Electricity Journal*, April 1990.

"Sustainable Energy Strategy: Clean and Secure Energy for a Competitive Economy" (directed), National Energy Policy Plan, July 1995.

"The Domestic Natural Gas and Oil Initiative: First Annual Progress Report" (directed), U.S. Department of Energy, February 1995.

General Guidelines for Voluntary Reporting of Greenhouse Gases under Section 1605(b) of the Energy Policy Act of 1992 (directed), U.S. Department of Energy, October 1994.

"Fueling a Competitive Economy: Strategic Plan for the U.S. Department of Energy" (directed), 1994.

"The Domestic Natural Gas and Oil Initiative: Energy Leadership in the World Economy" (directed), U.S. Department of Energy, December 1993.

"Siting Needs: Issues and Options," U.S. Department of Energy, June 1993.

"The Nuclear Waste Controversy," in D. Nelkin, *Controversy: The Politics of Technical Decisions*, Sage, 1977; 1984 (second edition).

*DATAWARS: Computer Models in the Federal Government* (with Kenneth L. Kraemer, Siegfried Dickhoven, and John Leslie King), Columbia University Press, 1987.

"The Evolution of the Nuclear Debate: Role of Public Participation," *Annual Review of Energy*, 1978.

## RECENT SPEECHES AND PRESENTATIONS

"Electric Power Systems: The Outlook for Electric Transmission: Where You Stand Depends Upon Where You Sit," Harvard Law School, March 20, 2014.

"Section 111(d) of the Clean Air Act: Drivers of Power Sector CO2 Reductions," Bipartisan Policy Center Workshop on GHG Regulation of Existing Power Plants under the Clean Air Act: Policy Design and Impacts, Washington, DC, December 6, 2013.

"The World of Abundant Natural Gas in the U.S.: Looking Ahead for Power-Sector Implications," presentation to the Keystone Energy Board, Washington, DC, October 30, 2013.

"Energy: From the Last to the Next 150 years," keynote address to the Energy Forum of Boston College's Sesquicentennial Celebration, October 25, 2013.

"Capacity Markets in the Northeast: A Preview of Comments at the FERC Technical Conference on Centralized Capacity Markets in RTOs/ISOs," presentation to the Independent Power Producers of New York, Saratoga Springs, New York, September 10, 2013.

"Opportunities and Risks of Shale Gas Development," presentation to the Governors' Policy Forum on Shale Energy Development, National Governors Association, Denver, September 9, 2013.

"The National Climate Assessment (Draft): Chapter on Energy Supply and Use," presentation to the National Association of Regulatory Utility Commissioners, Denver, July 23, 2013.

"Climate Change Preparedness in New Jersey: Utilities – Leading Practices and Trends Nationally," presentation to the New Jersey Climate Adaptation Alliance, Rutgers University, New Brunswick, May 21, 2013.

"Is New England Over-Reliant on Natural Gas?" presentation to the 20th Annual Energy Conference of the Northeast Energy and Commerce Association, Groton CT, May 21, 2013.

"Jevons' Boomerang: Is the rebound effect real? If so, is the effect negative or positive?" presentation to the EE Global Conference, Washington, DC, May 20, 2013.

"Framing the Issues: Growing Tensions at the Interface of the Natural Gas and Electric Industries," presentation to the MIT Energy Initiative (MITEI) Symposium on "Growing Concerns, Possible Solutions: Gas/Electric Interdependence," April 16, 2013.

"Unconventional Natural Gas: The Fracking Debate," Northeast Gas Association, Providence RI, March 15, 2013.

"Unconventional Natural Gas: Trends, Opportunities, and Challenges with America's New Energy Resource, Center for the American West series on "FrackingSENSE: What We Know, What We Don't Know, and What We Hope to Learn about Natural Gas Development," Boulder, Colorado, March 5, 2013.

"Global Energy Security: Upcoming challenges and opportunities (from a U.S. vantage point)," Tufts University Energy Conference – Powering Global Energy Security, Medford, Massachusetts, March 3, 2013.

"Old Made New –Conventional Resource Innovation in the 21st Century," MIT Energy Conference, Boston, March 2, 2013.

"The Evolving Energy Landscape: Standing at the Crossroads in 2013," Keynote Address, Kellogg School of Management Energy Conference, Northwestern University, Chicago, February 13, 2013.

"The Starting Point: Interconnection/Grid Planning in the Face of Diversity, Technical Complexity, Uncertainties, Challenges, Opportunities," Three Interconnections Meeting, NARUC/DOE, Washington D.C., February 6, 2013.

"Electric Power Systems: The Outlook for Electric Transmission: Where You Stand Depends Upon Where You Sit," Yale University School of Forestry/Management, February 5, 2013.

"Electric Power Systems: The Outlook for Electric Transmission: Where You Stand Depends Upon Where You Sit," New York University Law School, February 4, 2013.

"The Future of Energy," DOE Energy All Stars, Department of Energy, January 19, 2013.

"The Economic Impacts of RGGI's First Three Years," Columbia University Law School – Center for Climate Change Law, Conference on the Future of the Regional Greenhouse Gas Initiative, New York, City, October 22, 2012.

"Reality Check on Energy Conditions," New Hampshire Energy Summit, Concord, NH, October 22, 2012.

"Natural gas and renewables: Curious bedfellows," Renewable Energy Law & Policy Summit, University of Denver Sturm College of Law, October 19, 2012.

"Smart Grid and Air Emissions," Gridweek, Washington DC, October 4, 2012.

"C3E Women in Clean Energy Symposium," Keynote Address, Boston, September 28, 2012.

"Natural Gas: Risks and Opportunities – Shale Gas, Hydraulic Fracturing, and Other Facts," EPA Region 1 seminar, Boston, September 27, 2012.

"Finding the Sensible Middle: Policies and Institutional Roles in Unconventional Gas Development," Unconventional Gas Research Forum, Board on Energy and Environmental Systems, National Academy of Sciences, Washington DC, September 11, 2012.

"Unlocking the Potential of Regional Collaboration," California ISO Stakeholders Symposium, Sacramento, September 6, 2012.

"The Context for Compliance with EPA Air Regulations: Power Market Conditions," EPA/DOE/NETL/ EPRI/AWMA Power Plant Air Pollution Control Mega-Symposium, Baltimore, August 20, 2012.

"Finding the Sensible Middle: Unconventional Gas Development," 24th Annual Natural Gas Strategy Conference & Executive Forum, August 15, 2012.

Intelligence Squared U.S. debate: "No fracking way: The natural gas boom has done more harm than good," Against the proposition (with team mate, Joe Nocera (New York Times)), Aspen, Colorado, July 1, 2012.

"What, Me, Worry? The New Outlook for Natural Gas in New England - How Will Natural Gas Impact New England's Electricity Markets and Reliability," New England Restructuring Roundtable – June 15, 2012.

"China's Energy Challenges and Policy Responses: Observations from a U.S. Vantage Point," Connecticut College Vietnam Program, June 15, 2012.

"Economic Impacts of RGGI: Following the Dollars," presentation to the RGGI Board, June 2012.

"The Energy Scene: Update on a Few Key Issues," presentation to the Ozone Transport Commission, April 23, 2012.

"Shale Gas: Analyzing Risks and Opportunities," Society for Risk Assessment, Boston University – April 9, 2012

"Sustainable Energy Highway," New York State Energy Highway Summit, April 4, 2012.

"Electric and Natural Gas Markets – Interactions, Opportunities, Challenges (with a focus on Texas), Gulf Coast Power Association Spring Meeting, April 3, 2012.

"Natural Gas: Risks and Opportunities – Shale Gas, Hydraulic Fracturing, and Other Facts," Tufts University – Fletcher School, March 29, 2012.

"Fracking and Shale Gas, Part I: Impacts on Energy Markets and Massachusetts," Boston Bar Association, March 6, 2012.

"Electric Power Systems: "The Outlook for Electric Transmission: Where You Stand Depends Upon Where You Sit," Harvard Law School, February 16, 2012.

"Natural Gas: Policy Recommendations of the NPC, SEAB, and BPC," Energy, Utility and Environment Conference 2012, January 30, 2012.

"Economic Impacts of RGGI: Following the Dollars," Energy, Utility and Environment Conference 2012, January 30, 2012.

"Electric Power Systems: "The Outlook for Electric Transmission: Where You Stand Depends Upon Where You Sit," Yale University School of Forestry and Environmental Studies, January 24, 2012.

"U.S. Renewable Energy Policy: Overview, with comparisons to European approaches," presentation to the Wharton School, January 3, 2012.

"The Truth about Fracking," presentation to the New York Energy Forum, December 19, 2011.

"The Clean Energy Economy," presentation to the Environmental Lawyers, Environmental League of Massachusetts," November 30, 2011.

"Outlook for the Electric Generating Fleet: Effects of the Upcoming EPA Regulations," presentation to the Harvard Kennedy School Energy Policy Series, November 28, 2011.

"The National Petroleum Council's "Prudent Development: Realizing the Potential of North America's Abundant Natural Gas and Oil Resources," panel discussion at the NARUC Annual Meeting, St. Louis, November 15, 2011.

"The Future of U.S. Energy Policy: What happens when we assume no changes in the near term....?" Wharton Energy Conference – Energy Frontiers: A Global Perspective, Philadelphia, October 28, 2011.

"Natural Gas: Risks and Opportunities (* with an emphasis on shale gas developments)," Harvard University Center for the Environment – Future of Energy Series, Cambridge, October 26, 2011.

"An Expanded Toolkit – Environmental Regulations, Natural Gas, and Modernizing the U.S. Generating Fleet," Great Lakes Symposium on Smart Grid and the New Energy Economy, Chicago, October 19, 2011.

"Pricing in a Western Energy Imbalance Market: Market Clearing Price versus Pay-As-Bid Pricing." Western Interstate Energy Board – Webinar on the Energy Imbalance Market," October 18, 2011.

"Federal and State Legislative and Regulatory Outlook: Connecting the Dots: Options for Upcoming Electric Resources," Emerging Issues Policy Forum, Amelia Island, October 9, 2011.

"Environmental Challenges Associated with Meeting Future Energy Needs: The role of shale gas?" National Association of Clean Air Agencies, Cleveland, October 4, 2011.

"Facing tough realities: Upcoming Energy and Environmental Issues – With a Focus on Electricity and Natural Gas," National Association of Clean Air Agencies, Cleveland, October 4, 2011.

"Assessing Natural Gas' New Promises and Controversies: Strategies to Improve the Safety & Environmental Performance of Shale Gas Extraction," Wisconsin Public Utilities Institute, University of Wisconsin at Madison, October 3, 2011.

"The Outlook for Natural Gas: Role of Shale Gas," EnerNOC EnergySMART Conference, Boston, September 27, 2011.

"The Outlook for Natural Gas: What does shale gas look like?" NECA Fuels Conference, Marlboro, MA, September 27, 2011.

"Facing tough realities: Upcoming Energy and Environmental Issues – With a Focus on Electricity and Natural Gas," Environmental Council of the States, Indianapolis, September 25, 2011.

"Electric Reliability Under EPA's New Air Regulations: What We Know, and What We Can Do About What We Don't Yet Know," National Association of State Energy Offices, September 12, 2011.

"The Future of Electricity Generation in the U.S. – A Modest Set of Observations," 19th Annual MIT-NESCAUM Endicott House Symposium (Opportunities for Technology and Policy Innovation in Energy and Environment), August 18, 2011.

"Unconventional Approaches: Part of the Electric Industry's Response to Upcoming EPA Regulations," Panel on Infrastructure Reliability and Adequacy at the Aspen Energy Policy Forum ("Changing Currents – Turbulence for the Electric Industry: Is Reliability a Real Issue for power plants given the EPA rules?), Aspen, July 5, 2011.

"What we know, what we might know, and what we know we don't know yet," Joint Meeting of the NARUC, NASEO, and NACAA states, Baltimore, June 23, 2011.

"Facing tough realities: Energy and environmental issues in 2011 and beyond," Joint Meeting of the NARUC, NASEO, and NACAA states, Baltimore, June 23, 2011.

"China's Energy Challenges and Policy Responses: Observations from a U.S. Vantage Point," Connecticut College Vietnam Program, June 16, 2011.

"Strategies for Addressing Change at FERC and the RTOs: A new lens on responding to near-term changes," FERC/RTO Training Session, Panel on "Beyond Reliability: Economics, driving efficiency, demand response, and clean energy," Sponsored by the Institute Policy Integrity, New York City, July 15th, 2011.

"*'May you live in interesting times...':* The Regulators' Tool-Kit in an Era of Uncertainty," Western Conference of Public Service Commissioner, Denver, June 14, 2011.

"Dirty to Clean? The future of Electric Power in America," CERES Conference 2011, Oakland, CA, May 12, 2011.

"EPA Regulations, Power Generation Capacity & Reliability," presentation to the MIT Center for Energy & Environmental Policy Research Workshop, Cambridge, MA, May 5, 2011.

"The Electric Industry's Response to EPA's Upcoming Regulations: Options for Owners and Others," presentation to the Energy Bar Association, Panel on Environmental Regulations, Washington, D.C., May 4, 2011.

"Framing the Issues: Energy and the Environment," Keynote address to the Health Effects Institute, Boston, May 2, 2011.

"Federal Air Pollution Regulations Affecting Fossil Power Plants: Current issues, implications, strategies," presentation to the 6th Annual Conference on Tribal Energy in the Southwest: New Opportunities for tribal projects, new policies, regulations and markets, Law Seminars International, Phoenix, April 29, 2011.

"China and U.S. Energy and Environmental Policy Challenges: Learning from Each Other, In It Together," presentation to China Energy & Environment Conference, Harvard University, April 9, 2011.

"EPA's MACT, Water Cooling Intake and Transport Rules: What now for power generation?" presentation to SNL Energy Webinar, April 12, 2011.

"Policies for a Secure Energy Future: Issues in Supply and Demand," presentation to the Aspen Institute Congressional Program's meeting on Energy Security: Policy Considerations in the New Congress, San Juan, Puerto Rico, February 22-27, 2011.

"Responding to EPA's Regulations Affecting Coal Plants: Using a 21st Century Toolkit (or, upgrading to the "Champ" from the "Classic"), presentation to the Panel on Environmental Regulations and Impacts on Electricity System Infrastructure, 2011 DOE/NARUC National Electricity Forum, Washington, D.C., February 16, 2011.

"Responding to EPA's Regulations Affecting Coal Plants: Using a 21st Century Toolkit (or, upgrading to the "Champ" from the "Classic"), presentation to the Roundtable on the EPA Regulations, NARUC Winter Meeting, Washington, D.C., February 14, 2011.

"Local, State and Regional Coordination and Solutions: Non-conventional capacity and energy resources," presentation to the Bipartisan Policy Center's Workshop on Power Sector Environmental Regulations, Washington, D.C., January 19, 2011.

"Renewable Energy in New England," presentation to the New Hampshire Business and Industry Conference, Concord, New Hampshire, December 7, 2010.

"Framing the Issues: Energy and the Environment," presentation to the annual meeting of the National Academy of Public Administration, Washington, D.C., November 18, 2010.

"Toolkit for Ensuring Reliable, Economic Responses to EPA's Proposed Air Regulations," presentation on the panel on "The Climate Syndrome: Without Congressional Action, What Do State Regulators Need to Know?" NARUC Meeting, Atlanta, Georgia, November 17, 2010.

"Challenges for Recovering Costs During a Push for Cleaner Generation and More Efficient Energy Use," Law Seminars International conference (Utility Rate Cases), Boston, November 9, 2010 (conference co-chair).

"Public Policy for Advanced Energy Technology," presentation to the New York Advanced Energy Technology Conference, New York City, November 8, 2010.

"Energy Future: Bridging the Gap," presentation to the Wharton Energy meeting, Philadelphia, October 28, 2010.

"Upcoming Power Sector Environmental Regulations: Framing the issues about potential reliability/ cost impacts," presentation to the National Commission on Energy Policy Workshop on Power Sector Environmental Regulations, Washington, D.C., October 22, 2010.

"Vulnerability of the Gulf Coast Energy Infrastructure," presentation to the Deltas 2010 – World Deltas Dialogue, America's Energy Coast Policy Forum on The Future of the U.S. Gulf Coast Energy Infrastructure in the Face of Changing Climate," New Orleans, October 20, 2010.

"Today's Energy Landscape: Scanning the terrain – with tips for a safe journey," presentation to the annual meeting of the National Association of State Energy Officials, September 30, 2010.

"2020: What can we expect? Where we are now, and how it influences where we'll be a decade from now," Law Seminars International conference, "Energy in the Northeast," September 29, 2010.

"Today's Energy Landscape: Exploring economic, environmental and technological trends," presentation to the annual meeting of the Independent Power Producers of New York, September 22, 2010.

"Transforming America's Energy Systems: Challenges and opportunities along the nation's coastal and marine environments," Annual Lecture at the Metcalf Institute, University of Rhode Island, June 8, 2010.

"New England at the Crossroads: The Intersection between Regulatory Policy and Future Energy Supply," presentation to the Northeast Energy and Commerce Association, 17th New England Energy Conference, Green Thumb on the Scale: Impact on Future Energy Choices, June 8, 2010.

"Is Competition Dead?" presentation to the Annual Meeting of the New England Conference of Public Utility Commissioners, May 17, 2010.

"Why it is so Darn Hard to Adopt Advanced Energy Technologies, But So Worth the Effort," presentation to the Tufts University Energy Conference, "The Evolution of Energy," April 17, 2010.

"The Prospects for Natural Gas, Coal, and Nuclear Power in America's Energy Future," discussions with members of Congress at the Aspen Institute's Congressional Program on Energy Security and Climate Change: Policy Challenges for the Congress, April 6-10, 2010.

"Why is Modernizing Our Energy Technologies So Darn Hard, But Worth the Effort?" presentation to the MIT Energy Initiative Lecture Series, February 2, 2010.

"Themes in federal energy and climate policy issues in Washington – end of 3rd Q, 2009," presentation to the Kennedy School, Harvard University, November 18, 2009.

"Update on federal energy and climate policy issues in Washington – end of 3rd Q, 2009," presentation to the New York Independent System Operator Environmental Advisory Council, October 23, 2009.

"Challenges and Opportunities in Colorado's New Energy Economy – A View From Washington," presentation to the "Powering the Future – Colorado's New Energy Economy," Denver, Colorado –October 20th, 2009.

Financial Meltdown and Recovery: Challenges and Opportunities in the New Clean Energy Economy – Taking Stock in 3rd Q 2009," ABA Environment, Energy and Resources Law Summit 17th Section Meeting – Baltimore, September 25, 2009.

"Off-Shore Renewable Energy Development in NE: Massachusetts's New Ocean Management Plan," presentation to the New England Electric Restructuring Roundtable, September 18, 2009.

"Energy Policy for the 'Climate Change Era' – What's Your Definition of Green?" presentation to the 55th Annual Rocky Mountain Mineral Law Institute, San Francisco, July 23, 2009.

"The Goals for an Electricity Grid for the 21st Century: Where You Stand Depends Upon Where You Sit," presentation to the Aspen Institute Energy Policy Forum, Aspen, Colorado, July 9, 2009

"Linking Ends and Means in Energy & Environmental Policy: Intended and Unintended Consequences," presentation to the Harvard Electricity Policy Group, Cambridge, Massachusetts, May 28, 2009.

"Today's Energy Landscape: What's Coming Next for Energy & Resources Policy & Regulations," presentation to the Chief EH&S Officers Council (Joint with EH&S Legal Officers), The Conference Board – Washington, DC, May 14, 2009.

"Scanning Today's Energy Landscape in New England: Objects are Closer Than They Appear," Presentation to the New England Conference of Public Utility Commissioners, Newport, Rhode Island, May 3, 2009.

"Today's Energy Landscape: Objects are Closer Than They Appear." Presentation to the Energy Bar Association's 63rd Annual Meeting: Infrastructure, Policy, and Practice Amidst Economic Turmoil, Washington, D.C., April 23, 2009.

"Regulatory Treatment of Purchased Power: Pass Through or Profit Center? Give Away or Value Creation?" presentation to Harvard Electricity Policy Group, October 3, 2008., Harvard Electric Policy Group – Chicago, Illinois, October 3, 2008.

"Leadership Panel: Barriers to Acting in Time on Energy, and Strategies for Overcoming Them," Harvard University Conference: Acting in Time on Energy Policy, September 18, 2008.

"New England's Power Markets: The context for renewables development," Law Seminars International, September 8, 2008.

**OTHER PROFESSIONAL ACTIVITIES**

Chair, ClimateWorks Foundation (2013-present)

Participant in studies of the Colorado State University's Center for Clean Energy Economy ("*Powering Forward: Presidential and Executive Agency Actions to Drive Clean Energy in America*," January 2014.

Co-Lead Convening Author, Energy Supply and Use Chapter, National Climate Assessment (2012-present)

Member, Committee on Risk Management and Government Issues in Shale Gas Development, of the National Academy of Sciences, Board on Environmental Change and Society (of the Division of Behavioral and Social Sciences and Education) (2013-2014)

Co-chair, Bipartisan Policy Center's Cyber-security and the Electric Grid project (2013-2014)

Co-chair, National American Energy Standards Board (NAESB) Gas-Electric Harmonization Committee (2012, 2014)

Alliance Commission on National Energy Efficiency Policy (2012-2013): Report (Energy 2030: Doubling Energy Productivity by 2030; February 2013).

Bipartisan Policy Center – Energy Project (2011 to present): Report ("America's Energy Resurgence: Sustaining Success, Confronting Challenges," February 2013).

U.S. Secretary of Energy Advisory Board (July 2010 to May 2013). Member of the Natural Gas Subcommittee examining shale gas development. (2011-2013)

Chair, Policy Subgroup of the National Petroleum Council's study on North American Gas and Oil Resource Development (2010-2011)

Member, Board of Directors, Alliance to Save Energy (2011 to present)

Visiting Professor, Department of Urban Studies and Planning, Massachusetts Institute of Technology, Spring 2010.

Massachusetts Clean Energy Grand Prize Judge, May 11, 2010.

Member, Board of Directors, EnerNOC, Inc. (February 2010 to May 2013)

Member, Board of Directors, World Resources Institute (2009 to present). Chair of Presidential Search Committee (2011).

Co-Lead, Department of Energy Agency Review Team, Obama/Biden Presidential Transition Team, Washington D.C., 2008-2009 (while on full-time leave for four months from Analysis Group).

Chair, Massachusetts Ocean Advisory Commission, 2008 to 2010.

Member, Board of Directors, Evergreen Solar, Inc., 2008 to 2011.

Member, Board of Directors, Ze-gen Inc., 2009 to 2011, Market Advisory Board, 2008-2009.

Member, Board of Directors, Renegy Holdings, 2007 to 2009.

Member, Blue Ribbon Commission on Cost-Allocation Issues for Transmission Investment, WIRES, 2007.

Chair, External Advisory Council, National Renewables Energy Laboratory (2009 to present).

Member, National Academy of Sciences Committee on Enhancing the Robustness and Resilience of Electrical Transmission and Distribution in the United States to Terrorist Attack, 2005 to 2008.

Member, New York Independent System Operator, Environmental Advisory Council, 2004 to present.

Member, National Commission on Energy Policy, member, 2002 to 2011; co-chair, 2009-2011.

Member, Board of Directors, Clean Air Task Force, 2008-June 3, 2013; Advisory Council, 2002 to 2008.

Member, Board of Directors, Catalytica Energy Systems Inc., 2001 to 2007.

Member, Board of Directors, Climate Policy Center, 2001 to 2007.

Member, Advisory Committee, Carnegie Mellon Electricity Industry Center, 2001 to 2009.

Member, Policy Advisory Committee, China Sustainable Energy Project–A Joint Project of The Packard Foundation and The Energy Foundation (1999 to present).

Director, NorthEast States Center for a Clean Air Future, 1998 to 2010.

Chair of the Board of Directors, The Energy Foundation, 2000 to 2011; Vice-Chair, 1999-2000; Director, 1997 to 2011; Director, 2013 to present.

Chair of the Board of Directors, Clean Air–Cool Planet / Climate Policy Center, 2004 to 2009; director, 1999-present.

Member, Board of Directors, ACORE (American Council on Renewable Energy), 2006-2007.

Co-Chair, Energy/Environment Working Group, Governor Deval Patrick Transition Team (2006-2007).

Presenter, Economic Issues, National LNG Forums, U.S. Department of Energy, Boston Massachusetts; Astoria, Oregon (2006).

Chair of the Technical Review Panel, Critical Infrastructure Protection Decision Support Systems (CIP-DSS), Argonne, Los Alamos and Sandia National Laboratories, 2006.

Advisory Council member, New England Energy Alliance, 2005-2006.

Member, Board of Directors, Electric Power Research Institute, 1998 to 2003, 2005-2006.

Chair of the Laboratory Direction's Division Review Panel for the Environmental Energy Technologies Division, Lawrence Berkeley National Laboratory, 2005.

Chair, Ocean Management Task Force, Commonwealth of Massachusetts, 2003-2004.

Co-Chair, RTO Futures: Regional Power Working Group, 2001-2002.

Chair, Board of Directors, Electricity Innovations Institute, 2002 to 2004; Director, 2001 to 2002.

Member, Florida Energy 2020 Study Commission, Environmental Technical Advisory Committee, 2001.

Technical Advisor, Mid-Atlantic Area Council/PJM, Dispute Resolution Procedure, 1998 to 2008.

Member, "ISO-New England" (Independent System Operator) Advisory Committee, 1998 to 2003.

Director, The Randers Group (subsidiary of Thermo TERRATEK), 1997 to 2000.

Director, MHI, Inc. (electric utility aggregator in Massachusetts), 1997 – 1999.

Director, Thermo ECOTEK Corporation, 1996 – 1999.

Member, United States Department of Energy, Electricity Reliability Task Force, 1996-1998.

Member, Harvard Electricity Policy Group, 1993 to 2005.

**HONORS AND AWARDS**

Champions Award, Charles River Watershed Association, 2013

Leadership Award, New England Women in Energy and the Environment, 2013.

Clean Energy Hall of Fame, New England Clean Energy Council, 2012.

DOE Women in Clean Energy Initiative, C3 Ambassador, 2012

Climate Champion Award, Clean Air – Cool Planet, 2009.

Distinguished Alumna Award, Scripps College, Claremont, CA, 1998

Award for Individual Leadership in Public Service, *The Energy Daily*, 1995

Special Recognition Award for Outstanding Contribution to the Industry, Cogeneration and Competitive Power Institute, Association of Energy Engineers, 1994

Leadership Award, National Association of State Energy Officials, 1994

Commencement Speaker and Honorary Doctorate of Laws, Regis College, Weston, MA, 1992.

# EXHIBIT SFT-2

**Exhibit SFT-2**
**Examples of Delaware State Agency Studies that Use IMPLAN**

In preparation for this testimony, I searched the internet to find instances where a Delaware state government agency had used or contracted for, or had submitted before it, a study that used IMPLAN for an economic impacts analysis. A few of the examples include:

**Delaware**

- Report Prepared for Delaware Public Service Commission Staff by New Energy Opportunities, Inc., LaCapra Associates, Inc, and Birch Tree Capital, LLC, "Report on Delmarva Power's Application for Approval of a New Electric Tariff Applicable to Proposed Bloom Energy Fuel Cell Project," Delaware PSC Docket No. 11-362 (August 2011), available at: http://depsc.delaware.gov/electric/DPL%20Fuel%20Cell%20PSC%20Staff%20Comments.pdf.
- Report prepared by the Delaware Agricultural Statistics Service (DASS) in collaboration with the Delaware Department of Agriculture, "Delaware Equine Industry" (2004), available at: http://dda.delaware.gov/pressrel/2EquineSurveyFULL.pdf.
- Report prepared for State of Delaware Department of Natural Resources and Environmental Control, Division of Air Quality, "Nonattainment New Source Review, Minor New Source Review and Prevention of Significant Deterioration Review Air Quality Construction Permit Application Combined Heat and Power Plan for the Wolf Technology Center 1" (November 2013), available at: http://www.dnrec.delaware.gov/Air/Documents/tdc/8718CI.1113-PSD%20Construction%20Permit%20Application .RPT.pdf.
- Report commissioned by the Delaware Housing Coalition, "Investing to Meet Delaware's Affordable Housing Needs: An Economic Impact Analysis" (November 2004), available at: http://www.housingforall.org/Final%20DE%20Economic%20Impact%20Study%20November%202004.pdf.

# EXHIBIT SFT-3

## Exhibit SFT-3
## Description and Overview of IMPLAN and Definition of Terms[24]

IMPLAN's Social Accounting Matrices ("SAMs") capture the actual dollar amounts of all business transactions taking place in a regional economy as reported each year by businesses and governmental agencies. SAM accounts are a better measure of economic flow than traditional input-output accounts because they include "non-market" transactions. Examples of these transactions would be taxes and unemployment benefits.

SAMs can be constructed to show the effects of a given change on the economy of interest. These are called Multiplier Models. Multiplier Models study the impacts of a user-specified change in the chosen economy for 440 different industries. Because the Multiplier Models are built directly from the region specific SAMs, they will reflect the region's unique structure and trade situation. Multiplier Models are the framework for building impact analysis questions. Derived mathematically, these models estimate the magnitude and distribution of economic impacts, and measure three types of effects which are displayed in the final report. These are the direct, indirect, and induced changes within the economy.

Direct effects are determined by the Event as defined by the user (i.e. a $10 million dollar order is a $10 million dollar direct effect). The indirect effects are determined by the amount of the direct effect spent within the study region on supplies, services, labor and taxes. Finally the induced effect measures the money that is re-spent in the study area as a result of spending from the indirect effect. Each of these steps recognizes an important leakage from the economic study region spent on purchases outside of the defined area. Eventually these leakages will stop the cycle. More specifically, the effects are:

> *Direct effects* - The set of expenditures applied to the predictive model (i.e., I/O multipliers) for impact analysis. It is a series (or single) of production changes or expenditures made by producers/consumers as a result of an activity or policy. These initial changes are determined to be a result of this activity or policy. Applying these initial changes to the multipliers in an IMPLAN model will then display how the region will respond, economically, to these initial changes.
>
> *Indirect effects* - The impact of local industries buying goods and services from other local industries. The cycle of spending works its way backward through the supply chain until all money leaks from the local economy, either through imports or by payments to value added. The impacts are calculated by applying Direct Effects to the Type I Multipliers.
>
> *Induced effects* - The response by an economy to an initial change (direct effect) that occurs through re-spending of income received by a component of value added. IMPLAN's default multiplier recognizes that labor income (employee compensation and proprietor income components of value added) is not a leakage to the regional economy. This money is recirculated through the household spending patterns causing further local economic activity.

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[24] Information taken directly from IMPLAN.s website, available at http://implan.com/V4/Index.php.

# EXHIBIT SFT-4

**Exhibit SFT-4**
**Overview of Core Inputs and Assumptions Used in**
**IMPLAN Analysis of Economic Benefits of the Regulatory Commitments to Delaware**

| Activity | Actual Commitment and Modeled Use | Input Assumption in IMPLAN Study |
|---|---|---|
| *Customer Investment Fund*: Assuming a $54.06 credit on Each Customer's Utility Bill | $17 million, modeled as a $54.06 credit to each distribution customer | Residential benefits: Modeled as increased income to households<br><br>Commercial/industrial benefits: Modeled as increased sales to businesses |
| *Customer Investment Fund*: Assuming the Funds are Spent on Energy Efficiency Measures | $17 million, modeled based on current state energy efficiency spending | Modeled in two parts:<br><br>Part 1: Spending on appliance programs (retail sales) and residential and commercial/industrial retrofits/new construction programs (construction and maintenance) – ten year lifespan assumed<br><br>Part 2: Customer electricity savings resulting from reduced usage modeled as increased income to residential customers, increased sales to commercial and industrial customers – ten year lifespan assumed |
| *Customer Investment Fund*: Assuming a Credit on Low-Income Residential Customers' Utility Bills | $17 million, modeled as a credit to low-income residential customers | Modeled as increased income to lowest residential income bracket |
| *Reliability Benefits* | Reliability benefits determined using Department of Energy ICE Calculator, commitments based on testimony of Mark Alden | Residential benefits: Modeled as increased income to households<br><br>Commercial/industrial benefits: Modeled as increased sales to businesses |

# EXHIBIT SFT-5

## Exhibit SFT-5
## Economic Impacts of the Customer Investment Fund and the Enhanced Reliability Commitments to Customers of Delmarva Power and the State of Delaware

| Direct Benefits to Customers of Delmarva Power | |
|---|---|
| Customer Investment Fund (2014) | $17,000,000 |
| Value of Reliability Benefits to Customers (2015-2020) (NPV, 2014 $) | $74,290,102 |

| Macroeconomic Benefits of the Merger to the State of Delaware | | | | | | |
|---|---|---|---|---|---|---|
| | Customer Investment Fund | | | Enhanced Reliability Commitments | Total Economic Benefits (Low estimate) | Total Economic Benefits (Higher Estimate) |
| | Assuming a $54.06 per Customer Credit on Each Customer's Utility Bill | Assuming the Funds are Spent on Energy Efficiency Measures | Assuming a Credit on Low-Income Residential Customers' Utility Bill | | | |
| Jobs | 124 | 680 | 134 | 858 | 982 | 1,538 |
| Value Added (NPV, 2014$) | $25,207,694 | $78,996,207 | $27,990,727 | $63,357,680 | $88,565,374 | $142,353,887 |
| Incremental Tax Revenues (NPV, 2014$) | $910,487 | $4,436,708 | $1,025,238 | $5,727,452 | $6,637,939 | $10,164,160 |

# EXHIBIT 8

**JOINT APPLICANTS**
**EXHIBIT NO. 8**

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 ENERGY DELIVERY COMPANY, LLC AND NEW SPECIAL PURPOSE ENTITY, LLC FOR APPROVALS UNDER THE PROVISIONS OF 26 DEL. C. §§ 215 AND 1016 (Filed June 18, 2014)

PSC DOCKET NO. 14-

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# DIRECT TESTIMONY
OF
CALVIN G. BUTLER, JR.

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DATED: JUNE 18, 2014

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**DIRECT TESTIMONY**
**OF**
**CALVIN G. BUTLER, JR.**

## I. INTRODUCTION AND PURPOSE OF TESTIMONY

**1. Q. Please state your name and business address.**

A. My name is Calvin G. Butler, Jr. My business address is 110 West Fayette Street, Baltimore, Maryland 21201.

**2. Q. By whom are you employed and in what capacity?**

A. I am the Chief Executive Officer ("CEO") of Baltimore Gas and Electric Company ("BGE" or the "Company").

**3. Q. What is your professional and educational background?**

A. I began my career at Central Illinois Light Company, where I worked in a variety of positions in the government affairs, legal, and operations areas before moving to R.R. Donnelley & Sons, Co. ("RR Donnelley"), a global producer of integrated communications. I spent eight years at RR Donnelley, first as senior director of government affairs and eventually as senior vice president of external affairs. I also managed the firm's supplier diversity and government sales groups and served as president of the R.R. Donnelley Foundation. I joined Commonwealth Edison Company ("ComEd") in 2008 as its Vice President of Legislative Affairs, where I managed all state and local legislative initiatives while overseeing real estate and facilities and economic development functions. In 2009, I was promoted to Senior Vice President of Corporate Affairs for ComEd.

On August 16, 2010, I accepted a position with Exelon Corporation ("Exelon") as its Senior Vice President of Human Resources and, on May 2, 2011, I became Senior Vice President of Corporate Affairs at Exelon. Following Exelon's 2012 acquisition of Constellation Energy Group ("Constellation") and its operating subsidiaries, I was named Senior Vice President, Regulatory and External Affairs at BGE. On March 1, 2014, I was named CEO of BGE. I also serve on BGE's Board of Directors and the Management Executive Committee of Exelon.

I received my bachelor's degree from Bradley University in Peoria, Illinois. I also hold a Juris Doctor from Washington University School of Law in St. Louis, Missouri.

**4. Q. Are you currently involved with any civic organizations?**

A. Yes. I am on the Board of Directors for the Economic Alliance of Greater Baltimore and the Maryland Zoological Society (the Maryland Zoo in Baltimore). I was also appointed as the Chair of the American Heart Association's Greater Baltimore Heart Walk 2014, which will take place in Baltimore on October 11, 2014.

**5. Q. Have you previously testified before this Commission?**

A. No. This is the first time I have provided testimony before the Delaware Public Service Commission (the "Commission").

**6. Q. What is the purpose of your testimony?**

A. The purpose of my testimony is to discuss the practice of Exelon of honoring its commitments made when combining with utilities and to managing its utility company subsidiaries with respect to the following important areas: electric system reliability, supplier diversity, charitable giving and community involvement. I will also discuss how BGE, since being acquired by Exelon in 2012, has been able to benefit in these particular areas. Finally, I will reference specific commitments that Exelon is making in certain of these areas in connection with its merger with Pepco Holdings, Inc. ("PHI") and its utility company subsidiaries Potomac Electric Power Company ("Pepco"), Delmarva Power & Light Company ("Delmarva Power"), and Atlantic City Electric Company ("ACE").

7. **Q. Mr. Butler, how are you qualified to testify regarding Exelon's dedication to various key initiatives and programs, both at the corporate and utility company levels?**

A. I have had the distinct opportunity to serve in leadership positions at each of Exelon, ComEd and now BGE. This background gives me a unique perspective on how Exelon runs its programs at the corporate level, and how it integrates and then supports the operations and goals of its utility companies. Perhaps most importantly, as the CEO of BGE, I am able to discuss how the employees and customers of a utility company that recently merged with Exelon have benefitted from the resources and opportunities available as the result of being part of the Exelon family of companies.

## II. HONORING COMMITMENTS

**8. Q. Mr. Butler, please explain Exelon's general approach to honoring commitments it makes in merger transactions.**

A. Certainly. Exelon carefully tracks its merger commitments and ensures that it follows through on all commitments made as part of any merger transaction. I can testify from personal experience that Exelon honors the merger commitments it makes to utilities, their employees, customers and regulators.

When Exelon merged with Constellation and its subsidiary companies in 2012, it made a variety of commitments that encompassed employment level protections; preservation of employee compensation and benefits; contributions to a customer investment fund; ring-fencing requirements; maintenance of local presence; support for supplier diversity initiatives; and a concrete, long-term funding commitment for local charitable and community involvement efforts. I am happy to report that Exelon has followed through on these commitments and continues to do so.

**9. Q. Will Exelon similarly honor all commitments made regarding PHI and its utility company subsidiaries?**

A. Yes. I realize that there may be some apprehension associated with the merger of Exelon and PHI and its three utility company subsidiaries, which is normal in the face of change. As an individual who worked for Exelon when it was in the process of merging with BGE, and then who subsequently went to work for BGE

as a Senior Vice President and now as CEO, I can assure all stakeholders that Exelon is a company that honors its commitments to its utility operating subsidiaries. The Exelon approach described by Mr. Crane and Mr. O'Brien of providing all necessary resources and support to Exelon utilities while also allowing those utilities to manage their business and maintain their local identity and ties to the communities and customers they serve has been clearly demonstrated throughout the fulfillment of Exelon's commitments with respect to BGE, and I expect nothing less in terms of Exelon's commitments with respect to Pepco, Delmarva Power and ACE.

## III. DEDICATION TO ELECTRIC SYSTEM RELIABILITY

**10. Q. Mr. Butler, please discuss Exelon's dedication to enhancing the electric system reliability of its subsidiary utility companies.**

A. Exelon strives to enhance the electric system reliability of its utility company subsidiaries. This is accomplished through ensuring that appropriate resources and personnel work at all levels to keep the lights on and gas flowing, and that whenever possible, all of the Exelon utilities share best practices to promote the safe, efficient and reliable delivery of utility service to customers in the communities Exelon serves. The results have been improved reliability at all of the Exelon utilities, as discussed in the direct testimony of Mr. Alden.

**11. Q. Since merging with Exelon in 2012, has BGE's electric system reliability improved?**

A. Yes. BGE has seen significant improvements in its reliability metrics since becoming part of the Exelon family of utilities. In 2013, the first full year following the Exelon-Constellation transaction, BGE achieved the best reliability performance – both in fewer outages and shorter outage duration – in its history. Among other things, BGE reduced the average time to restore service to BGE customers by almost 32%. BGE customer satisfaction scores also improved following BGE's acquisition by Exelon, as Mr. Alden explains.

**12. Q. Has BGE demonstrated enhanced storm response capabilities at BGE since it became part of the Exelon family of companies?**

A. Yes. As a result of the 2012 merger, BGE now has access to many additional Exelon resources to assist BGE crews in restoring power during a storm or other emergency event. For instance, during the devastating June 2012 Derecho storm, many PECO Energy Company ("PECO") crews were quickly dispatched to the BGE service territory to assist BGE personnel in restoring power. In advance of the arrival of Hurricane Sandy, BGE was able to call on ComEd crews to travel from Illinois to Maryland to assist BGE personnel in restoring power. Being able to rely on additional resources from affiliated Exelon utility companies during storm events has been of great benefit to BGE and its customers.

**13. Q. Earlier you mentioned the sharing of best practices to enhance electric service reliability. Could you provide an example of an Exelon best practice that BGE adopted?**

A. Certainly. After the 2012 acquisition, BGE began utilizing ComEd and PECO's practice of establishing and tracking daily metrics to ensure the timely repair of system equipment. In addition, operational personnel from around the company hold a conference call every weekday morning to review system performance and any operational events from the past 24 hours to determine – in real time – any steps that may be necessary to improve service. Breaking down and reviewing performance in 24-hour increments is a best practice that yields important customer benefits. Mr. O'Brien describes other best practices that ComEd and PECO shared with BGE which have substantially enhanced reliability for our customers.

**14. Q. Mr. Butler, do you believe that with respect to providing electric service reliability in an efficient manner, the PHI utility companies will benefit from joining Exelon?**

A. I certainly do. For instance, upon consummation of the merger, Pepco, Delmarva Power and ACE will be Exelon utility companies with service territories geographically contiguous to the service territories of two other Exelon utilities, BGE and PECO. This proximity will allow BGE and PECO crews to quickly respond to events in the Pepco, Delmarva Power and ACE service territories, assisting crews from those respective utility companies in safely and expeditiously restoring power. I know that Pepco, Delmarva Power and ACE have been working in recent years with success to enhance electric system reliability in their respective service territories, and Exelon will continue to

support and enhance those efforts after the Merger, as reflected in the reliability commitments it is making as part of this Merger.

## IV. DEDICATION TO SUPPLIER DIVERSITY

**15. Q. Mr. Butler, please discuss Exelon's dedication to supplier diversity.**

A. Exelon is focused on obtaining a variety of equipment, goods, supplies and services from a diverse array of vendors. To reach that goal, Exelon maintains a mature and strategically focused supplier diversity program. Exelon implements its supplier diversity strategy by increasing spending with certified Minority and Women Business Enterprises ("MWBEs"), including professional service firms, investment banks and law firms.

Exelon's supplier diversity program is managed by its Diverse Business Empowerment Office ("DBEO"), reporting ultimately to the Executive Vice President and Chief Administrative and Diversity Officer. The DBEO, led by Emmett Vaughn, Exelon's Director of Diverse Business Empowerment, manages the four core elements of Exelon's supplier diversity program: (1) planning and tracking supplier diversity spend; (2) diverse business advocacy; (3) supplier development; and (4) managing a supplier diversity center of expertise.

Furthermore, Exelon is a long-standing member of the National Minority Supplier Development Council and holds a leadership position with the group's affiliated National Utilities Industry Group. Exelon is a past recipient of the Utility Leadership Award presented by the National Association of Regulatory Utility Commissioners' ("NARUC") Utility Access Partnership Committee – an award

given annually to one utility company demonstrating national leadership and excellence in supplier diversity.

**16. Q. How does the Exelon DBEO promote the supplier diversity program?**

A. The DBEO supports multiple diverse business advocacy organizations of regional and national scope. These organizations facilitate conferences, meetings, and technical assistance workshops in support of developing diverse suppliers. Exelon's DBEO initiatives have been recognized for excellence and contributions to diverse supplier development by such organizations as the National Minority Supplier Development Council and the United States Department of Commerce Minority Business Development Agency.

**17. Q. Mr. Butler, what has been Exelon's recent direct support for minority and women business enterprises?**

A. In 2013, Exelon's diverse supplier spend increased $155 million, or 21%, over the prior year, to approximately $906 million. Of the total spend, $714 million was with prime ("Tier 1") suppliers and $192 million was with subcontractor ("Tier 2") suppliers. Exelon's utility companies – ComEd, PECO and BGE – played a critical role in Exelon's supplier diversity strategy, collectively accounting for 64% of 2013 year-end diversity spend totals. In addition, as part of its commitment to expand opportunities for MWBEs outside of the supply chain facilitated spend, Exelon's spending with diverse professional service firms totaled nearly $82 million in 2013. This initiative is known as Exelon's "high-margin strategy" and focuses on eight categories: Advertising and Marketing,

Business Consulting, Engineering and Technical Consulting, Financial Services, Human Resources Services, Information Technology Professional Services, Legal, and Banking. The high-margin strategy was undertaken because these businesses typically have higher profit margins and, therefore, have an increased capacity to contribute to community economic development.

Additionally, Exelon maintains a community and minority banking initiative. Launched in 2003, the initiative establishes credit facilities with community and minority-owned banks. Through these arrangements, Exelon and its subsidiaries get access to liquidity at competitive rates, and community banks gain experience with more complex transactions and the opportunity to strengthen their businesses by building a relationship with a Fortune 500 company. Local economies are also supported through the business the initiative brings. Exelon's community and minority banking initiative has grown from $36 million in 2003 to $123 million in 2013. In 2013, Exelon established a $123 million credit facility with 31 community and minority banks.

**18. Q. Mr. Butler, what has been BGE's experience with supplier diversity since merging with Exelon in 2012?**

A. The experience has been very positive. As part of the Exelon family of companies, BGE maintains a robust and successful supplier diversity program. Frank Kelly, BGE's Manager of Diverse Business Empowerment, oversees BGE's efforts to grow relationships with diverse suppliers and ultimately increase BGE's spending with certified MWBEs – efforts that have proven to be

successful. BGE has had particular success in encouraging prime suppliers to utilize diverse subcontractors, and has realized year-over-year gains in spending on goods and services from diverse firms. Regarding the Exelon "high-margin strategy" I described above, BGE has been a significant contributor to the overall effort, establishing financial services relationships with 32 diversity certified professional services firms, including many local firms such as The Harbor Bank of Maryland, Industrial Bank, and Brown Capital Management.

**19. Q. Mr. Butler, do you expect Exelon to continue to support the current supplier diversity efforts of Pepco, Delmarva Power and ACE following the merger with PHI?**

A. Yes, I do. Exelon has a longstanding track record of fully supporting the supplier diversity efforts of its operating utility companies, including providing resources and sharing best practices, experiences and expertise. As I mentioned previously, when it merged with Constellation and BGE, Exelon committed to maintaining BGE's supplier diversity efforts. Exelon has followed through on that commitment and the result is that BGE's supplier diversity efforts have continued to grow and succeed. Exelon is committed to promoting these supplier diversity efforts at Pepco, Delmarva Power and ACE, through the provision of resources and the sharing of best practices, experiences and expertise.

I know that PHI is a strong supporter of efforts to increase supplier diversity, with both total company and utility-specific diverse spend increasing in 2013. Indeed, PHI has received many accolades in the past two years for its efforts in this area,

including the Minority Business News USA "101 Companies Supplier Diversity Best in Class" award and being named one of Black Enterprise Magazine's "40 Best Companies for Diversity" for Supplier Diversity, Senior Management and Board of Director Diversity. By becoming part of the Exelon family, the PHI utility companies will gain the full support of Exelon and its existing utility companies to build upon what have been very successful efforts to increase supplier diversity. Personally, I look forward to seeing the benefits that will result from combining the resources and initiatives of these two ardent supporters of supplier diversity efforts.

## V. DEDICATION TO COMMUNITY INITIATIVES AND CHARITABLE GIVING

**20. Q. Mr. Butler, please describe Exelon's focus on community initiatives and charitable giving in the communities it serves.**

A. Exelon has always been focused on supporting organizations and groups within the areas and communities its subsidiary utilities serve. Over the past five years, Exelon and its distribution companies have donated over $134 million to local charitable and civic organizations that focus their efforts in four primary areas: (1) education; (2) the environment; (3) arts and culture; and (4) neighborhood development. Exelon also provides community support through the Exelon Foundation, an independent, nonprofit philanthropic organization that is funded solely by Exelon. Since its creation at the end of 2007, the Exelon Foundation has donated nearly $13.5 million to nonprofits.

In addition to monetary support, Exelon's Corporate Citizenship program strives to improve the quality of life for the people who live and work in Exelon's utility service territories. Exelon seeks to accomplish these goals through employee volunteer activities and executive involvement on non-profit boards. Exelon's employee volunteer engagement program is called "Energy for the Community." This program is designed to help Exelon employees practice the company's community service values through volunteerism. Employees can easily find and sign up for service projects in their area of interest or near where they live. In 2013, Exelon employees devoted many hours to various projects and activities benefitting the communities Exelon serves.

Exelon also sponsors its Energy for the Community Employee Volunteer Awards program, which recognizes employees who demonstrate extraordinary dedication and commitment to community service. Winning employees receive grants that are directed to the non-profit organizations at which they volunteer. In 2013, Exelon awarded 18 grants totaling $140,000 to non-profit organizations to honor employee volunteer service. Furthermore, Exelon's Dollars for Doers program rewards dedicated employee volunteers with grants to non-profit organizations where they serve at least 25 hours per year.

**21. Q. Since merging with Exelon in 2012, has BGE been supportive of community initiatives and charitable giving?**

A. Yes. With Exelon's support, BGE has been a significant contributor to community initiatives and charities, including several new grant initiatives. In

2013, BGE employees, friends and family logged over 25,000 hours to more than 135 community organizations through 230 events. Each year, hundreds of BGE employees volunteer their time and/or donate to the United Way of Central Maryland as part of an annual campaign. Many employees make their financial contributions through payroll deductions. In 2013, BGE employees raised over $1 million for this cause. BGE employees also serve as board members on more than 124 local non-profit organizations.

In 2014, BGE is supporting a new event – the American Heart Association's Baltimore Heart Walk on Saturday, October 11. As I mentioned previously, I have the honor of serving as the Chairman of this year's event and, in that role, I will be bringing BGE employees together to raise funds for the event as well as reaching out to other Baltimore-area businesses for support. In subsequent years, I expect that many other worthy causes will receive support as part of a long-term commitment from BGE.

BGE has also maintained its direct contributions to local organizations since the merger. We have also initiated new programs since merging with Exelon. For example, in 2013, BGE initiated a Green Grants Program whereby BGE provided more than $415,000 in grants to nearly 50 nonprofit organizations in support of environmental stewardship initiatives. Individual grant amounts ranged from $500 to $10,000 and were focused on the areas of conservation, energy efficiency, education, pollution prevention and community activism. Additionally, as part of an Emergency Response and Safety Grants Program started in September 2012, BGE has provided more than $670,000 in grants to 80 nonprofit organizations

that support emergency response and safety efforts. Grant monies from that program are used to fund equipment, programs or services that are critical to the safety of the communities BGE serves.

**22. Q. Mr. Butler, do you expect Exelon to continue supporting the community initiatives of PHI and its utility companies following the Merger?**

A. Absolutely. Much like the charitable giving commitment Exelon made when it merged with Constellation and BGE, Exelon and its subsidiaries have agreed to provide at least an annual average of charitable contributions and traditional local community support that exceeds the 2013 level of contributions and support of PHI and its utility companies in the regions they serve for the decade following consummation of the Merger. Exelon has honored the charitable giving commitments it made as part of acquiring BGE, and I am confident that Exelon will honor its charitable commitment regarding PHI and its subsidiaries as well.

## VI. CONCLUSION

**23. Q. Does this conclude your prepared direct testimony?**

A. Yes, it does.

# VERIFICATION

I, Darryl M. Bradford, am Senior Vice President and General Counsel of Exelon Corporation, parent of Exelon Energy Delivery Company, LLC (collectively, the Exelon Applicants). I am authorized to make this Verification on behalf of the Exelon Applicants. The foregoing filing was prepared under my direction and supervision, and the contents with respect to the Exelon Applicants are true and correct to the best of my knowledge, information and belief

Darryl M. Bradford
Senior Vice President and General Counsel
Exelon Corporation, parent of Exelon Energy
Delivery Company, LLC

Sworn and subscribed before me this 17th day of June, 2014

Notary Public

My Commission expires Nov. 8, 2014

OFFICIAL SEAL
SHARON BROOKINS
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:11/08/14

**VERIFICATION**

STATE OF DELAWARE )
)
COUNTY OF NEW CASTLE )

I, David M. Velazquez, am Executive Vice President, Power Delivery of applicant Pepco Holdings, Inc., and President and Chief Executive Officer of applicant Delmarva Power & Light Company (collectively, the PHI Applicants). I am authorized to make this Verification on behalf of the PHI Applicants. The foregoing filing was prepared under my direction and supervision; and the contents with respect to the PHI Applicants are true and correct to the best of my knowledge, information and belief

David M. Velazquez
Executive Vice President, Power Delivery
Pepco Holdings, Inc.

President and Chief Executive Officer
Delmarva Power & Light Company

Sworn and subscribed before me this 13th day of June, 2014

Notary Public

My Commission expires February 1, 2015

**BEFORE THE**
**DELAWARE PUBLIC SERVICE COMMISSION**

| | | |
|---|---|---|
| **IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY, EXELON CORPORATION, PEPCO HOLDINGS, INC., PURPLE ACQUISITION CORPORATION, EXELON 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)** | ) ) ) ) ) ) ) | **PSC DOCKET NO. 14-** |

## CERTIFICATE OF SERVICE

I, Thomas P. McGonigle, hereby certify that on June 18, 2014, I caused a copy of the attached **JOINT APPLICATION OF DELMARVA POWER & LIGHT COMPANY, EXELON CORPORATION, PEPCO HOLDINGS, INC., PURPLE ACQUISITION CORPORATION, EXELON ENERGY DELIVERY COMPANY, LLC, AND NEW SPECIAL PURPOSE ENTITY** to be served upon all persons on the attached service list by electronic mail.

Thomas P. McGonigle (#3162)
Drinker Biddle & Reath LLP
222 Delaware Avenue, Suite 1410
Wilmington, DE 19801
Tel: (302) 467-4200
Fax: (302) 467-4201
Thomas.McGonigle@dbr.com

Attachments: Service List

**SERVICE LIST**

The Public Service Commission of Delaware
861 Silver Lake Boulevard
Cannon Building, Suite 100
Dover, Delaware 19904

Division of the Public Advocate
820 North French Street
Carvel State Office Building, 4th Floor
Wilmington, Delaware 19801