



GOVERNMENT OF THE DISTRICT OF COLUMBIA

MURIEL BOWSER, MAYOR

Pepco - Exelon Merger: Affordability, Reliability, Sustainability & Economic Impact

In August 2015, the Public Service Commission (PSC) found that Exelon and Pepco did not demonstrate an adequate commitment to affordability, reliability, and sustainability in their pending merger application.

Since August, the Bowser Administration negotiated (with the support of the Office of the People's Counsel and the Attorney General) with Pepco and Exelon to reach an agreement. As a direct result of those negotiations, Exelon made significant improvements from the original proposal - which will serve residents and ratepayers in a cost effective, dependable, and environmentally sound manner.

The new agreement invests \$78 million in the District - more than five times the originally proposed investment of \$14 million.

Affordability (\$55.75 million)

The agreement will ensure the merger achieves affordability for District residents.

- **Ratepayer benefits:** Utility rates are poised to rise, regardless of the merger. Due to the Mayor's negotiated settlement, residents will not have to pay for any rate increases until 2019. \$25.6 million will be allotted to protect residential ratepayers from rate increases through at least March 2019.
- **Residential direct bill credit:** Exelon will immediately distribute \$14 million among residential customers (within 60 days of the closing), resulting in a one-time credit of approximately \$50 for the average ratepayer.
- **Support for low-income residents:** The agreement will support and protect low-income residents in the District. \$6.75 million will be set aside to weatherize homes for low-income residents and seniors, and \$9 million will be allotted to supplement the District's Low-Income Home Energy Assistance Program (LIHEAP). This fund is exhausted annually, but with this investment, the fund is projected to stay solvent through 2018. In addition, Exelon will dedicate \$400,000 to forgive any existing customer debts that are more than two years old, reducing the burden on the District's most vulnerable residents.

Sustainability (\$17 million)

The agreement will support the District's goal to become a more sustainable city by utilizing renewable natural resources, preserving environmental quality, and promoting energy efficiency.

- **Renewable and efficient:** Exelon will devote \$3.5 million to the Sustainable Energy Trust Fund to create energy efficiency projects in businesses and residences, and save customer dollars.
- **Solar:** Exelon will dedicate \$3.5 million to the Renewable Energy Development Fund to support solar projects in the District (especially projects for low-income families). In addition, Exelon will develop 10 megawatts of solar generation in the District, and Exelon will not transfer the cost of commercial solar development to ratepayers (either through distribution or transmission rates).
- **Wind:** Exelon will purchase 100 megawatts of wind power per year. This commitment builds on Mayor Bowser's recent purchase of 35% of all power for District government buildings (an estimated 46 megawatts) from a wind farm in Southeastern Pennsylvania for 20 years.
- **Green Building:** Exelon will dedicate \$10 million to the District's Green Building Fund (which more

than quadruples the existing fund), to expand the use of green energy and clean water in the District - through investments in new technologies, resilient infrastructure, and innovative pilot projects.

Reliability

Pepco and Exelon has committed to improving reliability and service, and has agreed to penalties if those commitments are not met.

- **Microgrids:** Pepco will work with the District to develop four microgrids, which will improve the District's reliability and allow for on-site electric generation.
- **Customer-generated power:** Pepco will improve the interconnection process for customers who create their own energy (through solar and other means) to ensure a stronger and more reliable connection to the grid. This will incentivize more residents to generate alternative energy and will help customers recoup their investment more quickly.
- **Technology modernization:** Exelon and Pepco will support new technologies and policies to modernize the District of Columbia's energy delivery - so that it is more reliable, efficient, cost-effective and interactive.

Economic Impact (\$5.2 million)

The merger will create good-paying jobs and workforce training for District residents.

- **Jobs:** Exelon and Pepco will relocate 100 positions to the District of Columbia from locations outside of DC. In addition, Pepco will hire at least 102 union workers in the District and protect the current workforce capacity for at least five years.
 - Exelon will establish DC as its co-corporate headquarters and the headquarters of Exelon Utilities (EU), for at least a decade.
 - Exelon will maintain headquarters and EU headquarters, as well as Pepco Holdings Incorporated (PHI) and Pepco headquarters in the District.
- **Training:** Exelon and Pepco will dedicate \$5.2 million to establish a District workforce training program - the 'Infrastructure Academy' - to provide a nationally recognized certification for a wide range of positions (from underground and overhead distribution, transmission line workers, substation technicians and green jobs).
- **Charitable Giving:** In addition to the \$78 million settlement, Pepco will maintain \$1.9 million in annual charitable giving.