



COUNCIL OF THE DISTRICT OF COLUMBIA
THE JOHN A. WILSON BUILDING
1350 PENNSYLVANIA AVENUE, NW
WASHINGTON, D.C. 20004

DAVID GROSSO
Councilmember At-Large
Chair, Committee on Education

Committee Member
Finance and Revenue
Health and Human Services

May 12, 2015

Betty Ann Kane, Chairperson
Joanne Doddy Fort, Commissioner
Willie L. Phillips, Commissioner
Public Service Commission
1333 H St. NW, Suite 200, West Tower
Washington, DC 20005

RE: PEPCO/Exelon Merger (Formal Case No. 1119)

Dear Chairperson Kane and Commissioners Fort and Phillips:

I am writing to express my concerns with the proposed PEPCO/Exelon merger. Based on my research and meetings with stakeholders, I have concluded that the merger does not meet the "public interest" standard as required by the law of the District of Columbia (D.C. Code §34-504).

The proposed merger is concerning to me for two main reasons. First, Exelon has a storied history of opposing commitments to renewable energy. The District of Columbia, through the implementation of the Sustainable D.C. Plan and through several laws, has shown a great commitment to renewable energy. In my tenure on the D.C. Council, I have championed numerous environmental and climate initiatives to include co-introducing the Community Renewable Energy Act of 2013, co-sponsoring the Renewable Energy Portfolio Standard Amendment Act of 2013 and most recently introducing the Solar Access Rights Establishment Act of 2015.

Ensuring that we are reducing our carbon footprint and providing residents with access to renewable energy sources is key to our sustainability efforts. As a city, we have made great strides on this front and I am disturbed that Exelon has routinely lobbied against renewable energy policies. For example, Exelon opposed improving the renewable portfolio standard (RPS) laws in the states of Maryland and Illinois. Additionally, Exelon opposed the federal tax credit for wind energy and opposed Maryland's efforts to pass virtual net metering legislation, which would have provided Maryland residents with greater opportunities to go solar and allowed for community investor wind projects. These tactics do not align with the District of Columbia's investment in and commitment to renewable energy.

Secondly, PEPCO divested from its generation assets several years ago and is now focused primarily on the distribution of electricity to its customers. This business model is in contract

to that of Exelon's, which is a hybrid company both distributing and generating electricity. Exelon currently maintains a relatively large portfolio of power plants, many of which are aging nuclear facilities. While I recognize that businesses can and should make decisions to serve their company's needs, I am concerned that Exelon is purchasing smaller utilities as a means to diversify their assets and capture established customer bases, which they will use to subsidize the cost of decommissioning their nuclear facilities. This approach could lead to increased rates for our ratepayers as Exelon attempts to balance their books by spreading financial risk onto a broader base of ratepayers. I am aware that Exelon has proposed a "ring-fencing" measure to protect PEPCO and by extension, its ratepayers, from financial risk for 5 years; however, I have no confidence that this measure will insulate customers from future rate increases, especially if this mechanism is to sunset.

Because of the size of this transaction and the potential impacts associated with it, there has been opposition to the merger both in D.C. and surrounding jurisdictions such as Maryland. Despite the initial outcry, I believed it was important to allow the process to play out fully—to enable all interested parties to present their arguments during both the public community meetings and the formal evidentiary hearings. Through this process it was my hope that many of my concerns would be assuaged but, unfortunately, they were not. For this reason, I felt it necessary to submit my written statement to help inform you about my position on this matter.

Whether or not this merger is to be approved rests squarely within the jurisdiction of the Public Service Commission and whatever the outcome, I will respect the process and expertise of those entrusted to review this matter. Nevertheless, I could not in good conscience allow this transaction to take place, should it move forward, without expressing these very serious concerns as I do not believe Exelon has met its burden of ensuring that this merger is in the public interest of our residents. Thank you for your consideration of the points raised herein and if you have any questions or concerns please contact me. You can also contact my Legislative Director, Katrina Forrest at (202) 724-8194, or at kforrest@dccouncil.us.

Sincerely,



David Grosso

Council of the District of Columbia (I-At-Large)
Chairman, Committee on Education

Cc: Vincent Orange, Chair, Committee on Business, Consumer and Regulatory Affairs