ANC3B Resolution Advising the PSC to Reject the Proposed Acquisition of Pepco Holdings, Inc., by Exelon Corporation

WHEREAS, the Public Service Commission (PSC) of Washington, DC, will be making a decision this year on the proposed acquisition of Pepco Holdings Inc. (Pepco) by Exelon Corporation (Exelon), Formal Case #1119;

WHEREAS, ANC3B has reviewed the acquisition proposal, including hearing presentations from representatives of both Pepco and the Office of the People’s Counsel (OPC) at a public meeting; reading comments on the proposal submitted by numerous groups; and hearing from the intervenor Grid 2.0 also at a public meeting;

WHEREAS, reliable, economical electric service is essential to the quality of life for the citizens of ANC3B and the city as a whole; and the District government has adopted standards of reliability for electricity service as well as a timetable for achieving them;

WHEREAS, the Glover Park-Cathedral Heights neighborhood has suffered dozens of blue-sky and weather-related power outages in recent years; and Pepco’s recent efforts to meet the standards adopted by the city have begun to reduce the frequency of outages, and thus increase reliability of electric service;

WHEREAS, approval of the acquisition under PSC’s own criteria must be conditioned on assuring that the transaction benefits Pepco ratepayers in ways that are measurable, direct, sound, and substantial enough to merit such a significant change in the corporate structure of our local public utility;

WHEREAS, ANC3B is concerned that the Pepco-Exelon application does not commit to meeting either the standards of reliability or the timetable for reducing the frequency and duration of power outages in future years, offering only to pay a one-time penalty fee for falling short of the standards and only after the year 2020 at the earliest;

WHEREAS, ANC3B notes that the application says additional capital investments would be required to meet the performance standards and timetable adopted by the District, but does not estimate what those investments would be, how much they would cost, or whether or not ratepayers would be asked to cover those costs;
WHEREAS, the major benefit to ratepayers quantified in the application is a Customer Improvement Fund (CIF), of which the District of Columbia is to receive only $14 million, worth about $50 per household (less than the average monthly electric bill), and how that fund will be used or disbursed is not explained;

WHEREAS, the Pepco-Exelon application suggests benefits to ratepayers from increases in efficiencies through economies of scale and introduction of "best practices" in cooperation with other electric companies owned by Exelon with no details about how such benefits might be achieved; and yet the application commits to having Pepco continue to operate as an independent entity raising the question as to what, if any, efficiencies and practices could be achieved by the acquisition that could not be introduced by Pepco operating on its own today;

WHEREAS, the application commits to maintaining electricity rates at existing levels for three years, even as it does not rule out coming to the PSC with a request for a rate increase during that time;

WHEREAS, Pepco’s location in the District and the jobs Pepco provides to District residents contribute to the District’s economic well-being, yet the application only commits to maintaining the existing Pepco offices, officers and workforce for two years;

WHEREAS, the number of customers and utility companies under the Exelon umbrella combined with its financial and geographic scale could give the consolidated company considerable influence over future decisions on the nature and structure of the power grid, particularly over what kind of technological innovations and environmental improvements could be built to serve the city over the coming decades;

WHEREAS, the residents of Glover Park and Cathedral Heights may have an interest in expanding the use of renewable sources of electricity such as solar and wind power, either for their own use or as a cleaner energy source for generating electricity in general, yet Exelon Corporation is deeply invested in its own network of centralized generating plants, particularly nuclear power plants, which might prove a barrier to Pepco’s future commitment to the District’s Sustainability Goals including conservation and renewable energy;

WHEREAS, ANC3B believes that in light of the above-mentioned concerns, the acquisition of Pepco by Exelon may have major adverse effects on not only the cost of electricity but also the security, environmental sustainability, and quality of life for the residents of Glover Park and Cathedral Heights, and for the District as a whole;

THEREFORE, ANC3B hereby resolves to advise the Public Service Commission to reject the proposed acquisition as not in the public interest.

APPROVED by a vote of 5 – 0 by ANC3B at its duly noticed public meeting on February 12, 2015, at which a quorum was present. This resolution was adopted based on the original application submitted by Exelon and Pepco to the PSC. ANC3B reserves the right to comment further on any new version of the application that is submitted to the PSC.

Jackie Blumenthal, Chairman

Ann Mladinov, Secretary