STATE OF MARYLAND

PUBLIC SERVICE COMMISSION

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Maryland Public Service Commission Conditionally Approves Exelon-PHI Merger

Approval Conditioned upon Reliability Improvements, more than $128 million for Rate Credits, Energy Efficiency Programs and Renewable Energy

(BALTIMORE) – The Maryland Public Service Commission (the Commission) today in a 3-2 decision announced through Order No. 86990 the approval, with conditions, of the application to merge Exelon Corporation (Exelon), Pepco Holdings, Inc. (PHI), Delmarva Power & Light Company (Delmarva) and Potomac Electric Power Company (Pepco)(collectively, the "Joint Applicants"). The Commission's approval lists 46 conditions, including higher reliability standards, a $100 rate credit for Delmarva and Pepco residential customers and $43.2 million for energy efficiency programs in Prince George's and Montgomery Counties and the Delmarva Maryland service territory. The Commission approved two settlement agreements between the Joint Applicants and multiple parties in the case with some modifications. In approving the merger, the Commission stated "[w]e find that the proposed merger, as conditioned by this Order, is consistent with the broader public interest, will bring specific and measurable benefits and no harm to ratepayers," as required under Section 6-105 of the Public Utilities Article.

A major condition of the merger is a requirement that Delmarva and Pepco meet aggressive reliability performance standards from 2016 through 2020 within projected budget targets and subject to penalties for non-compliance. In its order, the Commission stated "Exelon has demonstrated that it knows how to run electric and gas distribution companies; indeed it is nationally recognized for its standards of excellence"…"We find that this merger will enable Delmarva and Pepco in Maryland to improve their reliability performance more quickly than they would without the merger. We find that their day-to-day normal weather outages will be reduced, their distribution infrastructure will be improved more quickly and at lower cost, and their ability to recover from outages following major storms will be improved, all because of the merger."

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Under the merger, Delmarva and Pepco will share support functions with Exelon's other distribution utilities, including Baltimore Gas and Electric Company ("BGE"), PECO Energy Company in Pennsylvania and Commonwealth Edison Company in Illinois. The Commission found that the sharing of best practices among Exelon's distribution companies "will lead to day-to-day operational efficiencies and increased effectiveness, reducing operating expenses and ultimately rates for customers lower than they otherwise would have been." The Commission further stated that "it is in the public interest to capitalize on Exelon's proven track record in order to accelerate and maximize grid reliability improvements, beyond what could be accomplished absent the merger."

In following Commission precedent, the Commission revised certain commitments made by Exelon to ensure a balance between short- and longer-term benefits to customers. Among other conditions, Exelon is ordered to provide to Delmarva and Pepco customers $66 million for residential rate credits, and $43.2 million for energy efficiency initiatives - 20 percent of which shall be dedicated to limited-income programs. The Commission also ordered Exelon to provide $14.4 million in Green Sustainability Funds for Prince George's and Montgomery Counties, and $4 million for sustainable energy workforce development programs. Additionally, Exelon must provide for the construction of 20 megawatts of renewable energy generation, 10 megawatts each in the Delmarva and Pepco Maryland service territories.

In addition to reliability performance improvements and customer benefits, the Commission imposed enhanced ring fencing measures to ensure that Delmarva and Pepco customers are protected from any possible financial risks associated with Exelon's generation businesses. These robust protections are similar to those imposed by the Commission to protect BGE customers and will likewise mitigate any potential harm to Delmarva and Pepco ratepayers. Additionally, the Commission concluded that with its conditions, the merger will not impact its authority to effectively regulate Delmarva and Pepco as separate electric companies.

The Commission conducted 17 days of evidentiary hearings, with participation from 26 parties including the Maryland Energy Administration, Office of People's Counsel, Commission Technical Staff and various local governments. The Commission also held five public evening hearings to receive comments from citizens in the Delmarva and Pepco territories. Two settlement agreements were offered in support of the proposed merger between the Joint Applicants and The Alliance for Solar Choice, Prince George's County, Montgomery County, the National Consumer Law Center, the Maryland Affordable Housing Coalition and the Mid-Atlantic Off-Road Enthusiasts. The Commission approved the settlement conditions with minor modifications. It set the allocation for energy efficiency programs at 75% of their proposed levels ($43.2 million) and increased the one-time rate credit from $50 to $100 for each Delmarva and Pepco residential customer.

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The proposed transaction, in which Exelon proposes to acquire PHI in an all-cash transaction for approximately $6.8 billion, seeks approval from four states, the District of Columbia and the Federal Energy Regulatory Commission ("FERC"). The Joint Applicants must accept or decline the Public Service Commission's conditions for approval by May 26, 2015.

The order included a dissent from Commissioners Harold D. Williams and Anne E. Hoskins.

The Commission's decision is posted online at www.psc.state.md.us as Order No. 86990 in Case 9361.

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