

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) PSC Docket No. 14-193
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))

ORDER NO. 8970

WHEREAS, on June 18, 2014, Delmarva Power & Light Company ("Delmarva Power"), Exelon Corporation ("Exelon"), Pepco Holdings, Inc. ("PHI"), Purple Acquisition Corporation, Exelon Energy Delivery Company, LLC ("EEDC"), and Special Purpose Entity ("SPE") (collectively, the "Joint Applicants") filed an application (the "Application") seeking approvals under 26 *Del. C.* §§ 215 and 1016 for a change of control of Delmarva Power to be effected by a merger of PHI with a wholly owned subsidiary of Exelon (the "Merger"); and

WHEREAS, on April 7, 2015, the Joint Applicants, the Delaware Public Service Commission Staff ("Staff"), the Delaware Division of the Public Advocate (the "Public Advocate"), and intervenors Delaware Department of Natural Resources and Environmental Control ("DNREC"), the Delaware Sustainable Energy Utility (the "SEU"), Mid-Atlantic Renewable Energy Coalition ("MAREC"), and the Clean Air Council ("CAC") (collectively, the "Settling Parties") entered into an Amended Settlement Agreement (the "Amended Settlement Agreement") and

requested that the Commission approve the Merger and the Amended Settlement Agreement; and

WHEREAS, on June 2, 2015, the Commission adopted Order No. 8746, approving the Merger and the Amended Settlement Agreement; and

WHEREAS, the Settling Parties negotiated a "most favored nation" ("MFN") provision, included in paragraphs 103 through 105 of the Amended Settlement Agreement, pursuant to which the Joint Applicants agreed to provide additional benefits in the State of Delaware if the Joint Applicants were ordered or agreed to provide greater financial or other specified benefits in connection with approval of the Merger in other jurisdictions; and

WHEREAS, on March 23, 2016, the Public Service Commission of the District of Columbia approved the proposed Merger, which provided the final required regulatory approval for the Merger to proceed; and

WHEREAS, on March 23, 2016, the Merger was closed; and

WHEREAS, in accordance with the Amended Settlement Agreement, the Joint Applicants calculated \$27,132,618.00 as the amount of MFN financial benefits for Delaware, consulted with the other parties concerning the calculation and filed the calculation with the Commission on July 11, 2016 (as illustrated in Exhibit JA-53); and

WHEREAS, no party has challenged the amount of MFN financial benefit as calculated by the Joint Applicants; and

WHEREAS, in accordance with the Amended Settlement Agreement and the Second Amended Scheduling Order issued by the Hearing Examiner on June 20, 2016, certain parties submitted proposals related to the

proposed allocation of MFN financial benefits on August 12 and September 12, 2016; and

WHEREAS, certain parties conferred and reached further consensus with respect to the proposed allocations, which was filed with the Commission and admitted into evidence without objection as Exhibit JA-54; and

WHEREAS, at public meetings of the Commission held Tuesday, September 20, 2016, and Tuesday, October 18, 2016, the Commission heard oral argument from the parties related to the proposed allocation of MFN financial benefits;

AND NOW, THEREFORE, ON NOVEMBER 1, 2016, BY THE AFFIRMATIVE VOTE OF NO FEWER THAN THREE COMMISSIONERS, IT IS HEREBY ORDERED AS FOLLOWS:

1. The Commission finds and determines that the additional MFN financial benefit for Delaware in the aggregate is \$27,132,618.00, as calculated on a per-distribution customer basis in accordance with paragraph 104 of the Amended Settlement Agreement.

2. The Commission finds and determines that the MFN financial benefits should be allocated to the following uses, and determines that each of the following uses is consistent with the public interest and supported by the evidentiary record:

a. Energy-Efficiency. The Commission approves the allocation of \$16.0 million to be set aside as an endowment fund for use as directed by DNREC for energy-efficiency programs described below:

i. \$8.0 million shall be allocated toward an industrial/large commercial grant or loan fund to

promote energy efficiency for Delmarva Power's large commercial and industrial customers.

- ii. \$8.0 million shall be allocated to the existing Energy-Efficiency Investment Fund ("EEIF") managed by DNREC to be used to assist Delmarva Power customers pursuant to DNREC's EEIF eligibility criteria. For the first three years that funding is available under this allocation, 30% of this funding shall be reserved for businesses owned or operated by minorities, women, veterans, service disabled veterans and individuals with disabilities.

- b. Energy Efficiency for Low-Income Customers. \$2.0 million shall be allocated to a low-income customer energy-efficiency program for Delmarva Power customers. These funds (in addition to the \$2.0 million provided for in paragraph 17 of the Amended Settlement Agreement) shall be expended in accordance with paragraph 17 of the Amended Settlement Agreement. In connection with the low-income energy-efficiency program, Delmarva Power, Staff, the Public Advocate and other interested parties shall work with the Delaware State Housing Authority and other housing agencies to structure spending and benefits to ensure that these benefits will accrue to Delmarva Power's low-income customers.

- c. Economic Development Funding. The Commission approves the allocation of \$6.0 million to be set aside in an endowment fund and expended as directed by the Delaware Economic Development Office ("DEDO"). For three years after funding is made available pursuant to this allocation, these funds shall be utilized to support enhancements for natural gas infrastructure and equipment necessary to foster or support new business or expansions of existing business. After three years, funding provided pursuant to this allocation may be utilized for economic development opportunities for new or existing renewable energy or energy efficiency businesses locating or planning to locate in the State of Delaware. DEDO may use this funding for projects located in the State of Delaware and shall not be limited to funding projects within Delmarva Power's service territory.
- d. Arrearage Forgiveness Funding. The Commission allocates the remaining \$3,132,618.00 for expanded residential customer arrearage forgiveness. Funds shall be expended as described in an Arrearage Management Program to be developed by Delmarva Power, Staff, the Public Advocate and others as directed by Order No. 8952, Exhibit A ¶ 7.

3. All funds allocated pursuant to paragraph 2 of this Order which are not reserved or encumbered for a specific purpose five years after funding is first made available shall revert to the fund established for arrearage forgiveness in paragraph 2(d) of this Order.

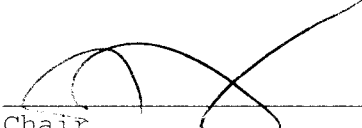
4. The disbursement of funds as allocated above shall be subject to further order of the Commission directing that MFN funds be disbursed and specifying further conditions or requirements for disbursement.

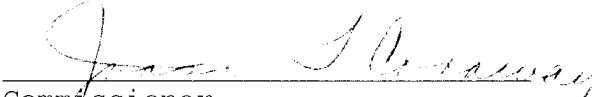
5. Consistent with the proposal of the parties, the Commission determines that no micro-grid pilot project shall be pursued at the present time. However, Delmarva Power is directed to share with Staff, the Public Advocate and other interested parties information relating to the progress of and learning related to micro-grid projects being considered by other PHI utilities in Maryland and the District of Columbia.


6. The Commission shall supplement this order, along with the specific grounds for its approval of the Merger, in a subsequent order.

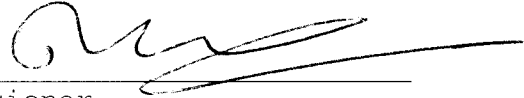
7. The Commission reserves jurisdiction to review and decide all remaining issues in this docket, as well as to enter any further orders that may be necessary and proper.

BY ORDER OF THE COMMISSION:


Chair


Commissioner


Commissioner

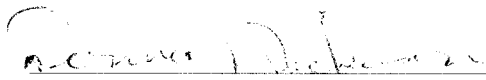


Commissioner



Commissioner

ATTEST:


Secretary