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March 23, 2020

**PUBLIC**

Ms. Brinda Westbrook-Sedgwick  
Commission Secretary  
Public Service Commission  
of the District of Columbia  
1325 G Street N.W., Suite 800  
Washington, DC 20005

**Re: Formal Case No. 1119**

Dear Ms. Westbrook-Sedgwick:

Enclosed please find the Potomac Electric Power Company's 2019 Annual Ring Fencing Report in response to Paragraph 96 of Attachment B to Order No. 18148. Please Note: Confidential information is being provided under separate cover.

Please feel free to contact me if you have any questions regarding this matter.

Sincerely,

*/s/ Dennis P. Jamouneau*

Dennis P. Jamouneau

Enclosure:

cc: All Parties of Record

**POTOMAC ELECTRIC POWER COMPANY  
2019 ANNUAL RING FENCING REPORT**

Pursuant to Order No. 18160,<sup>1</sup> Potomac Electric Power Company (Pepco or the Company) and the other Joint Applicants (Exelon Corporation, Pepco Holdings, Inc. (now, Pepco Holdings LLC), Exelon Energy Delivery Company, LLC and New Special Purpose Entity, LLC (PH Holdco LLC), along with Pepco, the Companies) provide this Ring Fencing Report for the one-year period ending December 31, 2018 (this Report). The Company previously filed with the Public Service Commission of the District of Columbia (the Commission) its Ring Fencing Reports for 2016, 2017 and 2018.

The 2016 Report, provided as Attachment A hereto, listed out all of the required elements of the Annual Ring Fencing Report and provided status responses for each element. Other than as specifically noted below, the Company's responses for each element remain unchanged from the responses provided in the 2016 Report or the updated responses provided in the 2017 and 2018 Reports. In addition, no updates are required to the Company's responses to Commission Data Requests Nos. 12 and 13 in Formal Case No. 1119, dated September 12, 2018 and September 25, 2018, respectively.

The Companies have continued to operate the entities according to the principles, guidelines and requirements set forth in Order No. 18160.

**Order No. 18160 Ring Fencing Conditions**

**Ring Fencing Protections**

63. Pepco shall maintain separate debt so that Pepco will not be responsible for the debts of affiliate companies and preferred stock, if any, and Pepco shall maintain its own corporate and debt credit rating, as well as ratings for long-term debt and preferred stock.

Status: There is no change in the status of this item as set forth in the 2016 Report.

As additional documentation that Pepco continues to maintain its own corporate debt rating, please see the latest rating agency reports included as Confidential Attachment B to this Report.

85. The SPE shall ensure that its funds will not be transferred to its owners or affiliates except with the consent and authority of the SPE board of directors.

Status: There is no change in the status of this item as set forth in the 2016 Report.

As additional information, since the filing of the 2018 Report, distributions by the SPE to Exelon Energy Delivery Company, LLC occurred on June 7, 2019, September 9, 2019, December 9, 2019, December 31, 2019 and March 9, 2020.

88. Immediately following the Merger close, PHISCo will remain as a subsidiary of PHI and

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<sup>1</sup> *In the Matter of the Joint Application of Exelon Corporation, Pepco Holdings, Inc., Potomac Electric Power Company, Exelon Energy Delivery Company, LLC, and New Special Purpose Entity LLC for Authorization and Approval of Proposed Merger Transaction*, Formal Case No. 1119 (Apr. 4, 2016). Order No. 18160 corrects certain errors in Order No. 18148 (Mar. 23, 2016), which approved the merger.

will continue to perform functions and to maintain related assets currently involved in providing services exclusively to the PHI utilities. Other functions that are currently provided by PHISCo, including those that are provided to PHI utilities and to other current PHI subsidiaries, will be transferred to EBSC or another Exelon affiliate in a phased transition over a period of time following the Merger closing. To address concerns that there would be two service companies under the proposed Merger, Exelon will file a plan within six (6) months after the Merger's close for Commission approval to integrate PHISCo within EBSC and other entities. The plan to integrate PHISCo with EBSC shall not include any net transfer of PHISCo employees located in the District of Columbia pre-Merger to any location outside of the District, subject to the provisions of Paragraph 17.

Status: Since immediately following the Merger close, PHISCo has remained as a subsidiary of PHI and will continue to perform functions and to maintain related assets currently involved in providing services exclusively to the PHI utilities. The Joint Applicants filed a transition plan including a Primary Plan and Alternative Plan with the Commission on September 23, 2016, and minor revisions to this filing were made on September 26, 2016. In Order No. 18674 issued on January 25, 2017, the Commission approved the Alternative Plan proposed by the Company. On March 6, 2017, Pepco provided an update to the Commission regarding the status of the Alternative Plan.

In a letter filed by Pepco on January 8, 2018, Pepco reported to the Commission that the Integration Plan approved by the Commission has been completed in all material respects and the various organizational and systems integrations specified in a letter filed on March 6, 2017 have been completed as of January 1, 2018.

Pursuant to Paragraph 24(e) of Order No. 18674, Pepco was directed to file quarterly reports for a period of one year after implementation of the Alternative Plan and detail any integration problems it has encountered, and corrective actions taken, or to be taken, to remedy the problem(s). On December 31, 2018, Pepco filed its fourth and final quarterly report pursuant to Paragraph 24(e).

In compliance with Paragraph 24(f) of Order No. 18674, Pepco filed a report with the Commission on January 2, 2020 that compared the per customer costs of the fully integrated utility operations used by non-PHI Exelon utilities with the shared utility operations used by the legacy PHI utilities.

93. Pepco shall maintain a rolling 12-month average annual equity ratio of at least 48%. Pepco will not pay dividends to its parent company if, immediately after the dividend payment, its common equity level would fall below 48%, as equity levels are calculated under the ratemaking precedents of the Commission.

Status: There is no change in the status of this item as set forth in the 2016 Report.

Since the filing of the 2018 Report, notices were filed with the Commission on June 10, 2019, September 11, 2019, December 12, 2019 and March 10, 2020 of dividends paid by Pepco to its parent and showing that Pepco's equity ratio after the respective dividend payments did not fall below 48% as calculated under rate making precedents.

95. Pepco shall file with the Commission, within five (5) business days after the payment of a dividend, the calculations that it used to determine the equity level at the time the board of directors considered payment of the dividend and the calculations to demonstrate that the common equity ratio immediately after the dividend payment did not fall below 48%, as equity levels are

calculated under the ratemaking precedents of the Commission.

Status: There is no change in the status of this item as set forth in the 2016 Report.

Since the filing of the 2018 Report, notices were filed with the Commission on June 10, 2019, September 11, 2019, December 12, 2019 and March 10, 2020 of dividends paid by Pepco to its parent and showing that Pepco's equity ratio after the respective dividend payments did not fall below 48% as calculated under rate making precedents of the Commission.

96. Pepco will file with the Commission an annual compliance report with respect to the ring fencing and other requirements.

Status: Pepco previously filed the 2016, 2017 and 2018 Reports in compliance with this condition. The present Report is for the one-year period ending December 31, 2019.

97. At the time of Merger close and every year thereafter, Pepco shall provide the Commission with a certificate from an officer of Exelon certifying that: (a) Exelon shall maintain the requisite legal separateness in the corporate reorganization structure; (b) the organization structure serves important business purposes for Exelon; and (c) Exelon acknowledges that subsequent creditors of PHI and Pepco may rely upon the separateness of PHI and Pepco and would be significantly harmed in the event separateness is not maintained and a substantive consolidation of PHI or Pepco with Exelon were to occur.

Status: The certificate for 2020 required by this condition is being filed concurrently with this Report. All previous certificates have been filed with the Commission as required.

103. The Joint Applicants agree to implement the ring fencing and corporate governance measures set out in Paragraphs 49-53 and 61-100 within 180 days after Merger closing for the purpose of providing protections to customers. Not earlier than five (5) years after the closing of the Merger, the Joint Applicants shall have the right to review these ring fencing provisions and to make a filing with the Commission requesting authority to modify or terminate those provisions. Notwithstanding such right, Joint Applicants agree not to proceed with any such modification or termination without first obtaining Commission approval in a written order. In addition, the Joint Applicants recognize that the Commission at any time may initiate its own review or investigation regarding ring fencing measures (or upon petition by any party) and order modifications that it deems to be appropriate, in the public interest and the best interest of Pepco customers.

Status: There is no change in the status of this item as set forth in the 2016 Report.

The Joint Applicants recognize it has only been four (4) years since the merger, are not requesting any changes to the ring fencing measures and acknowledge that the Commission at any time may initiate its own review or investigation regarding ring fencing measures (or upon petition by any party) and order modifications that it deems to be appropriate, in the public interest and the best interest of Pepco customers.

## **POTOMAC ELECTRIC POWER COMPANY RING FENCING REPORT**

Pursuant to Order No. 18160,<sup>1</sup> Potomac Electric Power Company (Pepco or “the Company”) and the other Joint Applicants (Exelon Corporation, Pepco Holdings, Inc. (now, Pepco Holdings LLC), Exelon Energy Delivery Company, LLC and New Special Purpose Entity, LLC, along with Pepco, the “Companies”) provide this Ring Fencing Report (“Report”) for the one-year period ending December 31, 2016. Several corporate governance documents which contain provisions establishing the majority of the ring fencing requirements have previously been filed with the Public Service Commission of the District of Columbia (“Commission”) in Formal Case No. 1119, and additional governance documents are attached to this Report as noted below. These corporate governance documents provide the authority and the restrictions applicable to each of these corporate entities. They are duly adopted by the Board of Directors of the entity, and no corporate actions can be taken that are inconsistent with these documents. The documents include provisions that establish many elements of ring fencing as required by Order No. 18160 and include:

Potomac Electric Power Company Corporate Governance Principles, Attachment A

Pepco Holdings LLC (PHI) Corporate Governance Principles, Attachment B

Pepco Holdings LLC Limited Liability Company Agreement, Attachment C

Operating Agreement of PH Holdco LLC (SPE), Attachment D

Opinion of Ballard Spahr re: Substantive Consolidation – PH HoldCo LLC and Pepco Holdings filed with the Commission on July 5, 2016, Attachment E

Second Amendment to Second Amended and Restated Limited Liability Company Operating Agreement of Exelon Energy Delivery Company, LLC, Attachment F

Exelon Corporation Officer’s Certificate with Respect to Condition 97 of Attachment B to Order No. 18148 of the District of Columbia Public Service Commission filed March 23, 2016 and March 23, 2017, Attachment G

The most recent rating agency reports for Pepco, Confidential Attachment H

Assignment document assigning EEDC’s equity interest of PHI to the SPE, Attachment I

Pepco’s money pool agreement filed January 13, 2017, Attachment J

Listed below are the required elements of the 2016 Ring Fencing Report. The Companies have continued to operate the entities according to these principles, guidelines and requirements set forth in Order No. 18160.

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<sup>1</sup> *In the Matter of the Joint Application of Exelon Corporation, Pepco Holdings, Inc., Potomac Electric Power Company, Exelon Energy Delivery Company, LLC, and New Special Purpose Entity LLC for Authorization and Approval of Proposed Merger Transaction*, Formal Case No. 1119 (Apr. 4, 2016). Order No. 18160 corrects certain errors in Order No. 18148 (Mar. 23, 2016), which approved the merger.

## Order No. 18160 Ring Fencing Conditions

### Ring Fencing Protections

61. Pepco will maintain its separate existence as a separate corporate subsidiary and its separate franchises, obligations and privileges.

Status: This commitment is reflected in Attachment A on page 3, in Attachment B on page 5 and Attachment E in paragraph I.B.17 on page 7.

The Pepco corporate governance principles stipulate “PEPCO will maintain its separate existence as a separate corporate subsidiary and its separate franchises, obligations, and privileges.”

62. Pepco will not incur or assume any debt, including the provision of guarantees or collateral support, related to this Merger or any future Exelon acquisition.

Status: This commitment is reflected in Attachment A on page 6, in Attachment B on page 8 and Attachment E in paragraph II.B.1 on page 29.

The Pepco corporate governance principles stipulate “PEPCO will not incur or assume any debt, including the provision of guarantees or collateral support, directly related to the merger of PHI with Exelon or any future Exelon acquisition.”

63. Pepco shall maintain separate debt so that Pepco will not be responsible for the debts of affiliate companies and preferred stock, if any, and Pepco shall maintain its own corporate and debt credit rating, as well as ratings for long-term debt and preferred stock.

Status: This commitment is reflected in Attachment A on page 5, in Attachment B on page 7, Attachment E in paragraph I.B.22. on page 8 and Confidential Attachment H.

The Pepco corporate governance principles stipulate “PEPCO will maintain separate debt and preferred stock, if any, so that PEPCO will not be responsible for the debts or preferred stock of affiliated companies, and PEPCO will maintain its own corporate and debt credit rating as well as ratings for long-term debt and preferred stock, if any. PEPCO will use reasonable efforts to maintain separate credit ratings for its publicly traded securities.”

Pepco has no preferred stock at this time. Please see the latest rating agency reports included with this filing as Confidential Attachment H.

64. Exelon has established the SPE, a limited liability company, as a special purpose entity for the purpose of holding 100% of the equity interest in PHI.

Status: This commitment is reflected in Attachment C on page 5, in Attachment D Article 1.8(a) on page 2 Attachment E in paragraph I.B.1. on page 5, and Attachment I.

The SPE was established on July 9, 2015, as a special purpose entity for the purpose of holding 100% of the equity interest in PHI. The SPE acquired 100% of the equity interest in PHI on March 23, 2016 and has held 100% of the equity interest in PHI continuously since that date.

The PHI limited liability company agreement stipulates ““Member” means Exelon and

EEDC as of the effective time of the Conversion and, subsequently, EEDC as Successor to the Interest of Exelon following the transfer of Exelon’s Interest to EEDC, and, subsequently, PH Holdco LLC, a Delaware limited liability company, as Successor to the Interest held by EEDC following the transfer of EEDC’s Interest to PH Holdco LLC, and any Person who subsequently is admitted as a Member of the Company.”

65. The SPE will be a direct subsidiary of EEDC.

Status: This commitment is reflected in Attachment D in Article 2.1(d) on page 5, Schedule A on page 22 and Attachment E in paragraph I.B.2. on page 5.

The SPE operating agreement stipulates “(d) Maintenance of Class B Membership Units. The Company must at all times cause the Class B Membership Units to be issued and outstanding until the resignation of the Class B Member pursuant to Section 2.9.”

Schedule A to the SPE operating agreement states;

SCHEDULE A

<b>Name of Member</b>	<b>Number of Class A Membership Units</b>
Exelon Energy Delivery Company, LLC	1,000 Units (100%)

  

<b>Name of Member</b>	<b>Number of Class B Membership Units</b>
GSS Holdings (PH Utility), Inc.	1 Unit (100%)

66. EEDC will transfer 100% of the equity interest in PHI to the SPE as an absolute conveyance with the intention of removing PHI and its utility subsidiaries from the bankruptcy estate of Exelon and EEDC.

Status: This commitment is reflected in Attachment C Section 2.6 on page 6, in Attachment E in paragraph I.B.3. on page 5 and in Attachment I.

See Attachment I which shows that on March 23, 2016 EEDC transferred 100% of the equity interest in PHI to the SPE as an absolute conveyance with the intention of removing PHI and its utility subsidiaries from the bankruptcy estate of Exelon and EEDC.

67. The SPE will have no employees and no operational functions other than those related to holding the equity interests in PHI.

Status: This commitment is reflected in Attachment E in paragraph I.B.5. on page 5.

Ballard Spahr’s non-consolidation opinion stipulates “5. Holdco will have no employees and no operational functions other than those related to holding the equity interests in Pepco Holdings.”

68. The SPE shall maintain adequate capital in light of its contemplated business purpose, transactions and liabilities; provided, however, the foregoing shall not require the owners to make any additional capital contributions.

Status: This commitment is reflected in Attachment D in Article 5.1(a)(7) on page 12 and in Attachment E in paragraph I.B.6. on page 5.

On March 23, 2016 EEDC transferred to the SPE the entire equity interest in PHI as a contribution to the capital of the SPE. The SPE operating agreement stipulates “(7) maintain adequate capital in light of its contemplated business purpose, transactions and liabilities; provided, however, the foregoing shall not require the Members to make any additional capital contributions to the Company;”

69. The SPE will have four directors appointed by EEDC. One of the four SPE directors will be an independent director, who will be an employee of an administration company in the business of protecting SPEs, and must meet the other independence criteria set forth in the SPE governing documents. One other director will be appointed from among the officers or employees of PHI or a PHI subsidiary. The other two SPE directors may be officers or employees of Exelon or its affiliates, including PHI and its subsidiaries.

Status: This commitment is reflected in Attachment D in Article 3.1(a) on page 8 and in Attachment E in paragraph I.B.8. on page 5.

The SPE operating agreement stipulates “Management By Board of Directors.”

- Subject to Section 5.1 and Section 9.3, the business and affairs of the Company shall be managed by a board of directors (the “Board”), which shall be responsible for policy setting, approving the overall direction of the Company and making all decisions affecting the business, affairs and sale of the Company. The initial Board shall consist of three unrestricted individuals (each an “Operating Director”) and the Independent Director (collectively, the “Directors”). The Operating Directors shall consist of one person who is an officer or employee of PH LLC or a subsidiary of PH LLC and two persons who may be officers or employees of Exelon Corporation or its Affiliates, including PH LLC and its Subsidiaries.”

70. The SPE will issue a non-economic interest in the SPE (a “Golden Share”) to an administration company in the business of protecting SPEs and separate from the administration company retained to provide the person to serve as the independent director for the SPE. The holder of the SPE’s Golden Share will have a voting right on matters specified in the SPE governing documents, as described below.

Status: This commitment is reflected in Attachment D in the third WHEREAS clause on page 1, Schedule A on page 22 and in Attachment E in paragraph I.B.10. on page 6 and paragraph II.B.1. on page 30.

The SPE operating agreement stipulates “**WHEREAS**, the Class B Member is a Member for the sole and limited purpose of restricting the right of the Company to take certain actions as described in Sections 5.1(b) or, pursuant to Section 9.3, amending this Agreement or the Company’s Certificate of Formation without prior written consent of the Class B Member.”

71. A voluntary petition for bankruptcy by the SPE will require the affirmative consent of the holder of the Golden Share and the unanimous vote of the SPE board of directors (including the independent director). A voluntary petition for bankruptcy by PHI will require the affirmative consent of the holder of the Golden Share, the unanimous vote of the SPE board of directors

(including the independent director), and the unanimous vote of the PHI board of directors. A voluntary petition for bankruptcy for any of PHI's subsidiaries will require the unanimous vote of the PHI board of directors (including its independent directors) and the unanimous vote of the board of directors of the relevant PHI subsidiary.

Status: This commitment is reflected in Attachment A on pages 2 and 3 for Pepco, Attachment B on page 4 for PHI, Attachment C in Section 5.1.3(e) on page 8 and Section 5.2.8 on page 10 for PHI, in Attachment D in Article 5.1(b) and (c) on pages 13 and 14 for the SPE and in Attachment E in paragraphs I.B.9., 14. and 15. on page 6.

The Pepco corporate governance principles stipulate "The unanimous prior approval of the PHI board (acting as the holder of PEPCO's voting shares), including the independent directors, is required before any director, officer or other person is authorized to or may permit PHI to authorize PEPCO to take any of the following actions:

- (3) Commence any case, proceeding or other action on behalf of PEPCO under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization, or relief for debtors;
- (4) Institute proceedings to have PEPCO adjudicated as bankrupt or insolvent;"

The PHI corporate governance principles stipulate "As provided in the Operating Agreement, the unanimous prior approval of the PHI board, including the independent directors, is required before the Member, any director, officer or other person is authorized to or may permit PHI to take any of the following actions:

- (2) Commence any case, proceeding or other action on behalf of PHI under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization, or relief for debtors;
- (3) Institute proceedings to have PHI adjudicated as bankrupt or insolvent;"

The SPE operating agreement stipulates "(b) Notwithstanding any other provision of this Agreement and any provision of law that otherwise so empowers the Company, the Members, the Board, any Director, any Officer or any other Person, neither the Members nor the Board nor any Director nor any Officer or any other Person shall be authorized or empowered, nor shall they permit the Company, without (i) the unanimous prior approval of the Board, including the Independent Director and (ii) the prior written consent of the Class B Member, to (A) commence any case, proceeding or other action on behalf of the Company under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization, or relief for debtors; (B) institute proceedings to have the Company adjudicated as bankrupt or insolvent;"

72. The SPE will maintain arms-length relationships with each of its affiliates and observe all necessary, appropriate and customary company formalities in its dealings with its affiliates. PHI and PHI's subsidiaries will maintain arms-length relationships with Exelon and its affiliates, including the SPE.

Status: This commitment is reflected in Attachment A on page 3 for Pepco, in Attachment B on page 5 for PHI and Pepco, in Attachment C in Section 10.1.3 on page 18 for PHI, in Attachment D in Article 5.1(a)(6) on page 12 for the SPE and in Attachment E in

paragraph I.B.16. on page 7.

The Pepco corporate governance principles stipulate “PEPCO and its subsidiaries will hold themselves out as separate entities from Exelon and its affiliates and maintain arm's-length relationships with Exelon and its affiliates.”

PHI corporate governance principles stipulate “PHI and PHI's subsidiaries will hold themselves out as separate entities from Exelon and its affiliates and maintain arm's-length relationships with Exelon and its affiliates.”

The SPE operating agreement stipulates “(6) maintain an arm’s-length relationship with each of its Affiliates;”

73. PHI’s CEO and other senior officers who directly report to the CEO will hold no positions with Exelon or Exelon affiliates other than PHI and PHI’s subsidiaries.

Status: This commitment is reflected in Attachment B on page 2, in Attachment C in Section 5.3.4 on page 13 and in Attachment E in paragraph I.B.13. on page 6.

The PHI corporate governance principles stipulate “PHI’s Chief Executive Officer and other senior officers of PHI who directly report to the PHI Chief Executive Officer will hold no positions as directors or officers of Exelon or other Exelon affiliates other than positions with PHI and its subsidiaries.”

74. At all times, the SPE will hold itself out as an entity separate from its affiliates, will conduct business in its own name through its duly authorized directors and officers and comply with all organizational formalities to maintain its separate existence and shall use commercially reasonable efforts to correct any known misunderstanding regarding its separate identity. PHI and its subsidiaries will hold themselves out as separate entities from Exelon and the SPE, conduct business in their own names (provided that PHI and each of PHI’s utility subsidiaries may identify itself as an affiliate of Exelon on a basis consistent with other Exelon utility subsidiaries).

Status: This commitment is reflected in Attachment A on page 3 for Pepco, in Attachment B on page 5 for PHI and Pepco, in Attachment C in Section 10.1 on page 18 for PHI, in Attachment D Article 5.1(a)(2) & (3) on page 12 and 5.1(a)(11) on page 13 for the SPE and in Attachment E in paragraph I.B.17 on page 7.

The Pepco corporate governance principles stipulate “PEPCO and its subsidiaries will hold themselves out as separate entities from Exelon and its affiliates and maintain arm's-length relationships with Exelon and its affiliates.”

The PHI corporate governance principles stipulate “PHI and PHI's subsidiaries will hold themselves out as separate entities from Exelon and its affiliates and maintain arm's-length relationships with Exelon and its affiliates.”

The SPE operating agreement stipulates “(2) at all times hold itself out to be public and all other persons as a legal entity separate from any other Person;

(3) conduct its business in its own name through its duly authorized directors and officers and comply with all organizational formalities to maintain its separate

existence.”

75. The SPE shall maintain its own separate books, records, bank accounts and financial statements reflecting its separate assets and liabilities. PHI and each of PHI’s subsidiaries will maintain separate books, accounts and financial statements reflecting its separate assets and liabilities.

Status: This commitment is reflected in Attachment A on page 3 for Pepco, in Attachment B on page 5 for PHI and Pepco, in Attachment C in Section 10.1.1 on page 18 for PHI, in Attachment D Article 5.1(a)(5) on page 12 for the SPE and in Attachment E in paragraph I.B.18. on page 7.

The Pepco corporate governance principles stipulate that “PEPCO will maintain separate books and records reflecting its separate assets and liabilities.”

76. The SPE shall comply with Generally Accepted Accounting Principles in all material respects (subject, in the case of unaudited financial statements, to the absence of footnotes and to normal year-end audit adjustments) in all financial statements and reports required of it and issue such financial statements and reports separately from any financial statements or reports prepared for its affiliates; provided that such financial statements or reports may be consolidated with those of its affiliates if the separate existence of the SPE and its assets and liabilities are clearly noted therein.

Status: This commitment is reflected in Attachment D in Article 5.1(a)(8) on page 12 and in Attachment E in paragraph I.B.19. on page 7 and paragraph 1.C.4.(h) on page 11.

The SPE operating agreement stipulates that the SPE shall “comply with [generally accepted accounting principles] in all material respects (subject, in the case of unaudited financial statements, to the absence of footnotes and to normal year-end audit adjustments) in all financial statements and reports required of it and issue such financial statements and reports separately from any financial statements or reports prepared for its Members or Affiliates; provided that such financial statements or reports may be consolidated with those of its Affiliates if the separate existence of the [SPE] and its assets and liabilities are clearly noted therein.”

77. The SPE shall account for and manage all of its liabilities separately from any other entity, and pay its own liabilities only out of its own funds.

Status: This commitment is reflected in Attachment D in Article 5.1(a)(9) on page 13 and in Attachment E in paragraph I. B. 20. on page 7 and paragraph 1. C. 4. (i) on page 11.

The SPE limited liability company operating agreement stipulates that the SPE shall “account for and manage all of its liabilities separately from any other Person, and pay its own liabilities only out of its own funds.”

78. The SPE shall neither guarantee nor become obligated for the debts of any other entity nor hold out its credit or assets as being available to satisfy the obligations of any other entity.

Status: This commitment is reflected in Attachment D in Article 5.1(a)(10) on page 13 and in Attachment E in paragraph I.B.21. on page 8 and paragraph 1.C.4.(j) on page 11.

The SPE operating agreement stipulates that the SPE shall “neither guarantee nor become obligated for the debts of any other Person nor hold out its credit or assets as being available to satisfy the obligations of any other Person.”

79. Each PHI utility will maintain separate debt and preferred stock, if any, so that none will be responsible for the debts or preferred stock of affiliated companies, and each will maintain its own corporate and debt credit rating as well as ratings for long-term debt and preferred stock, if any. PHI and its subsidiaries will use reasonable efforts to maintain separate credit ratings for their publicly traded securities. PHI will not issue additional long-term debt securities. In particular, PHI shall not rollover or otherwise refinance its currently outstanding long-term debt by issuing new long-term debt. PHI and its utility subsidiaries will use reasonable efforts and prudence to preserve investment grade credit ratings.

Status: This commitment is reflected in Attachment A on page 5 for Pepco, in Attachment B on page 7 for PHI and Pepco, in Attachment C Section 10.1.4 on pages 18 and 19 for PHI and in Attachment E in paragraph I.B.22 on page 8. Please see the latest rating agency reports included with this filing as Attachment H.

The PHI Corporate Governance Principles stipulate that each PHI utility “will maintain separate debt and preferred stock, if any, so that none will be responsible for the debts or preferred stock of affiliated companies and each will maintain its own corporate and debt credit rating as well as ratings for long-term debt and preferred stock, if any. PHI and the Utilities will use reasonable efforts to maintain separate credit ratings for their publicly traded securities. PHI will not issue additional long-term debt securities. In particular, PHI shall not rollover or otherwise refinance its currently outstanding long-term debt by issuing new long-term debt.” The PHI Corporate Governance Principles also stipulate that “PHI and the Utilities will use reasonable efforts and prudence to preserve investment grade credit ratings.”

The Pepco Corporate Governance Principles stipulate that “PEPCO will maintain separate debt and preferred stock, if any, so that PEPCO will not be responsible for the debts or preferred stock of affiliated companies, and PEPCO will maintain its own corporate and debt credit rating as well as ratings for long-term debt and preferred stock, if any. PEPCO will use reasonable efforts to maintain separate credit ratings for its publicly traded securities.” The Pepco Corporate Governance Principles also stipulate that “Pepco will use reasonable efforts and prudence to preserve investment grade credit ratings.”

80. PHI will not assume liability for the debts of Exelon, the SPE, or any other affiliate of Exelon other than a PHI subsidiary. The PHI subsidiaries will not assume liability for the debts of Exelon, PHI, the SPE, the other PHI subsidiaries, or any other affiliate of Exelon. The SPE shall not acquire, assume or guarantee obligations of any affiliate. PHI will not guarantee the debt or credit instruments of Exelon, the SPE or any other Exelon affiliate other than a PHI subsidiary. The PHI utilities will not guarantee the debt or credit instruments of Exelon, PHI or any other Exelon affiliate including the SPE.

Status: This commitment is reflected in Attachment A on page 5 for Pepco, in Attachment B on page 7 for PHI and Pepco, in Attachment C Section 10.1.4 on page 18 for PHI, in Attachment D Article 5.1(a)(16) on page 13 for the SPE and in Attachment E in paragraph I. D.(e) on page 14.

The PHI limited liability company agreement stipulates that PHI “shall not assume or guarantee the debts of Exelon or any other person other than a PHI subsidiary.”

The PHI Corporate Governance Principles stipulate that “PHI will not guarantee or assume liability for the debts or credit instruments of Exelon, the [SPE], or any other affiliate of Exelon other than a PHI subsidiary. The Utilities will not assume liability for the debts of Exelon, PHI, the [SPE], or any other Exelon affiliate.”

The SPE operating agreement stipulates that the SPE shall “neither guarantee nor become obligated for the debts of any other Person nor hold out its credit or assets as being available to satisfy the obligations of any other Person” and shall “not acquire, assume or guarantee obligations of any Affiliate. PHI will not guarantee the debt or credit instruments of Exelon, the SPE or any other Exelon Affiliate other than a PHI subsidiary.”

The PHI Corporate Governance principles stipulate that “The PHI utilities will not guarantee the debt or credit instruments of Exelon, the [SPE], PHI, or any other Exelon affiliate.”

81. The SPE shall not pledge its assets for the benefit of any other entity or make loans to, or purchase or hold any indebtedness of, any other entity. The PHI utilities will not pledge or use as collateral, or grant a mortgage or other lien on any asset or cash flow, or otherwise pledge such assets or cash flow as security for repayment of the principal or interest of any loan or credit instrument of, or otherwise for the benefit of, Exelon, PHI or any other Exelon affiliate including the SPE.

Status: This commitment is reflected in Attachment A on page 5 for Pepco, in Attachment B on page 8 for Pepco, in Attachment D Article 5.1(a)(17) on page 13 for the SPE and in Attachment E in paragraph I.C.4.(q) on page 11 for the SPE.

The SPE operating agreement stipulates that the SPE shall “not pledge its assets for the benefit of any other Person or make loans to, or purchase or hold any indebtedness of, any other Person.”

The PHI Corporate Governance Principles stipulate that “The Utilities will not pledge or use as collateral, or grant a mortgage or other lien on any asset or cash flow, or otherwise pledge such assets or cash flow as security for repayment of the principal or interest of any loan or credit instrument of, or otherwise for the benefit of, Exelon, the [SPE], PHI or any other Exelon affiliate.”

The Pepco Corporate Governance Principles stipulate that “Pepco will not pledge or use as collateral, or grant a mortgage or other lien on any asset or cash flow, or otherwise pledge such assets or cash flow as security for repayment of the principal or interest of any loan or credit instrument of, or otherwise for the benefit of, Exelon, PHI or any other Exelon affiliate.”

82. Pepco will not include in any of its debt or credit agreements cross-default provisions between Pepco securities and the securities of Exelon or any other Exelon affiliate. Pepco will not include in its debt or credit agreements any financial covenants or rating- agency triggers related to Exelon or any other Exelon affiliate.

Status: This commitment is reflected in Attachment A on page 6 and in Attachment B on

page 8.

The Pepco Corporate Governance Principles stipulate that “PEPCO will not include in any of its debt or credit agreements cross-default provisions between PEPCO securities and the securities of Exelon or any other Exelon affiliate. PEPCO will not include in its debt or credit agreements any financial covenants or rating agency triggers related to Exelon or any other Exelon affiliate.”

The PHI Corporate Governance Principles stipulate that “The Utilities will not include in any of their debt or credit agreements cross-default provisions between Utility securities and the securities of Exelon or any other Exelon affiliate ....”

The Pepco credit agreement includes no cross-default provisions between Pepco securities and the securities of Exelon or any other Exelon affiliate or financial covenants or rating agency triggers related to Exelon or any other Exelon affiliate.

83. The SPE will not commingle its funds or other assets with the funds or other assets of any other entity and shall not maintain any funds or other assets in such a manner that it will be costly or difficult to segregate, ascertain or identify its individual funds or other assets from those of its owners or any other person.

Status: This commitment is reflected in Attachment D Article 5.1(a)(1) on page 12 and in Attachment E in paragraph I.B.23 on page 8 and paragraph I.C.4.(a) on page 10.

The SPE operating agreement stipulates that the SPE will “not commingle its funds or other assets with the funds or other assets of any other Person, and not maintain any funds or other assets in such a manner that it will be costly or difficult to segregate, ascertain or identify its individual funds or other assets from those of its Members or any other Person.”

84. PHI and its subsidiaries will maintain in its own name all assets and other interests in property used or useful in their respective business and will not transfer its ownership interest in any such property to Exelon or an Exelon affiliate (other than a PHI subsidiary) without requisite approval of the Commission and any approval required under the Federal Power Act; provided that the foregoing shall not limit the ability of PHI to transfer to Exelon or Exelon affiliates any business or operations of PHI or PHI subsidiaries that are not regulated by state or local utility regulatory authorities.

Status: This commitment is reflected in Attachment A on page 3 for Pepco, in Attachment B on page 5 for PHI and Pepco, in Attachment C in Section 10.1.2 on page 18 for PHI and in Attachment E in paragraph I.B.24 on page 8 and paragraph I. D.(c) on page 13.

The PHI limited liability company agreement stipulates that PHI “will maintain in its own name all assets and other interests in property use or useful in its business” and “will not transfer its ownership interest in any such property to Exelon or an Affiliate of Exelon without approval” of the Commission.

The PHI Corporate Governance Principles stipulate that “PHI and each of its subsidiaries will maintain in its own name all assets and other interests in property (including leasehold

interests, easements, licenses, beneficial interests, and jointly owned assets) used or useful in their respective business and will not transfer its ownership interest in any such property to Exelon or an Exelon affiliate (other than a PHI subsidiary) without requisite approval of the applicable utility regulatory authority and any approval required under the Federal Power Act; provided that the foregoing shall not limit the ability of PHI to transfer to Exelon or Exelon affiliates any business or operations of PHI or PHI subsidiaries that are not regulated by state or local utility regulatory authorities.”

The Pepco Corporate Governance Principles stipulate that “PEPCO will maintain ownership in its own name of all assets and other interests in property (including leasehold interests, easements, licenses, beneficial interests, and jointly owned assets) used or useful in its business and will not transfer its ownership of any such property to Exelon or any other Exelon affiliate (other than a Pepco subsidiary) without the requisite approval of or notification to the applicable utility regulatory authority and any requisite approval under the Federal Power Act.”

85. The SPE shall ensure that its funds will not be transferred to its owners or affiliates except with the consent and authority of the SPE board of directors.

Status: This commitment is reflected in Attachment D Article 5.1(a)(15) on page 13 and in Attachment E in paragraph I.B.25. on page 8.

The SPE operating agreement stipulates that the SPE shall “ensure that its funds will not be transferred to Exelon or its Affiliates except with the consent and authority of the [SPE board of directors]”.

The SPE board of directors authorized distributions to EEDC on June 30, 2016 of \$16.609 million, on September 8, 2016 of \$50.5 million, on December 8, 2016 of \$99.1 million and March 9, 2017 of \$69 million. The SPE board of directors authorized capital contributions to PHI on April 4, 2016 of \$300 million, on May 16, 2016 of \$350 million and approximately \$200.77 million, on May 27, 2016 of approximately \$125.4 million, on June 30, 2016 of \$112.96 million and on March 23, 2017 of \$500 million.

86. The SPE shall ensure that title to all real and personal property acquired by it is acquired, held and conveyed in its name.

Status: This commitment is reflected in Attachment D Article 5.1(a)(12) on page 13 and in Attachment E in paragraph I.B.26. on page 8.

The SPE operating stipulates that the SPE shall “ensure that title to all real and personal property acquired by it [is] acquired, held and conveyed in its name.”

87. No entities other than PHI and its subsidiaries, including the PHI utilities and PHISCo, will participate in the PHI utilities’ money pool. The PHI utilities will not participate in any money pool operated by Exelon, and there will be no commingling of the PHI money pool funds with Exelon. Any deposits into or loans through the PHI money pool by PHI utilities shall be on terms no less favorable than the depositor or lender could obtain through a short-term investment of similar funds with independent parties. Any borrowings from the PHI money pool by a PHI utility shall be on terms no less favorable and cost effective than the PHI utility could obtain through short-term borrowings from (including sales of commercial paper to) independent

parties. Exelon will give notice to the Commission within seven (7) days in the event that any participant in the PHI money pool is rated below investment grade by any of the three major credit rating agencies. The documents and instruments creating the PHI money pool (and any modification thereof) will be subject to approval by the Commission.

Status: This commitment is reflected in Attachment A on page 4 for Pepco, in Attachment B on page 6 for PHI and Pepco and in Attachment E in paragraph I.B.27 on page 8. Attachment J is the Pepco money pool agreement that was filed with the Commission on January 13, 2017 and approved by the Commission in Order No. 18702 on February 24, 2017.

88. Immediately following the Merger close, PHISCo will remain as a subsidiary of PHI and will continue to perform functions and to maintain related assets currently involved in providing services exclusively to the PHI utilities. Other functions that are currently provided by PHISCo, including those that are provided to PHI utilities and to other current PHI subsidiaries, will be transferred to EBSC or another Exelon affiliate in a phased transition over a period of time following the Merger closing. To address concerns that there would be two service companies under the proposed Merger, Exelon will file a plan within six (6) months after the Merger's close for Commission approval to integrate PHISCo within EBSC and other entities. The plan to integrate PHISCo with EBSC shall not include any net transfer of PHISCo employees located in the District of Columbia pre-Merger to any location outside of the District, subject to the provisions of Paragraph 17.

Status: Immediately following the Merger close, PHISCo has remained as a subsidiary of PHI and will continue to perform functions and to maintain related assets currently involved in providing services exclusively to the PHI utilities. The Joint Applicants filed a transition plan including a Primary Plan and Alternative Plan with the Commission on September 23, 2016, and minor revisions to this filing were made on September 26, 2016. In an Order issued January 25, 2017, the Commission approved the Alternative Plan proposed by the Company. On March 6, 2017, Pepco provided an update to the Commissions regarding the status of the Alternative Plan.

89. PHI subsidiaries, other than PHISCo and the PHI utilities, that are currently engaged in operations that are not regulated by a state or local utility regulatory authority will be transferred to Exelon or an Exelon affiliate; provided that: (a) PHI may retain ownership of Conectiv LLC ("Conectiv") as a holding company for ACE and Delmarva Power; (b) Conectiv may transfer its 50% ownership interest in Millennium Account Services LLC to PHI; and (c) Conectiv or subsidiaries of Conectiv may retain ownership of real estate and other assets that are used in whole or in part in the business of the PHI utilities. PHI may elect to hold the stock of Delmarva and ACE directly, and cease the use of Conectiv as a holding company.

Status: This commitment is reflected in Attachment B on page 5 and in Attachment C in Section 2.6 on page 6.

On March 23, 2016, PHI subsidiaries, other than PHISCo and the PHI utilities and subsidiaries of the PHI utilities, were transferred to Exelon or an Exelon affiliate. The 50% ownership interest in Millennium Account Services LLC was transferred to PHI. PHI elected to hold the stock of Delmarva and ACE directly, and ceased the use of Conectiv as a holding company.

The PHI corporate governance principles stipulate that “PHI and each of its subsidiaries will maintain in its own name all assets and other interests in property (including leasehold interests, easements, licenses, beneficial interests, and jointly owned assets) used or useful in their respective business and will not transfer its ownership interest in any such property to Exelon or an Exelon affiliate (other than a PHI subsidiary) without requisite approval of the applicable utility regulatory authority and any approval required under the Federal Power Act; provided that the foregoing shall not limit the ability of PHI to transfer to Exelon or Exelon affiliates any business or operations of PHI or PHI subsidiaries that are not regulated by state or local utility regulatory authorities.”

90. The SPE will maintain a separate name from and will not use the trademarks, service marks or other intellectual property of Exelon, PHI, or PHI’s subsidiaries. PHI and its utility subsidiaries will each maintain a separate name from and will not use the trademarks, service marks or other similar intellectual property of Exelon or its other affiliates, except that PHI and each of PHI’s utility subsidiaries may identify itself as an affiliate of Exelon on a basis consistent with other Exelon utility subsidiaries.

Status: This commitment is reflected in Attachment A on page 4 for Pepco, in Attachment B on page 6 for PHI and Pepco, in Attachment C in Section 10.1.3 on page 18 for PHI, in Attachment D Article 5.1(a)(4) on page 12 for the SPE and in Attachment E in paragraph I.B.28. on page 9.

The SPE limited liability company agreement stipulates that the SPE will “not use the trademarks, service marks or other intellectual property of any of its Affiliates”.

The PHI limited liability company agreement stipulates that PHI “shall maintain a separate name from and will not use the trademarks, service marks or similar intellectual property of Exelon or other Affiliates of Exelon, except that [PHI] may identify itself as an Affiliate of Exelon on a basis consistent with utility Subsidiaries of Exelon.”

The PHI Corporate Governance Principles stipulate that “PHI and the Utilities will each maintain a separate name from and will not use the trademarks, service marks or other similar intellectual property of Exelon or its other affiliates, except that PHI and each Utility may identify itself as an affiliate of Exelon on a basis consistent with other Exelon utility subsidiaries.”

The Pepco Corporate Governance Principles stipulate that “PEPCO will maintain a separate name from and will not use the trademarks, service marks or other similar intellectual property of Exelon or its other affiliates, except that PEPCO may identify itself as an affiliate of Exelon on a basis consistent with other Exelon utility subsidiaries.”

91. Any amendment to the organizational documents of the SPE that would remove or alter the voting or other ring-fencing requirements described above will require the unanimous vote of the board of directors of the SPE, including the independent director, and the affirmative consent of the holder of the Golden Share.

Status: This commitment is reflected in Attachment D Article 9.3 on page 19 and in Attachment E in paragraph I.B.29. on page 9.

The limited liability company agreement for the SPE stipulates that “An amendment shall become effective as of the date specified in the approval of the Class A Member

(subject to any required consent of the Class B Member [holder of the Golden Share] having been first provided) or, if none is specified, as of the date of such approval or as otherwise provided in the Act.”

Ballard Spahr’s non-consolidation opinion stipulates “29. Any amendment to the organizational documents of Holdco that would remove or alter the voting or other Ring-Fencing Measures described above will require the unanimous vote of the board of directors of Holdco, including the independent director, and the affirmative consent of the holder of the Golden Share.”

92. Within 180 days following completion of the Merger, Exelon will obtain a legal opinion in customary form and substance and reasonably satisfactory to the Commission, to the effect that, as a result of the ring-fencing measures it has implemented for PHI and its subsidiaries, a bankruptcy court would not consolidate the assets and liabilities of the SPE with those of Exelon or EEDC, in the event of an Exelon or EEDC bankruptcy, or the assets and liabilities of PHI or its subsidiaries with those of either the SPE, Exelon or EEDC, in the event of a bankruptcy of the SPE, Exelon or EEDC. In the event that such opinion cannot be obtained, Exelon will promptly implement such measures as are required to obtain such opinion.

Status: See Attachment E to this report which is the legal opinion obtained by Exelon and filed with the Commission on July 5, 2016.

93. Pepco shall maintain a rolling 12-month average annual equity ratio of at least 48%. Pepco will not pay dividends to its parent company if, immediately after the dividend payment, its common equity level would fall below 48%, as equity levels are calculated under the ratemaking precedents of the Commission.

Status: This commitment is reflected in Attachment A on page 6.

The Pepco Corporate Governance Principles stipulate that “PEPCO shall maintain a rolling 12-month average annual equity ratio of at least 48 percent. PEPCO will not pay dividends to its parent company if, immediately after the dividend payment, its common equity level would fall below 48 percent, as equity levels are calculated under the ratemaking precedents of the District Commission and the [Maryland Commission]. Within five business days after the payment of a dividend, PEPCO shall file with the District Commission and the Maryland Commission the calculations that it used to determine the equity level at the time the board of directors considered payment of the dividend and the calculations to demonstrate that the common equity ratio immediately after the dividend payment did not fall below 48 percent, as equity levels are calculated under the ratemaking precedents of the District Commission and the Maryland Commission.”

On July 1, September 15, December 12, 2016 and March 10, 2017, notice was filed with the Commission of dividends paid by Pepco to its parent and showing Pepco’s equity ratio after the dividend payment did not fall below 48% as calculated under rate making precedents.

94. Pepco shall not make any distribution to its parent if Pepco’s corporate issuer or senior unsecured credit rating, or its equivalent, is rated by any of the three major credit rating agencies below investment grade.

Status: This commitment is reflected in Attachment A on page 5 and in Attachment B on page 7.

The Pepco corporate governance principles stipulate “PEPCO shall not make any distribution to PHI if PEPCO 's corporate issuer or senior unsecured credit rating, or its equivalent, is rated by any of the three major credit rating agencies below the generally accepted definition of investment grade.” Please see the latest rating agency reports in confidential Attachment H.

95. Pepco shall file with the Commission, within five (5) business days after the payment of a dividend, the calculations that it used to determine the equity level at the time the board of directors considered payment of the dividend and the calculations to demonstrate that the common equity ratio immediately after the dividend payment did not fall below 48%, as equity levels are calculated under the ratemaking precedents of the Commission.

Status: This commitment is reflected in Attachment A on page 6.

On July 1, September 15, December 12, 2016 and March 10, 2017, notice was filed with the Commission of dividends paid by Pepco to its parent and showing Pepco’s equity ratio after the dividend payment did not fall below 48% as calculated under rate making precedents of the Commission.

96. Pepco will file with the Commission an annual compliance report with respect to the ring-fencing and other requirements.

Status: The Pepco corporate governance principles stipulate “PEPCO will file with the applicable utility regulatory authority an annual compliance report with respect to the ring-fencing and other requirements applicable to PEPCO” and is satisfied by the filing of this report.

97. At the time of Merger close and every year thereafter, Pepco shall provide the Commission with a certificate from an officer of Exelon certifying that: (a) Exelon shall maintain the requisite legal separateness in the corporate reorganization structure; (b) the organization structure serves important business purposes for Exelon; and (c) Exelon acknowledges that subsequent creditors of PHI and Pepco may rely upon the separateness of PHI and Pepco and would be significantly harmed in the event separateness is not maintained and a substantive consolidation of PHI or Pepco with Exelon were to occur.

Status: Please see Attachment G that was filed with the Commission on March 25, 2016 and on March 23, 2017.

98. Exelon shall not, without prior Commission approval, alter the corporate character of EEDC to become a functioning corporate entity providing common support services for PHI utilities.

Status: This commitment is reflected in Attachment F Section 2 on page 1.

The limited liability company agreement for EEDC stipulates “The Member shall not, without prior approval of” ... “ii.) the Public Service Commission of the District of Columbia” ... “alter the Company’s corporate character to become a functioning corporate entity providing common support services for Company subsidiaries.”

99. Exelon shall not engage in an internal corporate reorganization relating to the SPE, PHI or Pepco, or EEDC for which Commission approval is not required without ninety (90) days prior written notification to the Commission. Such notification shall include: (a) an opinion of reputable bankruptcy counsel that the reorganization does not materially impact the effectiveness of PHI's existing ring-fencing; or (b) a letter from reputable bankruptcy counsel describing what changes to the ring-fencing would be required to ensure PHI is at least as effectively ring-fenced following the reorganization and a letter from Exelon committing to obtain a new non-consolidation option following the reorganization and to take any further steps necessary to obtain such an opinion. Exelon will not object if the Commission elects to open an investigation into the matter if the Commission deems it appropriate. Notwithstanding the above language in this paragraph, the Joint Applicants shall not materially alter the ring-fencing plan described in these Terms and Conditions without first obtaining approval in a written order from the Commission.

Status: This commitment is reflected in Attachment F Section 2 on page 1.

The limited liability company agreement for EEDC stipulates that "The Member shall not approve or engage in an internal corporate reorganization relating to the Company" ... "PHL" ... "or Pepco for which the applicable Commission approval is not required without 90 days prior written notification to such Commission. Such notification(s) shall include: (a) an opinion of reputable bankruptcy counsel that the reorganization does not materially impact the effectiveness of" ... "Pepco's existing ring-fencing; or (b) a letter from reputable bankruptcy counsel describing what changes to the ring-fencing would be required to ensure" ... "Pepco are at least as effectively ring-fenced following the reorganization and a letter the Member committing to obtain a new non-consolidation option following the reorganization and to take any further steps necessary to obtain such an opinion. The Member will not object if the Commission elects to open an investigation into the reorganization if such Commission deemed it appropriate." Under the Commission's order approving the merger, the Joint Applicants shall not materially alter the ring-fencing plan described in the order without first obtaining approval in a written order from the Commission.

100. None of the cost of establishing, operating or modifying the SPE will be borne by Pepco or its distribution customers. The cost of obtaining the opinion of legal counsel referred to above (or any future opinion) will not be borne by Pepco or its distribution customers.

Status: This commitment is reflected in Attachment A on page 4 and in Attachment B on page 6.

Pepco's corporate governance principles stipulate "Controls and procedures will be designed to provide reasonable assurance that PEPCO will not bear costs associated with the business activities of any other Exelon affiliate (other than PEPCO or a PEPCO subsidiary) other than the reasonable costs of providing materials and services to PEPCO (or a PEPCO subsidiary). PEPCO will maintain reasonable pricing protocols for determining transfer prices for transactions involving non-power goods and services between PEPCO and its subsidiaries and Exelon and any Exelon affiliate."

101. Upon the effective date of the proposed Merger, PHI and its utility subsidiaries will adopt delegations of authority setting forth the authorizations of officers of PHI and its utility subsidiaries to act on behalf of PHI and its utility subsidiaries without further authorization from

Exelon. The proposed delegations of authority for PHI and its utility subsidiaries are set forth on Table 5. The delegations of authority for Pepco adopted by PHI will not be amended to reduce authorization levels of Pepco officers without prior notice to the Commission.

**Table 5**

Transaction Type (Note 1)	Approval Threshold							
	Exelon Board of Directors	Exelon Board Committees	Exelon President & CEO	Chief Executive Officer, Exelon Utilities	PHI or Utility Board of Directors	President & CEO, PHI or Utility	Sr. Vice Pres., CFO and Treas., PHI or Utility	Sr. Vice Pres., PHI or Utility
Capital and Related O&M	> \$200M	≤ \$200M	≤ \$100M	≤ \$50M	> \$50M	≤ \$25M	≤ \$15M	
Mergers, Acquisitions, New Business or Ventures	> \$100M		≤ \$100M		> \$5M	≤ \$5M		
Sale of Receivables					> \$10M	≤ \$10M	≤ \$1M	≤ \$1M
Sale/Divestiture of Other Assets (including Real Estate)			≤ \$100M		> \$10M	≤ \$10M	≤ \$1M	≤ \$1M
Customer Account Credits/Bill Adjustments/Charge Offs					> \$10M	≤ \$10M	≤ \$1M	≤ \$1M
Natural Gas Contracts (Note 2)	> \$200M	≤ \$200M			> \$100M	≤ \$100M		
Other Electric Energy Procurement Contracts (Note 2)	> \$100M	≤ \$100M		≤ \$50M	> \$50M	≤ \$25M		
Purchases of Services and Non-Capital Materials	> \$200M	≤ \$200M	≤ \$150M	≤ \$50M	> \$50M	≤ \$25M	≤ \$5M	≤ \$5M
Legal, Regulatory or Income Tax Settlements (Note 3)	> \$200M	≤ \$200M	≤ \$100M	≤ \$50M	> \$50M	≤ \$25M	≤ \$5M	≤ \$5M
Issue/Redeem Debt	> \$300M	≤ \$300M	≤ \$200M		ALL			
Financial Guarantees	> \$150M	≤ \$150M	≤ \$100M	≤ \$50M	≤ \$100M			
Employee Benefit Plans and Arrangements			≤ \$50M		ALL			
Contribution to Benefit Plans (Note 4)	> \$200M	≤ \$200M			ALL			
Negotiated Utility Rate Contracts			≤ \$75M	≤ \$50M	> \$50M	≤ \$25M	≤ \$5M	≤ \$5M
Other Contractual Commitments, Leases and Instruments	> \$200M	≤ \$200M	≤ \$100M	≤ \$50M	> \$50M	≤ \$25M	≤ \$15M	≤ \$5M
Corporate Contributions and Philanthropy	≥ \$1M		≤ \$1M	< \$1M	≥ \$1M	< \$50K	≤ \$10K	≤ \$10K

Note 1: Delegations are to the respective officers and agents of Pepco Holdings LLC and its utility subsidiaries (collectively, "PHI"). Authority delegated to officers and agents to approve transactions is limited to transactions having subject matters related to their areas of responsibility. Additional written delegations to officers or employees below the CEO level may be made by the authorized officers generally or for specific purposes.

Note 2: Approval by the PHI or Exelon board of directors is not required for energy procurement contracts that are a direct result of an auction process or procurement plan approved by a state or local utility regulatory commission.

Note 3: The Pepco CEO has the authority to make rate case decisions including the revenue requirement that will be requested in Pepco's rate cases in the District of Columbia, taking into consideration the input of the Regional President of Pepco.

Note 4: Approval is not required for legally required periodic contributions to the pension and employee benefit plans.

Status: This commitment is reflected in Attachment A on page 1 and in Attachment B on page 2 for Pepco.

Pepco's corporate governance principles stipulate "The PHI and PEPCO Delegations of Authority set forth the authority of the PHI and PEPCO boards and authority delegated by the PHI and PEPCO boards to PHI and PEPCO officers and agents to approve transactions. The delegations of authority for PEPCO will not be amended to reduce authorization levels of PEPCO officers below those levels authorized by the PHI and PEPCO boards of directors on March 23, 2016, without prior notice to the District of Columbia Public Service Commission ("District Commission")."

102. Exelon shall conduct an analysis of its operational and financial risk to determine the adequacy of existing ring fencing measures. Exelon shall file this analysis with the Commission no later than the end of the third quarter in 2017.

Status: This report will be submitted to the Commission by the end of the third quarter of 2017.

103. The Joint Applicants agree to implement the ring-fencing and corporate governance measures set out in Paragraphs 49-53 and 61-100 within 180 days after Merger closing for the purpose of providing protections to customers. Not earlier than five (5) years after the closing of the Merger, the Joint Applicants shall have the right to review these ring-fencing provisions and to make a filing with the Commission requesting authority to modify or terminate those provisions. Notwithstanding such right, Joint Applicants agree not to proceed with any such modification or termination without first obtaining Commission approval in a written order. In addition, the Joint Applicants recognize that the Commission at any time may initiate its own review or investigation regarding ring-fencing measures (or upon petition by any party) and order modifications that it deems to be appropriate, in the public interest and the best interest of Pepco customers.

Status: The Joint Applicants implemented the required ring-fencing and corporate governance measures within 180 days following the merger closing. The included Attachments E, G have been filed with the Commission within 180 days after the merger. The Joint Applicants recognize it has only been one (1) year since the merger, are not requesting and changes to the ring-fencing measures and acknowledge that the Commission at any time may initiate its own review or investigation regarding ring-fencing measures (or upon petition by any party) and order modifications that it deems to be appropriate, in the public interest and the best interest of Pepco customers.

### **Other Requirements**

#### **Board Structure**

53. PHI will have a board of directors consisting of 7 or more people. A majority of the PHI board (4 directors on a board of 7) will be "independent" (as defined by New York Stock Exchange rules). At least one director shall be selected from each of the service territories of PHI's utility subsidiaries, and at least one of the independent directors will be a resident of the District. The CEO of Pepco will be one of the PHI directors.

Status: This commitment is reflected in Attachment B on page 1, in Attachment C in

Section 5.2.1 on page 9 and Attachment E in paragraph I. B.12 on page 6.

The PHI board of directors consists of the following 7 people:

Christopher M. Crane, who is employed by Exelon Business Services Company, LLC, and holds the titles of President and Chief Executive Officer of Exelon Corporation and Chairman of the Board of PHI and Pepco.

Denis O'Brien, who is employed by Exelon Business Services Company, LLC, and holds the titles of Senior Executive Vice President of Exelon Corporation and Chief Executive Officer of the Exelon Utilities division of Exelon Corporation and Vice Chairman of PHI and Pepco.

David Velazquez, who is employed by PHI Service Company and holds the titles of President and Chief Executive Officer of PHI and Pepco.

Linda Cropp, who is not currently employed. Ms. Cropp is independent (as defined by NYSE rules), and a resident of the District within the Pepco service territory.

Michael Cryor, who is employed by and holds the position of President of The Cryor Group LLC. Mr. Cryor is independent (as defined by NYSE rules) and a resident of Maryland.

Ernest Dianastasis, who is employed by The Precisionists Inc. and serves as its Chief Executive Officer. Mr. Dianastasis is independent (as defined by NYSE rules), a resident of Delaware in the DPL service territory.

Debra DiLorenzo, who is employed by the Chamber of Commerce of Southern New Jersey and serves as its President and Chief Executive Officer. Ms. DiLorenzo is independent (as defined by NYSE rules), a resident of New Jersey within the ACE service territory.

## CERTIFICATE OF SERVICE

I hereby certify that a copy of the public version of Potomac Electric Power Company's 2019 Annual Ring Fencing Report was served this March 23, 2020 on all parties in Formal Case No. 1119 by electronic mail.

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