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January 8, 2018

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

Re: FC 1119 – PHISCO Integration

Dear Ms. Westbrook-Sedgwick:

On January 25, 2017, the Public Service Commission of the District of Columbia (“Commission”) issued Order No. 18674, approving the PHI Service Company Integration Plan (“Integration Plan”) filed on September 26, 2016 in accordance with Paragraph 88, Attachment B, of Order No. 18148. On March 6, 2017, Potomac Electric Power Company (“Pepco”) filed a letter updating the Commission on the status of integration and the various steps needed to be performed to complete the Integration Plan.

By this letter, Pepco is informing the Commission that the Integration Plan has been completed in all material respects and the various organizational and systems integrations referenced in the March 6, 2017 letter have been completed as of January 1, 2018.

In compliance with Paragraph 24(e-f) of Order No. 18674, Pepco will file quarterly updates with the Commission that will detail any integration issues encountered, and will file a report with the Commission by January 1, 2020 that will compare 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.

Please contact me if you have any further questions.

Sincerely,



Dennis P. Jamouneau

Enclosure

cc: All Parties of Record

ATTACHMENT

An Exelon Company

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March 6, 2017

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

Re: Formal Case No. 1119

Dear Ms. Westbrook-Sedgwick:

On February 6, 2017, Potomac Electric Power Company ("Pepco") filed an update with the Public Service Commission of the District of Columbia ("Commission") on the status of the integration of the PHI Service Company ("PHISCo") and the Exelon Business Service Company ("EBSC"). Specifically, Pepco's update notified the Commission that the completion of the Alternative Integration Plan approved in Commission Order No. 18674 would not occur by May 31, 2017, but was expected to be complete by the end of the first quarter of 2018. Pepco also stated that it would file an update within thirty days that would provide additional information regarding the integration activities that have been completed and the steps and timing required to complete the Alternative Integration Plan.

Update on the Status of the Alternative Integration Plan

To date, the following activities have been completed for the integration of PHISCo and EBSC:

- A review of the services provided by PHISCo was completed and compared to services provided by EBSC to determine similarities and overlap.
- Based on the organizational structure, it was determined that certain PHISCo employees and associated costs will support all Exelon affiliates post-merger. Accordingly, organizational changes were implemented and a structure was created within PHISCo to identify the associated costs. A cost mapping process was developed to transfer the costs from PHISCo to EBSC beginning in April 2016. On a monthly basis, costs are transferred to EBSC from PHISCo and then billed from EBSC based on EBSC allocation methods.

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The following steps are in process and need to be performed to complete the integration of PHISCo and EBSC consistent with the Alternative Integration Plan approved by the Commission:

- Consolidation of the corporate center IT systems (Finance, Supply and HR) are on track for implementation in Q1 2018, with interim releases occurring throughout 2017. Coding, integration testing, and user acceptance testing is expected to take place throughout 2017.
- As described above, there are PHISCo employee costs transferred to EBSC each month. As part of the HR/payroll system integration, which is anticipated to be implemented in Q1 2018, these employees that are performing EBSC functions would become EBSC employees and the costs would be directly incurred at EBSC instead of using the manual process.
- In addition to the HR payroll/system integration, the PHI entities, which includes Pepco, will also move to the Exelon accounts payable and supply system—a move that is anticipated to occur in Q1 2018. As a result, for areas within PHISCo that are integrated with EBSC, there may be contracts, purchase orders, and invoices that will be transferred to EBSC in the accounts payable and supply system so that the costs will be directly incurred and managed through EBSC.
- Since the PHI and Exelon entities are going to operate on separate systems until system integration, the PHISCo IT organization remains in PHISCo and only bills the PHI utilities. The final IT organizational structure is being developed and any necessary changes will be implemented as part of the system integration, which is anticipated to occur in Q1 2018.

Pepco will continue to provide updates to the Commission, consistent with Order No. 18674, if any other delays to the integration are encountered or if incremental asset costs are incurred. Please contact me if you have any further questions.

Sincerely,



Dennis P. Jamouneau

Enclosure

cc: All Parties of Record

CERTIFICATE OF SERVICE

I hereby certify that a copy of Potomac Electric Power Company's Update on the status of the integration of the PHI Service Company and Exelon Business Service Company was served this March 6, 2017 on all parties in Formal Case No. 1119 by electronic mail.

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CERTIFICATE OF SERVICE

I hereby certify that a copy of Potomac Electric Power Company's letter regarding the PHI Service Company Integration Plan was served this January 8, 2018 on all parties in Formal Case No. 1119 by electronic mail.

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