



## Mayor Bowser's Exelon Settlement: A Bad Deal for DC

*Mayor Bowser is touting her recent backroom deal to sell PEPCO to energy giant Exelon. But what's really in the deal she signed? **Let's check the facts.***

**ON FUNDING TO D.C., BOWSER & EXELON CLAIM:** "The new agreement increases Exelon's originally proposed investment in the District from \$14 million to \$78 million."<sup>1</sup>

### **THE FACTS SAY:**

- Exelon's previous offer – which the D.C. Public Service Commission rejected in August – was worth \$33 million, not \$14 million.<sup>2</sup>
- Of the remaining amount, **\$25.6 million will go straight back to Exelon to pay for the immediate rate increase** they'll put in place once they take over PEPCO.
- **That leaves \$19.4 million – far less than the \$2.5 billion premium<sup>3</sup> PEPCO shareholders will get.** That's hardly a good deal for D.C.

**ON ELECTRICITY RATE INCREASES, BOWSER & EXELON CLAIM:** "[R]esidents will not have to pay for any rate increases until 2019."<sup>4</sup> "Exelon will immediately distribute \$14 million among residential customers...resulting in a one-time credit of approximately \$50 for the average ratepayer."<sup>5</sup>

### **THE FACTS SAY:**

- **Nothing in this deal protects small businesses or other commercial customers** from the coming rate increases.
- **Exelon can – and will – still raise DC's electricity rates.**
  - Once March 2019 arrives, **the Mayor's deal allows Exelon to hit DC with several years' worth of accumulated rate increases**
  - The Mayor's deal would also let Exelon charge an additional 5% on those rate increases – that means **DC has to pay interest on its electricity bills!**
  - **Exelon gets to take back its much-touted \$50-per-customer credit** in 2019 as part of the new rate hikes – so DC ultimately gets zero dollars in its pocket.
- **Worst of all: the settlement precludes PSC oversight of the March 2019 rate hikes – a major failure on the Mayor's part** and something our regulators should reject.<sup>6</sup>

<sup>1</sup> Executive Office of the Mayor, "Mayor Bowser Announces Negotiated Settlement for Exelon Merger" Press release. October 6, 2015.

<http://mayor.dc.gov/release/mayor-bowser-announces-negotiated-settlement-pepco-exelon-merger>

<sup>2</sup> Petitioners' Exhibit (4A)-2. The Joint Petitioners' District of Columbia Merger Commitments. D.C. PSC Docket FC 1119.

<sup>3</sup> Institute for Energy Economics and Financial Analysis. "Exelon's Proposed Acquisition of Pepco: Corporate Strategy at Ratepayer Expense. January 21, 2015 <http://ieefa.org/wp-content/uploads/2015/01/Exelons-Proposed-Acquisition-of-Pepco-IEEFA-Jan-20-2015.pdf>

<sup>4</sup> Mayor Muriel Bowser's Office, "Pepco - Exelon Merger: Affordability, Reliability, Sustainability & Economic Impact." Fact Sheet, October 2015. [http://mayor.dc.gov/sites/default/files/dc/sites/mayoromb/publication/attachments/PEPCO\\_Exelon\\_Merger\\_v5.pdf](http://mayor.dc.gov/sites/default/files/dc/sites/mayoromb/publication/attachments/PEPCO_Exelon_Merger_v5.pdf)

<sup>5</sup> Mayor Muriel Bowser's Office, "Pepco - Exelon Merger: Affordability, Reliability, Sustainability & Economic Impact." Fact Sheet, October 2015. [http://mayor.dc.gov/sites/default/files/dc/sites/mayoromb/publication/attachments/PEPCO\\_Exelon\\_Merger\\_v5.pdf](http://mayor.dc.gov/sites/default/files/dc/sites/mayoromb/publication/attachments/PEPCO_Exelon_Merger_v5.pdf)

<sup>6</sup> [Settlement between Mayor Bowser and Exelon](#). October 6, 2015.



**ON JOBS FOR DC, BOWSER & EXELON CLAIM:** “Exelon and PEPCO will relocate 100 positions to the District of Columbia from locations outside of DC. In addition, PEPCO will hire at least 102 union workers in the District...”<sup>7</sup>

**THE FACTS SAY:**

- **Exelon can start firing people on January 2, 2018.** The companies only “commit that the Merger’s impact will be net jobs-positive for the District through at least January 1, 2018.” Given that **Exelon CEO Christopher Crane said in April 2014 that he plans PEPCO layoffs** to achieve “synergies,” this hardly sounds like a promise of job creation.
- The **“relocate to DC”** jobs come from PEPCO employees already working in Northern Virginia. This **was already rejected as insufficient** in the previous merger proposal.
- The **“102 union jobs”** represent an **unenforceable pledge and may include workers PEPCO already plans to hire.** The settlement actually says “PEPCO will use *best efforts* to hire, within two (2) years after the Merger closing date, at least 102 union workers in the District of Columbia” with no guidance on how “best efforts” are measured or enforced. PEPCO’s existing undergrounding plans may also overlap with these jobs – the deal is unclear.
- **DC is risking 1,000 solar jobs and many more in efficiency, wind, geothermal and other technologies** by not requiring Exelon to reverse its longstanding opposition to net metering, community solar, renewable portfolio standards, and other important policies already in place in DC.

**ON ELECTRIC SERVICE RELIABILITY, BOWSER & EXELON CLAIM:** “The settlement sets higher requirements for PEPCO to increase reliability of service by reducing the frequency and duration of power outages”<sup>8</sup>

**THE FACTS SAY:**

- The only change on reliability is that Exelon would be evaluated annually instead of on a three-year average. **There is no new reliability improvement required of Exelon.**

**ON SUPPORT FOR LOCAL CHARITIES, BOWSER & EXELON CLAIM:** “Under the settlement, Exelon has increased its commitment for continuing PEPCO’s support for the local community”<sup>9</sup> “In addition to the \$78 million settlement, PEPCO will maintain \$1.9 million in annual charitable giving”<sup>10</sup>

<sup>7</sup> Mayor Muriel Bowser’s Office, “Pepco - Exelon Merger: Affordability, Reliability, Sustainability & Economic Impact.” Fact Sheet, October 2015.

[http://mayor.dc.gov/sites/default/files/dc/sites/mayoromb/publication/attachments/PEPCO\\_Exelon\\_Merger\\_v5.pdf](http://mayor.dc.gov/sites/default/files/dc/sites/mayoromb/publication/attachments/PEPCO_Exelon_Merger_v5.pdf)

<sup>8</sup> Exelon & Pepco Holdings Inc, “Fact Sheet: Merger Settlement with District of Columbia Government”

[http://www.pepco.com/uploadedFiles/wwwpepco.com/Content/Page\\_Content/2015/DC%20settlement%20fact%20sheet\\_10.06.15.pdf](http://www.pepco.com/uploadedFiles/wwwpepco.com/Content/Page_Content/2015/DC%20settlement%20fact%20sheet_10.06.15.pdf)

<sup>9</sup> Exelon & Pepco Holdings Inc, “Fact Sheet: Merger Settlement with District of Columbia Government”

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<sup>10</sup> Mayor Muriel Bowser’s Office, “Pepco - Exelon Merger: Affordability, Reliability, Sustainability & Economic Impact.” Fact Sheet, October 2015.

[http://mayor.dc.gov/sites/default/files/dc/sites/mayoromb/publication/attachments/PEPCO\\_Exelon\\_Merger\\_v5.pdf](http://mayor.dc.gov/sites/default/files/dc/sites/mayoromb/publication/attachments/PEPCO_Exelon_Merger_v5.pdf)



## **THE FACTS SAY:**

- **Exelon and PEPCO are holding our charities hostage.** According to the Washington Post, “Business leaders and nonprofit groups that benefit from PEPCO’s almost \$2 million in annual philanthropy **said they were told by the utilities that the money could be cut off if a merger did not go through.**”<sup>11</sup>

**ON CLEAN ENERGY & SUSTAINABILITY, BOWSER & EXELON CLAIM:** “The agreement also supports the District’s goal to become a more sustainable city by creating new investments in solar and wind power, energy efficiency programs, and green infrastructure initiatives.”<sup>12</sup>

## **THE FACTS SAY:**

- **Nothing in this agreement changes** what the DC Public Service Commission described as “**Exelon’s conflict of interest**” with DC’s clean energy future.
- The deal calls for “up to” 10 MW of new solar BUT:
  - **It does not guarantee 10 MW of new solar – only “up to” 10 – and there is no penalty for failure to develop solar in DC.**
  - **Exelon is allowed to count 5 MW of solar** already under development at Blue Plains Sewage Treatment Plant **that will happen anyway.**
  - There is **no requirement that Exelon use an open, competitive process** to build solar.
  - **Exelon is not required to charge fair market prices** for solar power it produces. Indeed, Exelon’s much-touted **Dunbar High School solar project charges above-market prices**, a potential sign of things to come.
- The deal **does nothing to promote or facilitate privately-developed microgrids**, which improve reliability, lower consumer costs, create jobs and provide power during emergencies. Instead, **Exelon gets a nearly unlimited timeframe to develop its own, more expensive microgrid projects.**
- The deal on interconnection is meaningless – **PEPCO has already committed to lower interconnection timelines**, so this will be addressed without a merger.

**BOWSER & EXELON CLAIM:** “Taken as a whole, this agreement is by far a better deal for District ratepayers than anything previously proposed.”<sup>13</sup>

## **THE FACTS AND THE PEOPLE SAY: THIS IS A BAD DEAL FOR D.C.!**

- ✓ **Call Mayor Bowser today at (202) 727-2643** and tell her you resent her back room deal on Exelon.
- ✓ **Go to PowerDC.org** to tell DC’s Public Service Commission to reject the merger!

<sup>11</sup> “D.C. mayor pressures regulators to let nuclear energy giant take over city utility,” Washington Post, October 14, 2015. [https://www.washingtonpost.com/local/dc-politics/dc-mayor-p pressures-regulators-to-let-nuclear-energy-giant-take-over-city-utility/2015/10/14/6e8e3b2c-729c-11e5-9cbb-790369643cf9\\_story.html](https://www.washingtonpost.com/local/dc-politics/dc-mayor-p pressures-regulators-to-let-nuclear-energy-giant-take-over-city-utility/2015/10/14/6e8e3b2c-729c-11e5-9cbb-790369643cf9_story.html)

<sup>12</sup> Executive Office of the Mayor, “Mayor Bowser Announces Negotiated Settlement for Pepco Exelon Merger” Press release. October 6, 2015. <http://mayor.dc.gov/release/mayor-bowser-announces-negotiated-settlement-pepco-exelon-merger>

<sup>13</sup> Office of the People’s Counsel for the District of Columbia, “OPC Supports Exelon/Pepco Settlement Agreement,” October 6, 2015. <http://www.opc-dc.gov/index.php/consumer-topics-a-z/whats-hot/1206-opc-supports-exelon-pepco-settlement-agreement>