

PEPCO HOLDINGS INC
Form DEFA14A
August 19, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No. __)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Rule 14a-12

PEPCO HOLDINGS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

.. Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

On August 19, 2014, Pepco Holdings, Inc. began conducting presentations and handing out the following presentation materials to public utility commissions and their staff members, elected officials, customers, media and members of the community in Maryland.

The
Exelon
&
Pepco
Holdings
Combination

-

Maryland
Enhancing reliability and providing
benefits to customers

Customer,
community
and
employee
benefits
for
all
PHI
utilities
The Exelon & Pepco Holdings Combination
2
Reliability, investment, opportunity
Customers

\$100 million in direct customer benefits

Commitment to further build on significant reliability progress underway

Enhanced emergency-response

Cost reduction opportunities

Communities

Charitable contributions of \$50 million over 10 years maintained
at levels exceeding PHI's 2013
giving

Pepco, Delmarva Power and Atlantic City Electric (ACE) regional headquarters locations
maintained; regional presidents remain in their roles
Employees

All existing collective-bargaining agreements honored

No net involuntary merger-related job losses of PHI utility employees for at least two years
following closing

Shared company cultures and values

Workforce and supplier diversity commitments are important; will
be honored and supported

More opportunities as part of larger company

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Commonwealth Edison

Pepco

Customers:

Service Territory:

Peak Load:

2013 Rate Base:

3,800,000

11,400 sq. miles

23,753 MW

\$8.7 bn

Customers:

Service Territory:

Peak Load:

2013 Rate Base:

801,000

640 sq. miles

6,674 MW

\$3.4 bn

PECO Energy

Atlantic City Electric

Customers:

Service Territory:

Peak Load:

2013 Rate Base:

2,100,000

2,100 sq. miles

8,983 MW

\$5.4 bn

Customers:

Service Territory:

Peak Load:

2013 Rate Base:

545,000

2,700 sq. miles

2,797

MW

\$1.6 bn

Baltimore Gas & Electric

Delmarva Power

Customers:

Service Territory:

Peak Load:

2013 Rate Base:

1,900,000

2,300 sq. miles

7,236 MW

\$4.6 bn

Customers:

Service Territory:

Peak Load:

2013 Rate Base:

632,000

5,000 sq. miles

4,121 MW

\$2.0 bn

Headquartered in Chicago, with utility headquarters also in Baltimore and Philadelphia, Exelon is the nation's leading competitive energy provider.

Its

family

of
companies
participates
in
every
stage
of
the
energy business, from generation to power sales to transmission and
delivery, and does business in 48 states, D.C. and Canada.
2013 assets: \$80 billion
2013 revenues: \$24.9 billion
2013 employees: 26,000
Headquartered in Washington, D.C., with utility headquarters also in Delaware
and
New
Jersey,
Pepco
Holdings
Inc.
is
one
of
the
largest
energy
delivery
companies in the mid-Atlantic, serving about two million customers in
Delaware, the District of Columbia, Maryland and New Jersey through its
subsidiaries.
2013 assets: \$15 billion
2013 revenues: \$4.7 billion
2013 employees: 5,000
Creating
the
leading
mid-Atlantic
electric
and
gas
utility

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DE

MD

PA

NJ

VA

Philadelphia

Baltimore

Dover

Wilmington

Trenton

Washington, DC

Atlantic
City
IL
Chicago
Pepco Service
Atlantic City Electric Co. Service
Delmarva Power Service
Baltimore Gas and Electric Co. Service
PECO Energy Service
ComEd Service
Creating
the
leading
mid-Atlantic
electric
and
gas
utility
A
larger
utility
footprint
and
access
to
more
crews
will
further
improve
combined
company s
ability
to
respond
to
major
weather
events.
Newark

Creating
the
leading
mid-Atlantic
electric
and
gas
utility
The Exelon & Pepco Holdings Combination
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Headquarters and Employees:

No change to utility headquarters in local service areas

Corporate Headquarters: Chicago

Significant employee presence maintained in MD, DC, DE & NJ

No net involuntary merger-related job losses of PHI utility employees for at least two years following closing

Governance:

President and CEO: Chris Crane

No change to Exelon Board of Directors or senior management team

Pepco Holdings CEO Joe Rigby remains in current role until transaction closing

Dave Velazquez of PHI will become president and CEO of the PHI utilities

Gary Stockbridge and Donna Cooper, Delmarva and Pepco regional presidents, will remain in their roles

Approvals and Timing:

Required regulatory approvals in DC, DE, MD, NJ, VA

Federal regulatory approvals required from FERC, DOJ

PHI shareholder approval later in 2014

Closing expected in second or third quarter of 2015

Powering
performance

Pepco
and
Delmarva
Power
The Exelon & Pepco Holdings Combination

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A winning combination
Transaction
combines
Exelon's

three
top-performing
utilities

BGE,
PECO
and
ComEd

and
Pepco
Holdings
electric
and
gas
utilities

Pepco,
Delmarva
Power
and
ACE.

Exelon and PHI are committed to maintain reliability levels for Pepco and Delmarva Power and have proposed more stringent targets.

In the filing, the companies are committed to exceeding the PSC's reliability standards and further propose that by 2020:

o
Delmarva Power's outage frequency in its Maryland service territory will not exceed 1.22, representing a nearly 40 percent improvement compared with the 2011-2013 period. Average outage duration will not exceed 118 minutes, representing a more than 53 percent improvement compared with the 2011-2013 period.

o
Pepco's average outage frequency in its Maryland service territory will not exceed 1.00, representing a 38 percent improvement compared with the 2011-2013 period. Average outage duration will not exceed 101 minutes, representing a nearly 43 percent improvement compared with the 2011-2013 period.

Exelon has offered to be subject to financial penalties if Delmarva Power and Pepco do not meet their targets.

This reliability commitment is backed by merger testimony showing that Exelon utilities perform at a high level. ComEd and PECO are delivering first-quartile performance, and BGE's reliability metrics have risen to their best-ever levels since joining Exelon in 2012.

Exelon and Pepco Holdings share cultures of continuous operational and reliability improvement, customer focus, infrastructure investment, safety, environmental stewardship and community support that will facilitate the sharing of best practices.

Delivering benefits to Pepco and Delmarva Power utility customers, employees and communities

The Exelon & Pepco Holdings Combination

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Customers

Upon closing of the merger, Exelon will provide an aggregate amount of \$40 million to Maryland

for a Customer Investment Fund to be used as the PSC deems appropriate.

Use of funds will be determined by each state utility commission and could include:

Bill credits

Assistance for low-income customers

Energy efficiency programs

Exelon will maintain and promote PHI utilities

low-income customer

assistance, energy-efficiency and demand-response programs.

In addition, Exelon will establish ring-fencing measures to maintain

Pepco, Delmarva Power and ACE

as separate entities.

The transaction will deliver direct benefits to:

Delivering benefits to Pepco and Delmarva Power utility customers, employees and communities

The Exelon & Pepco Holdings Combination

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The transaction will deliver direct benefits to:

Communities

Exelon shares Pepco and Delmarva Power's commitment to the local communities it serves.

In Maryland, Exelon has committed to provide an annual average of charitable contributions and local community support that exceeds Delmarva Power and Pepco's 2013 level of \$623,000.

PHI utilities will retain their local operational headquarters

Delivering benefits to Pepco and Delmarva Power utility customers, employees and communities

The Exelon & Pepco Holdings Combination

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The transaction will deliver direct benefits to:

Employees

All existing collective-bargaining agreements will be honored, and PHI has successfully negotiated contract extensions with all four of the unions representing their utility employees.

No net involuntary merger-related job losses of PHI utility employees for two years following closing.

Current and former employees at Pepco, Delmarva Power and ACE will receive compensation and benefits at least as favorable in the aggregate as those provided before the merger for at least two years following the transaction.

Exelon shares PHI's commitment to workforce and supplier diversity and will maintain its strong track record in these areas.

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Merger expected to add jobs, inject millions of dollars into local Maryland economy

The transaction will deliver benefits to:

Local Maryland economy:

The merger commitments are expected to result in significant economic benefits for Maryland, as detailed in an economic modeling analysis included in the merger approval filing.

Combined with reliability improvement projects already announced by PHI and underway, the

merger commitments are expected to produce about 6,300 to 7,000 new jobs and result in \$542

million to \$623 million

in benefits to the Maryland economy.

These results are anticipated to be achieved within six years after the merger closes.

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Entity

Jurisdiction

Number of
customers

Allocated customer
investment fund

Pepco

MD

537k

\$29m

DPL

MD

264k

\$11m

TOTAL

801k

\$40m

Customer investment fund benefits for Maryland

Questions?

Cautionary
Statements
Regarding
Forward-Looking
Information
The Exelon & Pepco Holdings Combination

13
Except
for
the
historical
information
contained
herein,
certain
of
the
matters
discussed
in
this
communication
constitute
forward-looking
statements
within
the

meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, both as amended by the Private Securities Liti

may,
might,
will,
should,
could,
anticipate,
estimate,
expect,
predict,
project,
future , potential,
intend,
seek to,
plan,
assume,
believe,
target,
forecast,
goal,

objective,
continue

or the negative of such terms or other variations thereof and words and terms of similar substance used in connection with any discussion of future plans, actions, or events identify forward-looking statements. These forward-looking to, statements regarding benefits of the proposed merger, integration plans and expected synergies, the expected timing of completion of the merger, and future financial and operating performance and results, including estimates for growth. These statements are based on the current information available to Exelon Corporation (Exelon) and Pepco Holdings, Inc. (PHI), as applicable. There are a number of risks and uncertainties that could cause actual results to differ materially from the forward-looking statements included in this communication.

For example,

(1)
PHI may be unable to obtain shareholder approval required for the merger; (2)

the companies may be unable to obtain regulatory approvals required for the merger, or required regulatory approvals may delay or prevent the companies

to abandon the merger;

(3)
conditions

to the closing

of the merger

may not be satisfied;

(4)

an
unsolicited
offer
of
another
company
to
acquire
assets
or
capital
stock
of
Exelon
or
PHI
could
interfere
with
the
merger;
(5)
problems
may
arise
in
successfully
integrating
the
businesses
of
the
companies,
which
may
result
in
the
combined
company
not
operating
as
effectively
and
efficiently
as
expected;
(6)
the

combined
company
may
be
unable
to
achieve
cost-cutting
synergies
or
it
may
take longer than expected to achieve those synergies; (7)
the merger may involve unexpected costs, unexpected liabilities or unexpected delays, or the effects of
purchase
accounting
may
be
different
from
the
companies
expectations;
(8)
the
credit
ratings
of
the
combined
company
or
its
subsidiaries
may
be
different
from
what
the
companies
expect;
(9)
the
businesses
of
the
companies
may
suffer

as
a
result
of
uncertainty
surrounding
the
merger;
(10)
the
companies
may
not
realize
the
values
expected
to
be
obtained
for
properties
expected
or
required
to
be
sold;
(11)
the
industry
may
be
subject
to
future
regulatory
or
legislative
actions
that
could
adversely
affect
the
companies;
and
(12)
the
companies

may
be
adversely
affected
by
other
economic,
business,
and/or
competitive
factors.

Other
unknown
or
unpredictable

factors could also have material adverse effects on future results, performance or achievements of the combined company. The
not guarantees or assurances of future performance, and actual results could differ materially from those indicated by the forward
some

of
these
other
important
factors
and
assumptions
are
contained

in
Exelon's
and
PHI's
respective
filings
with
the
Securities
and
Exchange
Commission
(SEC),

and
available
at
the
SEC's
website
at

www.sec.gov,
including:
(1)

Exelon's
2013
Annual
Report
on
Form
10-K
in

(a)
ITEM
1A.
Risk
Factors,
(b)
ITEM
7.

Management's
Discussion
and
Analysis
of
Financial
Condition
and
Results
of
Operations
and

(c)
ITEM
8.
Financial
Statements
and
Supplementary
Data:
Note
22;
(2)

Exelon's
Second

Quarter 2014 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements

statement
that
PHI
filed
with
the
SEC

on
August
12,
2014
and
mailed
to
its
stockholders
in
connection
with
the
proposed
merger;
(4)
PHI's
2013
Annual
Report
on
Form

10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, (c) PART II, ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Supplementary Data: Note 15; and (5) PHI's Second Quarter 2014 Quarterly Report on Form 10-Q in (a) PART II, ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) PART II, ITEM 1A. Risk Factors. These forward-looking statements are based on current expectations and assumptions, which are subject to various uncertainties, assumptions and factors, the forward-looking events discussed in this communication may not occur. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this communication. Neither Exelon nor PHI undertake any obligation to update or revise these forward-looking statements to reflect events or circumstances after the date of this communication. New factors may emerge that could affect the businesses or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in the forward-looking statements. Any specific factors that may be provided should not be construed as exhaustive.