

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF)
DELMARVA POWER & LIGHT COMPANY,)
CONECTIV COMMUNICATIONS, INC.,)
POTOMAC ELECTRIC POWER COMPANY, AND)
NEW RC, INC., FOR PERMISSION TO) PSC DOCKET NO. 01-194
TRANSFER CONTROL OF DELMARVA POWER &)
LIGHT COMPANY AND CONECTIV COMMUNI-)
CATIONS, INC., UNDER THE PROVISIONS)
OF 26 DEL. C. §§ 215 AND 1016)
(FILED MAY 11, 2001))

ORDER NO. 5722

AND NOW, to-wit, this 22nd day of May, 2001;

WHEREAS, Delmarva Power & Light Company ("DP&L") is a public utility subject to the jurisdiction of this Commission that provides electric and natural gas distribution and supply services within this State; and

WHEREAS, Conectiv Communications, Inc. ("CCI") is a public utility, subject to the jurisdiction of this Commission, that provides competitive telecommunications services within this State; and

WHEREAS, currently, DP&L and CCI are wholly-owned subsidiaries of Conectiv, a registered public utility holding company under the federal Public Utility Holding Company Act of 1935, as amended; and

WHEREAS, on May 11, 2001, DP&L, CCI, Potomac Electric Power Company ("Pepco"), and New RC, Inc. ("New RC"), filed an application seeking approvals under 26 Del. C. §§ 215 and 1016 in conjunction with a merger agreement by which Pepco and New RC will acquire control of DP&L and CCI through the merger of Conectiv into a merger subsidiary of the

New RC; and

WHEREAS, under the proposed transaction, DP&L and CCI will remain separate public utilities and subsidiaries of the surviving Conectiv entity, but will become second tier subsidiaries of the New RC, which will also be a registered public utility holding company; and

WHEREAS, under the provisions of 26 Del. C. §§ 215(d) and 1016, the Commission has determined that the above application should be the subject of further investigation, public comment sessions, and public hearings before a final decision by the Commission; and

WHEREAS, under the provisions of 26 Del. C. § 1016(a), the Commission must conclude its review of a change of control of DP&L within 120 days, unless the Commission and the applicants agree to a longer period; ^[1] now, therefore,

IT IS ORDERED:

1. That pursuant to 26 Del. C. §§ 215 and 1016, a Commission determination of the proposed approvals sought in the application filed by Delmarva Power & Light Company, Conectiv Communications, Inc., Potomac Electric Power Company, and New RC, Inc., on May 11, 2001, is hereby deferred pending the completion of the further proceedings as directed hereafter.

2. That Robert P. Haynes is designated as Hearing Examiner for this matter pursuant to the terms of 26 Del. C. § 502 and 29 Del. C. ch. 101. Hearing Examiner Haynes shall schedule and conduct such public comment sessions and public hearings as may be necessary to compile a full and complete record in this matter. Thereafter, Hearing Examiner Haynes shall file a report with the Commission setting forth his proposed findings of fact and recommendations. Pursuant to Rule 21(c)

of the Commission's Rules of Practice and Procedure, Hearing Examiner Haynes is specifically delegated the authority to grant or deny petitions to intervene. In addition, Hearing Examiner Haynes is specifically delegated the authority to determine, under 26 Del. C. § 102A, the appropriate time, form, and manner of any public notice for any further public evidentiary hearings or public comment sessions. Unless the applicants agree to a further period of time to conduct these proceedings, Hearing Examiner Haynes shall file his Report in such time as to allow the Commission to take final action on the application by September 10, 2001. In order to expedite this matter, Hearing Examiner Haynes shall conduct a pre-hearing conference beginning at 10:00 AM on Monday, June 18, 2001. All potential parties must attend such conference. In addition, on that same date, Hearing Examiner Haynes shall conduct an initial public comment session on the application.

3. That Delmarva Power & Light Company and Conectiv Communications, Inc., shall give public notice of this matter by causing publication of the notice hereto attached as Exhibit "A," in two-column format, outlined in black, in the legal classified sections of The News Journal and Delaware State News newspapers on the following dates:

Thursday, May 24, 2001 (The News Journal)

Friday, May 25, 2001 (Delaware State News)

Proof of such publication shall be provided to the Commission as soon as possible thereafter, but no later than the commencement of the pre-hearing conference in this matter.

4. That, in the event that a stipulation or settlement is offered to resolve any matter in this proceeding (as authorized by 26 Del. C. § 512), Hearing Examiner Haynes shall conduct such proceedings to review such settlement in accord with the requirements of 26 Del. C.

§ 512(c) and shall include in his Report his recommendations about such stipulation or settlement.

5. That James McC. Geddes, Esquire, is designated Rate Counsel for this matter. Delmarva Power & Light Company and Conectiv Communications, Inc., are hereby put on notice that they will be charged the costs incurred in connection with this proceeding under the provisions of 26 Del. C. § 114(b).

6. That the Commission reserves the jurisdiction and authority to enter such further Order or Orders in this matter as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

/s/ Robert J. McMahon
Chairman

/s/ Joshua M. Twilley
Vice Chairman

/s/ Arnetta McRae Commissioner

/s/ Donald J. Puglisi
Commissioner

/s/ John R. McClelland
Commissioner

ATTEST:

/s/ Karen J. Nickerson
Secretary

E X H I B I T "A"

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P U B L I C N O T I C E

OF

TRANSFER OF CONTROL APPLICATIONS

**TO: ALL CUSTOMERS OF DELMARVA POWER & LIGHT COMPANY AND
CONECTIV COMMUNICATIONS, INC., and ALL OTHER
INTERESTED PERSONS**

Delmarva Power & Light Company ("DP&L") is a public utility that provides electric and natural gas distribution and supply services within Delaware. Conectiv Communications, Inc. ("CCI"), is a public utility that provides telecommunications services within Delaware. DP&L and CCI are both wholly-owned subsidiaries of Conectiv, a registered public utility holding company. On May 11, 2001, DP&L, CCI, Potomac Electric Power Company ("Pepco"), and New RC, Inc. ("New RC") (collectively referred to as "the applicants") filed an application with the Delaware Public Service Commission ("the Commission") seeking approval of a merger and related transactions ("the merger"). As described by the applicants, under the merger: (1) Conectiv will merge with a subsidiary of New RC, with Conectiv as the surviving corporation; (2) Pepco will merge with a different subsidiary of New RC, with Pepco

as the surviving corporation; and (3) consequently, New RC will become the parent company of the surviving Pepco and surviving Conectiv. The surviving Conectiv will continue to own DP&L and CCI as operating utilities. In sum, the merger will result in a transfer of control over DP&L and CCI to the New RC.

The applicants represent that, under current plans, DP&L, CCI, and Pepco will remain separate utility operating companies. In their application, the applicants set forth the reasons they believe the merger is in accordance with law, for a proper purpose, and consistent with the public interest. They also set forth why they believe such merger will maintain and enhance the reliability of the electric distribution and transmission systems in Delaware. In particular, in the application the applicants propose five customer service guarantees and four reliability guarantees to be implemented for electric or natural gas utility services if the merger is consummated. In the application, the applicants also represent that no labor contract will be terminated nor modified prematurely as the result of these transactions. Finally, the applicants represent that the merger will not have any adverse effect on CCI's telecommunications operations.

Under the provisions of 26 Del. C. § 215, the Commission may approve a merger of, or transfer of control over, a public utility if the Commission finds the transaction to be in accordance with law, for a proper purpose, and consistent with the public interest. In addition, under the provisions of 26 Del. C. § 1016, the Commission must, in reviewing any such transaction involving DP&L, take such steps, or impose such conditions, to ensure that any successor entity provides safe and reliable electric distribution and transmission services. Finally, under the provisions of 26 Del. C. § 1016(b), any merger and acquisition of DP&L must comply with certain requirements related to DP&L's labor force contracts.

The Commission has decided to conduct public comment sessions and public hearings on the application prior to its final decision. Members of the public may provide their views at a public comment session. Parties to the proceeding may present formal evidence at the public evidentiary hearings. In addition, an evidentiary hearing may involve consideration of any settlement proposed by some or all of the parties. The Commission's final determination on the application will be based on the record developed at these proceedings.

If you wish to become a party to the proceedings, with the right to present evidence at the public hearings and participate in further deliberations, you must file a petition to intervene under Rule 21 of the Commission's Rules of Practice and Procedure. Such petitions must be served and file with the Commission, at the address given below, on or before June 15, 2001. Petitions filed after that date will be granted only for good cause. **In addition, the Commission will conduct a mandatory pre-hearing conference beginning at 10:00 AM on Monday, June 18, 2001 at its Dover office. Any person who wishes to participate as a party to this matter must attend such procedural conference.** The Commission will provide notice of the public hearings in this matter at a later date.

The Commission will also conduct an initial public comment session on Monday, June 18, 2001, beginning at 10:00 AM. That initial public comment session will be held at the Commission's Dover office located at 861 Silver Lake Boulevard, Cannon Building, Suite 100, Dover, Delaware 19904. You are invited to attend and present your views. If you are unable to attend, you may submit written comments to the Commission at the above address. Such written comments must be filed and served on or before June 15, 2001. The Commission may also, if appropriate, schedule

additional public comment sessions to be held at later dates.

You may review and copy the application, the testimony and materials now filed by the applicants, and any other materials subsequently filed in this matter during normal business hours at the Commission's Dover office at the above address. In addition, you may also review and copy the application and accompanying submissions at the office of the Division of the Public Advocate located on the fourth floor of the Carvel State Office Building, 820 North French Street, Wilmington. Please call (302) 577-5077 to arrange a time for such review.

If you are disabled and wish to participate in these proceedings or to review these filings, please contact the Commission to discuss any auxiliary aids or services you might need. You may contact the Commission in person, by writing, by telephone (including text telephone and TRS service), or by Internet e-mail.

If you have questions about this matter, you may contact the Commission Staff, toll-free within Delaware, at 1-800-282-8574. You can also contact the Commission at (302) 739-4333 and that number can also be used for Text Telephone calls. Inquiries can also be sent to the Commission by Internet e-mail to "jdillard@state.de.us."

[1] Under the provisions of 26 Del. C. § 215(d), if the Commission decides to hold a hearing on application for a transfer of control under § 215(b), the Commission must begin a hearing on a transfer of control application within 30 days, unless the Commission and the parties agree to a longer period. The Commission believes that, in the case of DP&L, an electric public utility, the provisions of § 1016(a) supersede the § 215(d) time frame. For purposes of the transfer of control over CCI, the Commission construes the application as the applicants' consent to commence a hearing at a date beyond the thirty day period in § 215(d). The Commission agrees to extensions of time to allow the Commission to hold hearings and enter a final Order later than the time periods expressed in § 215(d) and § 1016.