

PEPCO HOLDINGS INC
Form DEFA14A
June 04, 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.

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

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(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:

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

Filed by Pepco Holdings, Inc.

Pursuant to Rule 14a-12

Under the Securities Exchange Act of 1934

Subject Company: Pepco Holdings, Inc.

Commission File No.: 001-31403

The following is an article included in the May/June edition of the Pepco Holdings, Inc. employee newsletter, which was distributed to employees on June 4, 2014.

Exelon and PHI

Creating the Leading

Mid-Atlantic Electric

and Gas Utility

Exelon Corporation and Pepco Holdings Inc. announced on April 30 that they have signed a definitive agreement to combine the two companies in an all-cash transaction. The agreement, which has been unanimously approved by both companies boards of directors, brings together Exelon's three top-performing electric and gas utilities — BGE, ComEd and PECO and PHI's electric and gas utilities — Atlantic City Electric, Delmarva Power and Pepco — to create the leading mid-Atlantic electric and gas utility.

The combined utility businesses will serve approximately 10 million customers and have a rate base of approximately \$26 billion.

While I recognize that the news may have come as a surprise, I firmly believe that this transaction presents a compelling opportunity for Pepco Holdings — for our

shareholders, customers and for you, our employees, said **Joe Rigby**, PHI Chairman, President and CEO in a letter to all employees. Exelon represents an ideal partner to build on our recent success and take us to the next level. By combining

continued on page 2

Inside This Issue

3 Improving Reliability:

Pepco crews work in Upper Marlboro

4 Focus on Safety: Safety All Stars share advice

7 Improving Reliability:

Meeting
RM-43 standards

Focus on Customers:

9 Customers
say thanks

10 For the Environment:

PHI celebrates Earth Month

18 Employee Milestones

Exelon and PHI

continued from page 1

with Exelon, we immediately become part of a larger, stronger company. We also will gain access to additional operational and customer service resources and additional best practices as we continue to deliver safe and reliable electric service.

As part of the combination, Exelon and PHI have committed to build on the significant improvements to service reliability that PHI has already achieved for Atlantic City Electric, Delmarva Power and Pepco customers.

This commitment is backed by the strong reliability performance of the current Exelon utilities. ComEd and PECO are delivering first-quartile performance, and BGE's reliability metrics have risen to their best-ever levels since BGE joined Exelon in 2012 and are just shy of first quartile.

For the vast majority of employees, there will be very little, if any, change in your day-to-day jobs, even after the transaction is completed, said Joe. Our operating companies

will provide an aggregate \$100 million equivalent to approximately \$50 per customer for a Customer Investment Fund to be utilized across our utility service territories as each state public service commission deems appropriate for customer benefits, such as rate credits, assistance for low-income customers and energy efficiency measures.

Exelon has also pledged to maintain charitable contributions in our service territories at our highest-ever level for at least a decade, a total commitment of \$50 million.

The transaction is a clear endorsement of your hard work over the past several years and the dramatic improvements you have made to system reliability, customer service and outage restoration and that is something that we should all be proud of, said Joe in his letter to employees.

Exelon is clearly impressed with our focus on

On April 30, Dave Velazquez, Executive Vice President, Power Delivery, spoke to employees at Edison Place to answer questions about the Exelon Pepco Holdings Inc. transaction.

operational excellence, customer satisfaction and safety. It is worth noting that like us, Exelon values safety, integrity, diversity, respect, corporate citizenship, accountability and continuous improvement.

The all-cash transaction consideration of \$27.25 per share represents a 24.7 percent premium to Pepco Holdings' closing price of \$21.85 on April 25, 2014, and a 29.5 percent premium to the volume-weighted average share price over the last 20 trading days (ending April 25, 2014). n

will continue to be locally managed, which is consistent with the approach Exelon has taken with its other utility companies. That means our focus on safety, reliability, customer satisfaction and the individual brands will remain the same.

In addition to reliability improvements, upon completion of the transaction, Exelon

Cautionary Statements Regarding Forward-Looking Information

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 Litigation Reform Act of 1995. Words such as may, might, will, should, could, anticipate, estimate, expect, predict, project, future, potential, intend, see, believe, target, forecast, goal, objective, continue or the negative of such terms or other variations thereof and terms of similar substance used in connection with any discussion of future plans, actions, or events identify forward-looking statements. These forward-looking statements include, but are not limited to, statements regarding benefits of the proposed merger, integration plans and expected synergies, the expected timing of completion of the transaction, anticipated future financial and operating performance and results, including estimates for growth. These statements are based on the current expectations of management of PHI and its utility subsidiaries. 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) PHI or Exelon may be unable to obtain regulatory approvals required for the merger, or required regulatory approvals may delay the merger or cause 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 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 PHI and its utility subsidiaries may suffer as a result of uncertainty surrounding the merger; (10) PHI and its utility subsidiaries 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 PHI and its utility subsidiaries; and (12) PHI and its utility subsidiaries 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. Therefore, forward-looking statements are not guarantees or assurances of future performance, and actual results could differ materially from those indicated by the forward-looking statements. Discussions of some of these other important factors and assumptions are contained in

PHI's filings with the Securities and Exchange Commission (SEC), and available at the SEC's website at www.sec.gov, including 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 and (c) ITEM 8. Financial Statements and Supplementary Data, and PHI's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 in (x) PART I, ITEM 1. Financial Statements, (y) PART I, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (z) PART II, ITEM 1A. Risk Factors. These risks as well as other risks associated with the proposed merger will be more fully discussed in the proxy statement that PHI intends to file with the SEC and mail to its stockholders in connection with the proposed merger. In light of these risks, 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. PHI does not undertake any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this communication. New factors emerge from time to time, and it is not possible for PHI to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on PHI or its utility subsidiaries' businesses (either individually or collectively) or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Any specific factors that may be provided should not be construed as exhaustive.

Additional Information and Where to Find It

This communication does not constitute a solicitation of any vote or approval. PHI intends to file with the SEC and mail to its stockholders a proxy statement in connection with the proposed merger transaction. **PHI URGES INVESTORS AND SECURITY HOLDERS TO READ THE PROXY STATEMENT AND ANY OTHER RELEVANT DOCUMENTS WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION** about Exelon, PHI and the proposed merger. Investors and security holders will be able to obtain these materials (when they are available) and other documents filed with the SEC free of charge at the SEC's website, www.sec.gov. In addition, a copy of PHI's proxy statement (when it becomes available) may be obtained free of charge from Pepco Holdings, Inc., Corporate Secretary, 701 Ninth Street, N.W., Room 1300, Washington, D.C. 20068. Investors and security holders may also read and copy any reports, statements and other information filed by PHI with the SEC, at the SEC public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 or visit the SEC's website for further information on its public reference room.

Participants in the Merger Solicitation

Exelon, PHI, and their respective directors, executive officers and certain other members of management and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding Exelon's directors and executive officers is available in its proxy statement filed with the SEC on April 2, 2014 in connection with its 2014 annual meeting of stockholders, and information regarding PHI's directors and executive officers is available in its proxy statement filed with the SEC on March 25, 2014 in connection with its 2014 annual meeting of stockholders. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the proxy statement and other relevant materials to be filed with the SEC when they become available.