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Pepco Holdings Inc.

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Introduction

Pepco Holdings Inc.: The Story of An American Company is a comprehensive exploration of one of the most influential energy holding companies to shape the Mid-Atlantic region of the United States. As an S&P 500-listed enterprise, Pepco Holdings Inc. (PHI) has not only played a pivotal role in powering millions of homes, businesses, and communities, but has also been a barometer of the evolving American energy industry. This book traces the company's roots, growth, and transformation, shedding light on the broader historical forces that have defined the American utility landscape over the last century.

At its core, the story of PHI begins in the late 19th century with the formation of the Potomac Electric Power Company. What started as a modest endeavor to light streets and power streetcars in the nation's capital quickly became a vital utility, overcoming early financial setbacks and leveraging strategic mergers to solidify its place in the burgeoning age of electricity. PHI's history is one of resilience and adaptation, as it navigated panics, regulatory upheavals, wars, and the march of technology. Each chapter of this book unpacks another phase of that journey, from the unification of streetlighting in Washington, D.C., to ambitious infrastructure projects that transformed not only the company, but the communities it served.

The formation of Pepco Holdings Inc. in 2001 marked a watershed moment, placing the company at the nexus of regional consolidation, market competition, and legislative oversight. Through strategic acquisitions—including the pivotal purchase of Conectiv—PHI amassed a diverse portfolio spanning Pepco, Delmarva Power, and Atlantic City Electric. PHI's story is not just one of geographic expansion, but also of evolving business segments, financial highs and lows, and the twin pressures of innovation and compliance in a highly regulated industry. The company's focus on infrastructure, modernization, and customer-centricity has provided both remarkable achievements and honest assessments of its shortcomings—from celebrated energy initiatives to public criticism about its tax practices and environmental record.

Yet, the contours of Pepco Holdings' corporate trajectory have never existed in a vacuum. The tale is equally shaped by its people—executives, line workers, customers, public officials, and partner organizations—who forged the company's culture and steered it through periods of intense scrutiny, rapid technological change, and ultimately, a landmark merger with Exelon Corporation. This acquisition symbolized much more than just a change in corporate structure: it reflected the shifting priorities of a nation grappling with climate change, urbanization, and the quest for reliable, affordable, and clean energy.

Today, though Pepco Holdings no longer stands as an independent entity, the legacies of its operations endure. PHI's subsidiary utilities remain central fixtures across the Mid-Atlantic, continuing to serve with renewed focus under the Exelon umbrella. Their ongoing initiatives in grid modernization, sustainability, and community outreach point the way to future possibilities while honoring the past.

This book aims to combine the personal, the technical, and the strategic elements that make the Pepco Holdings story unique. Through the lens of one company, readers will gain insight into the real-world complexities of American infrastructure, energy policy, and corporate evolution. The following chapters are an invitation to delve into more than a century of progress, challenge, and transformation—a story that, at its core, is fundamentally American.

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CHAPTER ONE: Origins: The Birth of Potomac Electric Power Company

In the late 19th century, as the United States buzzed with the promise of electric illumination and burgeoning industrialization, the nation's capital, Washington, D.C., was a city poised for a dramatic transformation. While gas lamps still flickered on many street corners, the arc and incandescent lights of a new era were beginning to emerge, promising brighter streets and more efficient power for a city growing in size and importance. It was in this environment that the earliest seeds of what would become Pepco Holdings Inc. were sown, tracing their lineage back to a company known as Potomac Electric Co.

Potomac Electric Co. was established in 1891 with the specific aim of bringing electric light to the streets and powering the rapidly expanding streetcar system in Georgetown and the northwestern areas of Washington, D.C. The streetcar, initially drawn by horses, was undergoing a revolution with the advent of electricity, promising faster, cleaner, and more efficient transportation, capable of conquering the city's more challenging hilly terrain. This new form of urban mobility, however, demanded a reliable and robust source of power, a demand Potomac Electric Co. sought to meet.

The nascent electric power industry, however, was not immune to the broader economic forces at play. The United States was plunged into a severe economic contraction known as the Panic of 1893, a financial crisis that began in February of that year and officially ended eight months later. This period saw widespread business failures, including many banks and railroads, and a significant rise in unemployment across the nation. The economic distress was so profound that it was often referred to as the "Great Depression" until the more severe downturn of the 1930s claimed that title.

Potomac Electric Co. found itself caught in the financial maelstrom of the Panic of 1893, leading to significant difficulties. The company ultimately faced bankruptcy. This challenging period, however, also presented an opportunity for new leadership to step in and reshape the company's future. On November 6, 1895, the struggling Potomac Electric Co. was acquired by Oscar T. Crosby and Charles A. Lieb for a sum of \$5,500.

Oscar T. Crosby was a notable figure in the burgeoning electric industry. A New York financier and a pioneer in electric street railway technology, Crosby had a vision for consolidating the various street railways and power companies in Washington, D.C., under unified management. His partner, Charles A. Lieb, joined him in this endeavor, and together they set about reorganizing the company with an eye toward expansion

and stability.

Their efforts culminated in the formal incorporation of the Potomac Electric Power Company, or Pepco as it would become known, on April 28, 1896, in Virginia. This incorporation marked a pivotal moment, laying the official groundwork for the entity that would grow to become a cornerstone of energy delivery in the Mid-Atlantic region. The newly incorporated Pepco quickly set its sights on a significant prize: the contract to illuminate the nation's capital.

Washington, D.C., had been slow to fully embrace electric lighting, with city commissioners only contracting for a few arc lamps by 1882. The ruling that all electric wires had to be laid underground further slowed the replacement of older gas lamps. However, the rapidly expanding electric street railways in the 1890s created a growing demand for power, which finally spurred the growth of the electric industry in the city.

Oscar T. Crosby, as Pepco's first president, was instrumental in securing the company's place in the D.C. market. He applied for permission to extend Pepco's lines into Washington, D.C., on March 12, 1896. The commissioners, hoping that competition with the then-dominant United States Electric Lighting Company would lead to lower rates, granted Pepco permission to begin operations on June 21, 1896.

Crosby's immediate next step was to bid on the District's crucial streetlighting contract. After a legal challenge, Pepco ultimately secured the contract to light the city of Washington, D.C., in December 1896. This was a significant achievement for the newly formed company, firmly establishing its presence and setting the stage for its continued growth and integration into the urban fabric of the nation's capital. From these humble yet ambitious beginnings, the Potomac Electric Power Company embarked on a journey that would see it become a vital component of American infrastructure.

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