UNITED STATES OF AMERICA 123 FERC ¶ 62,262
FEDERAL ENERGY REGULATORY COMMISSION

In Reply Refer To:
EM-5.5
Docket No. ES08-48-000

June 27, 2008

PHI Service Company
Attention: Mr. Andrew F. MacDonald
Thelen Reid Brown Raysman & Steiner LLP
701 Eighth Street, N.W.
Suite 800
Washington, D.C. 20001

Dear Mr. MacDonald:

On April 29, 2008, PHI Service Company filed an application pursuant to section 204 of the Federal Power Act, 16 U.S.C. § 824c (2000), on behalf of its associate companies, Delmarva Power & Light Company and Potomac Electric Power Company (collectively, Applicants) requesting that the Commission authorize Applicants to issue short-term debt securities in the form of borrowings from banks and other financial institutions, commercial paper notes, and to evidence borrowings pursuant to the terms of a cash management arrangement, provided that the aggregate principal amount outstanding will not exceed $500 million for each Applicant. Your request is granted as detailed in the authorization section of this letter order.

On February 21, 2003, the Commission issued an order announcing four restrictions on all future public utility issuances of secured and unsecured debt.[1] First, public utilities seeking authorization to issue debt backed by a utility asset must use the proceeds of the debt for utility purposes. Second, if any utility assets that secure debt issuances are divested or "spun off," the debt must follow the asset and also be divested or "spun off." Third, if any of the proceeds from unsecured debt are used for non-utility purposes, the debt must follow the non-utility assets. Specifically, if the non-utility assets are divested or "spun-off," then a proportionate share of the debt must follow the divested or "spun-off" non-utility asset. Finally, if utility assets financed by unsecured debt are

[1] *Westar Energy, Inc.*, 102 FERC ¶ 61,186, *order on reh'g*, 104 FERC ¶ 61,018 (2003) (*Westar*).

divested or "spun-off" to another entity, then a proportionate share of the debt must also be divested or "spun off."

Notice of the filing was published in the *Federal Register*, with protests or interventions due on or before May 20, 2008. No protests opposing the granting of the requested authorization were filed.

Authorization:

Applicants are authorized to issue short-term debt securities in the form of borrowings from banks and other financial institutions, commercial paper notes, and money pool borrowings provided that the aggregate principal amount outstanding will not exceed $500 million for each Applicant. This authorization is approved based upon the terms and conditions and for the purposes specified in the application subject to the following conditions:

> The securities shall be issued over a two-year period commencing on July 1, 2008 through June 30, 2010.
>
> The securities are subject to the Commission’s restrictions on secured and unsecured debt as outlined above and in *Westar*.
>
> This authorization is without prejudice to the authority of the Commission or any other regulatory body with respect to rates, service, accounts, valuation, estimates or determination of cost or any other matter whatsoever now pending or which may come before this Commission.
>
> Nothing in this letter order shall be construed to imply any guarantee or obligation on the part of the United States with respect to any security to which this letter order relates.

Authority to act on this matter is delegated to the Director, Division of Tariffs and Market Development – West, under 18 C.F.R. § 375.307 (2007). This order constitutes final agency action. Requests for rehearing by the Commission may be filed within thirty (30) days of the date of issuance of this order, pursuant to 18 C.F.R. § 385.713 (2007).

If you have any questions concerning this letter order, please contact Yolanda C. Hart-Harris at (202) 502-8424 or Andrew P. Mosier, Jr. at (202) 502-6274.

Sincerely,

Steve P. Rodgers, Director
Division of Tariffs and Market
Development - West