

subsidiary company thereof, any voting rights received or otherwise obtained by that member equal to or exceeding ten percent of the total outstanding voting rights in PowerTree Carbon shall be automatically (and without any requirement for consent on the part of the affected member) allocated to the other members in equal portions such that no registered holding company member will hold ten percent or more of voting rights in PowerTree Carbon. In addition, any member may elect to limit its voting rights to less than five percent of the total voting rights in PowerTree Carbon, in which case the voting rights of such member or members equal to or exceeding five percent of the total voting rights in PowerTree Carbon would be automatically allocated in equal portions to the other members.

The Operating Agreement further provides that each member (or its designee(s) or transferee(s)) shall be entitled to claim a *pro rata* share of all carbon that is determined to be sequestered by PowerTree Carbon's efforts to which legal rights, if any, have been obtained ("Carbon Reductions") based on the member's percentage interest in PowerTree Carbon. A member may generally utilize its share of any Carbon Reductions in connection with its participation in any greenhouse gas reporting or regulatory program or transfer or assign such Carbon Reductions to one or more other persons.

#### **Pepco Holdings, Inc. (70-10135)**

Pepco Holdings, Inc. ("Pepco"), a registered holding company, 701 9th Street, 10th Floor, Suite 1300, Washington DC 20068, has filed an application under sections 9(a)(1), 10, and 12(f) of the Act and rule 54 under the Act.

Pepco directly or indirectly owns all of the outstanding common stock of the following public-utility companies: Atlantic City Electric Company; Delmarva Power & Light Company; Potomac Electric Power Company; Conectiv Delmarva Generation, Inc.; and Conectiv Atlantic Generation, LLC (collectively, the "Utility Subsidiaries"). Together, the Utility Subsidiaries provide retail and wholesale electric service to more than 1.8 million customers in parts of the District of Columbia, Delaware, Maryland, New Jersey, and Virginia. The Utility Subsidiaries and other non-regulated generating subsidiaries of Pepco own all or portions of twenty-four electric generating plants in the United States having a combined generating capability of approximately 4,580 megawatts. Through direct and indirect

subsidiaries, Pepco is also engaged in various nonutility businesses.

Pepco requests authority to acquire, directly or indirectly through one or more subsidiaries, a membership interest in PowerTree Carbon Company, LLC ("PowerTree Carbon"). The initial capital contribution of Pepco would be \$50,000. Pepco also requests authority to sell all or a portion of its membership interest in PowerTree Carbon at any time to any of its associate companies.

PowerTree Carbon, a Delaware limited liability company, was organized in cooperation with the U.S. Department of Energy ("DOE"). It is designed to facilitate investments by energy companies such as Pepco in forestation projects in the Lower Mississippi River Valley and possibly other sites.

One proven means for reducing greenhouse gases is to use trees to remove CO<sub>2</sub> from the atmosphere and store it in tree biomass and roots and soil. PowerTree Carbon is part of an industry-wide effort to voluntarily address climate change through measures designed to reduce greenhouse gas emissions in response to President Bush's recent "Climate VISION" plan, or Climate, Voluntary Innovative Sector Initiatives: Opportunities Now. Climate VISION is the first step in the President's policy of encouraging industry to produce voluntary cuts in greenhouse gas emissions. The Bush Administration has also proposed, as part of its Global Climate Change program, the creation of transferable emission control credits for measures that reduce greenhouse gas emissions.

PowerTree Carbon has obtained commitments totaling approximately \$3.5 million from approximately twenty-five electric utilities, electric utility holding companies and other energy concerns that will be used to fund six forestation projects located in Louisiana, Mississippi and Arkansas.<sup>4</sup>

<sup>4</sup> Pepco is one of eleven registered holding companies that have committed, either directly or through subsidiaries, to make capital contributions to PowerTree Carbon. The others are: Ameren Corporation; American Electric Power Company, Inc.; Cinergy Corp.; Dominion Resources, Inc.; Entergy Corporation; Exelon Corporation; FirstEnergy Corp.; Great Plains Energy Incorporated; Progress Energy, Inc.; and Xcel Energy, Inc. Other energy companies that have committed to make capital contributions are: CLECO Corporation; The Detroit Edison Company; Duke Energy Corporation; Minnesota Power (a division of ALLETE, Inc.); OGE Energy Corp.; Oglethorpe Power Corporation; Peabody Energy Corporation; Pinnacle West Capital Corporation; Public Service Electric and Gas Company; Public Service Company of New Mexico; Reliant Resources, Inc.; Tennessee Valley Authority; TXU Corp.; We Energies (the trade name of Wisconsin Electric Power Company and Wisconsin Gas

These projects will provide multiple environmental benefits, including removing from the atmosphere and storing over 2 million tons of CO<sub>2</sub> over the projects' 100-year lifetimes. Other benefits will include: restoring habitat for birds and animals; reducing fertilizer inputs to waters; and stabilizing soils. Two of the projects will involve purchase and donation of land to the U.S. Fish & Wildlife Service, while other projects will involve obtaining easements for tree planting on private land. The contributions of the members to PowerTree Carbon will be utilized for land acquisition and to pay the cost of planting tree seedlings. It is estimated that these projects will provide carbon benefits of more than 400 and 450 tons of CO<sub>2</sub> per acre by years 70 and 100, respectively, at a cost of less than two dollars per ton.

PowerTree Carbon was organized as a for-profit limited liability company ("LLC"), to allow carbon or CO<sub>2</sub> reduction credits, if and when they become available, to be more readily transferred. The LLC structure will also allow members to take advantage of tax benefits of land donation. Although formed as a for-profit LLC, PowerTree Carbon is essentially a passive medium for making investments in projects that are not expected to have any operating revenues, and will not engage in any active business operations.

Under the Operating Agreement of PowerTree Carbon ("Operating Agreement"), the business and affairs of the company shall be managed by its board of managers ("Board"). Each member that commits to make a capital contribution of at least \$100,000 is entitled to appoint one representative to the Board. In general, actions by the Board may be taken by a majority of the managers present at a meeting. However, certain actions of the Board or of any individual manager or any officer require authorization by a two-thirds vote of the full board. These include, among other actions: the sale, exchange or other disposition of any of the assets of the company greater than \$20,000 in value; the commencement of a voluntary bankruptcy proceeding; the declaration or making of any distributions to members; the incurrence of any indebtedness by the company; capital expenditures exceeding \$20,000; and the acquisition or lease of any real property and any sale of, donation, lease or sublease affecting real property owned by the company.

Company); and Wisconsin Public Service Corporation.