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AN EXELON COMPANY

February 6, 2026

Mr. David L. Vosvick, II,
Vice President of Customer Operations
Pepco Holdings
701 9th Street, NW
Washington, DC, USA 20001

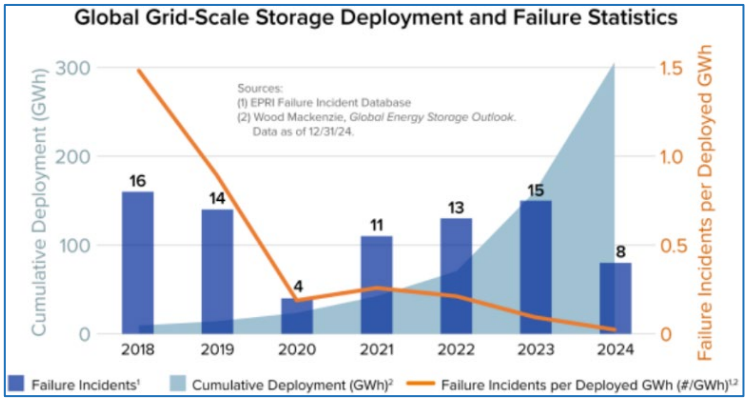
Dear Mr. Robert Jacobson,

Thank you for your correspondence dated January 19, 2026, outlining concerns regarding the Beach Haven Battery Energy Storage System (BESS). Atlantic City Electric (ACE) shares your commitment to safety, environmental protection, and transparent communication with the community. Battery energy storage solutions will play a critical role in our energy future as we work to meet growing demand across New Jersey and the broader region. We appreciate the opportunity to address the issues you raised and to outline the extensive measures in place to ensure the safe and responsible operation of the Beach Haven BESS.

Regarding the thermal runaway events (TREs) cited in your correspondence, we understand that any incident can be concerning; however, it is important to consider the context of these events and how they differ from the Beach Haven installation. Based on publicly available information many incidents involved equipment from vendors with documented design or operational failures. For example, the Warwick event was caused by design defects and other design issues. The Moss Landing incident in 2025, while notable due to its scale, involved an older design and a 300MW/1200MWh system, which is approximately 600 times larger than the Beach Haven BESS. This facility also had a history of prior failures. ACE continually studies these events to apply relevant lessons learned; however, many circumstances surrounding them do not reflect the design, scale, or technology used at Beach Haven. Our installation uses Hitachi equipment, which does not share a history of failures. In addition, ACE maintains strong vendor support, corrective maintenance resources, and 24/7 engineering oversight.

We also want to clarify the characterization of industry “failure rates.” The rate you referenced is based on the number of U.S. BESS projects rather than the total amount of energy storage deployed. Modern BESS installations contain thousands of modular battery units, so the more accurate metric would be failures per gigawatt-hour (GWh) of deployed storage. When assessed at a unit level, the national failure rate is significantly lower than the figures cited. As noted in a May 2024 white paper by Electric Power Research Institute (EPRI), “between 2018 and 2023, the global grid scale BESS failure rate has dropped 97%,” a decline attributed to improvements in design and industry best practices. Updated 2024 data

from EPRI's public BESS failure incident database further illustrates this trend. The Beach Haven system was engineered using these best practices, with specific attention to its coastal environment that complies with all applicable fire protection and electrical safety standards.



Battery Energy Storage Systems (BESS) have become an essential component of modern energy infrastructure, supporting grid stability, and peak demand management, and they will play a critical role in our energy future as we work to meet growing demand across New Jersey and the broader region.

Historical data and scientific studies indicate that when deployed correctly, BESS technology provides safe, reliable, and necessary resilience to the overall grid. Furthermore, many reported incidents involved legacy systems that were designed, installed, and operational before the development and implementation of comprehensive national safety standards.

We understand the importance of environmental protection and recognize concerns raised based on the Moss Landing event. ACE has implemented multiple layers of safeguards at Beach Haven to prevent system failure. The modular units are designed to prevent leakage under normal conditions, and the system includes early warning and fault detection technologies that identify abnormal conditions before they escalate. ACE has exceeded minimum required standards for detection, isolation, fire suppression, and emergency shutdown. ACE remains committed to ensuring long-term protection of the environment. Early warning and fault detection technologies that identify abnormal conditions before they escalate.

ACE partnered with municipal officials, the Beach Haven Volunteer Fire Company, and regional emergency response agencies to develop a comprehensive Emergency Operations Plan (EOP) that takes into account the unique geographical location of Long Beach Island. ACE funded the plan's development and provided specialized training to first responders, who have been briefed on the system's design, operating characteristics, and safety features. The EOP focuses on practical, location-specific mitigation strategies that allow responders to manage potential incidents safely and effectively with specific mitigation strategies that allow responders to manage potential incidents safely and effectively.

Regarding the Land Use Board approval process, ACE complied fully with all requirements. All necessary information about the project's design, technology, and safety systems was included in our submissions or presented during the hearing. Lithium-ion battery technology is widely used in residential, commercial, and utility scale applications, and ACE has taken

extensive measures to ensure the safety of our employees, customers, and the Beach Haven community.

ACE has vetted this project through all the necessary compliance requirements to receive approvals from state and local government. We remain committed to the safe operation of the Beach Haven BESS and to maintaining open communication with first responders, local officials, and community stakeholders. We appreciate the opportunity to address your concerns and questions.

Sincerely yours,

David L. Vosvick, II,
Vice President of Customer Operations

Encl: Appendix A, Appendix B

CC: Kristin McEvoy
Jim Ciulla
Matt Gideon
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APPENDIX A - Q&A (1/19/2026)

#	Question	ACE Response
1	Why is the Beach Haven BESS located in a dense, high-risk area instead of an isolated site?	The location of the Beach Haven facility at our existing site minimized significant new impacts to the community, given its proximity to the local energy grid and power lines that play a key role in Long Beach Island's energy grid.
2	How was coastal environmental exposure (salt, humidity, corrosion, storms, flooding) accounted for in the design?	The Beach Haven system was designed using best practices and specifically for its coastal environment, including protections against salt exposure, humidity, wind, and precipitation, and complies with all applicable fire protection and electrical safety standards
3	What is the true TRE failure rate based on total deployed battery units, not just project count?	Limited publicly available data in the amount of deployed storage, root cause of failures, and extent of damage makes calculating this failure rate challenging. However, as noted in the ACE response letter, when viewed on a unit level basis, the national failure rate is significantly lower than the figures cited. The white paper by EPRI in May 2024 states "between 2018 and 2023, the global grid-scale BESS failure rate has dropped 97%", and attributes this decline to the industry adopting new designs and best practices from these lessons-learned. ACE is not aware of a widely agreed-upon failure rate. It is important to note that an "incident" includes any failure, and damage to any number of containers. In most of the recorded incidents, damage was limited to a small fraction of the site's containers.
4	Have updated national standards been incorporated into Beach Haven's system?	While the Beach Haven BESS has 2 megawatt-hours of storage which is substantially smaller than other large-scale facilities, we have adopted the latest industry standards, implemented measures around safety and risk mitigation, including advanced monitoring and control systems to detect anomalies and prevent failures before they start.
5	Was any environmental review conducted before approving this site?	ACE performed the necessary environmental activities to permit and construct the BESS at our Beach Haven Substation.
6	Why is there no containment basin or protective barrier?	The Beach Haven system was designed using industry best practices and specifically for its coastal environment

#	Question	ACE Response
		and complies with all applicable environmental, fire protection and safety standards.
7	Will ACE conduct soil, water, and air quality baseline testing—and post event -event testing?	In the unlikely event of failure, ACE is prepared to support local first responders and will perform all necessary and appropriate environmental response actions consistent with the applicable laws and corporate policies.
8	How will risks to Sole Source Aquifers and the Barnegat Bay Estuary be mitigated?	The Beach Haven BESS is designed and constructed with additional protections beyond the minimum standard to reduce the potential impact on the environment. In the unlikely event of a fire or chemical release that may impact relevant groundwater or surface waters, ACE will perform all necessary and appropriate environmental response actions consistent with the applicable laws and corporate policies
9	What protections are in place for residents and visitors if a toxic vapor cloud forms?	The Beach Haven BESS facility like other modern BESS facilities is designed to detect and contain issues long before they pose a community hazard, and emergency-management systems ensure that if a situation develops, residents and visitors receive timely, clear, and actionable information.
10	How will real-time -time public alerts be issued during a TRE?	ACE will continue to partner closely with OEM so that, in the unlikely event of a TRE, residents receive prompt and reliable information through the established public-alert systems that are already familiar and proven within the community.
11	How will isolation zones (330 ft – 1,760 ft) be enforced given the town's layout?	The EOP developed for the site focuses on practical, location-specific mitigation strategies that allow first responders to manage an incident safely and effectively.
12	How will off-island hazmat response delays be mitigated?	The fire department and OEM have command control and will take all possible steps to expedite emergency response to the site. Any hazmat response will not involve direct interaction with the site until after the event has subsided, which may be a number of hours.
13	What is the evacuation strategy during peak summer population periods?	The fire department, emergency management officials, and other legally and practically responsible authorities play the lead role in determining whether protective actions such as evacuations are necessary, as only local governments have the authority to implement protective actions beyond "No Action Needed." Public warnings are ultimately disseminated in coordination with these agencies under the applicable Emergency Operations Plan.

#	Question	ACE Response
14	Why were lithium-ion hazards not disclosed during the BHLUB approval hearing?	This BESS system was fully disclosed as a battery storage system, with a thorough explanation of safety features ACE was implementing.
15	Should the approval be reconsidered due to alleged material omissions?	As documented in the Land Use Board hearings, this BESS system was fully disclosed as a battery storage system, including its safety systems. There were no material omissions, and the BESS is fully compliant with all applicable requirements for the permitting of the BESS.
16	Who is accountable for ensuring ongoing monitoring and compliance?	ACE installed an annunciator panel to assist first responders and completed all compliance to obtain UL certification. Additionally, ACE provides 24/7 monitoring and is committed to meeting all compliance requirements for the Beach Haven BESS.

APPENDIX B - Q&A (10/26/2025)

#	Question	ACE Response
1	Has ACE investigated the 10 national TRE failures since 2022, and have any design or safety improvements been made? Who designed and assembled the BESS, and have those suppliers experienced prior failures? How experienced are ACE's operators?	Our subject matter experts are fully engaged with developments associated with BESS including reviewing the findings from TRE failure analyses, when available. A review of publicly available incident data—including the EPRI BESS Failure Incident Database, major Baker Risk incident summaries, and additional U.S. case studies—shows no documented thermal runaway events attributed to Hitachi equipped BESS systems. The national standards have been updated to incorporate lessons learned from failures, and the Beach Haven BESS follows these standards.
2	What is the exact amount of lithium-ion battery mass at the site (within the 10,000–24,999 lb range)?	13,162.5 pounds
3	Did ACE consider using **lithium iron phosphate (LFP)** batteries, which are widely considered safer?	ACE's choice of lithium-ion NMC batteries reflects a careful, evidence-driven evaluation of grid needs, engineering design, and real-world safety performance. With robust fire-mitigation systems, advanced monitoring, and a compact installation footprint, the selected technology delivers safe, resilient, and efficient service to the Beach Haven community
4	What plume modeling was done? Under what weather conditions? How many people could be exposed in a worst case -case TRE scenario during peak tourism? What are responder exposure risks?	For Beach Haven, no plume modeling specific to local meteorological conditions was required under applicable codes, because the system is designed so that any abnormal condition is detected, isolated, and suppressed long before a release capable of off-site impact could occur. The Beach Haven BESS is a small-scale, 2 MWh installation, and the equipment has been engineered with multiple layers of protection—early warning detection, isolation controls, and fire-suppression features—intended to prevent a TRE from escalating into a scenario requiring population level protective actions.
5	What would the evacuation or isolation zones be, considering EPA and U.S. DOT guidance?	There is currently an Emergency Operating Plan (EOP) in place. The EOP is updated annually and addresses all aspects of emergency from cyber-attacks on the electrical system, to hurricanes, floods, fires and the like. The EOP outlines how events are handled, including interactions with local governments and first responders. Specific to fires, a pre-fire plan was developed for Beach Haven and training of Beach Haven first responders has been completed.

#	Question	ACE Response
6	What protections exist to prevent TRE related contaminants from affecting -related contaminants from affecting drinking water and Barnegat Bay?	The primary protective measures on the BESS are minimizing the risk of thermal runaway occurring in the first place and reducing the chance of it spreading between cells or racks within the BESS itself. This will minimize the contaminants generated during an event. In the unlikely event of a fire or chemical release that may impact on relevant groundwater or surface waters, ACE will perform all necessary and appropriate environmental response actions consistent with the applicable laws and corporate policies
7	What design adjustments were made to handle salt mist, humidity, high winds, corrosion, and flood risks?	ACE has significant experience constructing substations and installing other transmission and distribution equipment in coastal areas. ACE leveraged this extensive experience and ensured that the facility was designed with the local conditions in mind, including: • Corrosion resistant materials to address risks related to salt and humidity • Robust structural and electrical design to minimize wind-related risks • An elevated structure to minimize the risk of flood-related damage.
8	What are the three metal boxes added near the regulators? What are their functions and flood elevations? What happens if submerged?	All critical equipment on the site is elevated per our standards for substation equipment on the island to ensure the risk of flood-related damage is minimal.
9	Did ACE consider a TRE occurring during a flood event, and how would this affect emergency response?	ACE considered the risk of a flood in the BESS design and elevated it to minimize this risk. The exact response to the BESS during a flood would be driven by current conditions assessed by the first responders and OEM.
10	**:** Could TRE flames damage nearby overhead wires or regulators? What happens if they fail?	The clearance between the BESS and the overhead wires minimizes the possibility of fire-related damage. The BESS can be isolated during an event to prevent electrical damage to the grid.
11	What metals and chemicals would be released during a TRE? Have baseline contaminant levels been measured?	ACE is restricted from sharing manufacturer-specific fire testing results. All required pre-construction testing was performed for the site.
12	Does ACE's insurance cover health impacts, property losses, business losses, or environmental cleanup? Will ACE share the policy?	Our primary liability industry mutual insurer, Associated Electric and Gas Insurance Services Limited, is an insurance company that only insures utility and power companies. Therefore, the coverage provided under the policy was developed with an understanding of the

#	Question	ACE Response
		exposures related to utilities. The insurance is premised on covering third party damages for which the insured is determined to be legally liable. The coverage is broader than what is provided by commercial insurers. There are no specific exclusions contained in the policy for damages related to a battery storage facility.
13	Why did ACE omit BESS hazards—such as TREs and toxic gas release—from materials provided to the Land Use Board?	As documented in the Land Use Board hearings, this BESS system was fully disclosed as a battery storage system, including its safety systems. There were no material omissions, and the BESS is fully compliant with all applicable requirements for the permitting of the BESS.
14	What is the permanent fix for south--end power reliability? Is the BESS temporary? Will it be removed if a permanent feeder line is built?	The BESS is necessary so we can continue to provide safe and reliable power for thousands of customers and seasonal visitors to Beach Haven and Long Beach Island. The facility is designed to provide power during periods of high demand, creating additional capacity on the local energy grid. The BESS is not only designed to meet forecasted demand in the future but will also act as a backup system in the event there is an issue with critical equipment at another substation, providing additional redundancy for our customers. Planning is underway to replace the BESS with a permanent electric substation.
15	How is ACE protecting the BESS from cyber or physical attacks, given national concerns?	The BESS features an advanced, state-of-the-art security system; however, the specific details cannot be disclosed due to federal regulations and applicable security procedures.
16	Does ACE have a procedure to immediately discharge the batteries to reduce TRE severity?	ACE has the ability to discharge the battery appropriately to minimize the risk of thermal runaway. During an event, ACE's current procedure aligns with industry and manufacturer's recommendations to shut down the BESS and disconnect it from the grid.
17	Considering known hazards and local conditions, does ACE agree this is a dangerous and inappropriate location for a BESS?	ACE's design incorporated best practice and considered the location's costal environment, while assuring full compliance with all fire protection, electrical safety standards and environmental requirements. The BESS uses Hitachi equipment, which does not share the failure history associated with other vendors, and receives continuous engineering support and monitoring. The system also incorporates multiple early warning, fault detection, isolation, and fire suppression features that exceed minimum industry requirements. Claims that the

#	Question	ACE Response
		installation is “dangerous” overlook significant national improvements in BESS safety. The 2024 EPRI/PNNL/TWAICE study shows a 97% reduction in global grid scale BESS failure rates due to improved design and best practices, standards that ACE incorporated into Beach Haven’s engineering. Additionally, Beach Haven’s system is substantially smaller than many large-scale national facilities and includes intentionally designed containment measures. ACE has taken extensive, engineering-driven, safety focused, and environmentally responsible measures to ensure the Beach Haven BESS is both safe and appropriate for its location. The facility is essential for improving reliability, providing redundancy, and supporting the energy needs of Long Beach Island—now and into the future.
18	What provisions exist to secure adequate water supply during exposure protection operations? Could saltwater be used? Has local government been briefed on potential strain?	Use of water on a BESS is not recommended during a TRE. Incidents involving significant use of water during a BESS incident have been cases where the fire department were protecting other BESS containers located much closer than even the property line at Beach Haven BESS. Should the fire department choose to apply water to adjacent structures, the use of salt water would not have impact on the batteries or the battery enclosure. ACE has positioned the BESS on our property in a manner that reduces the potential for fire exposure to any property outside of the ACE fence line.
19	Is there a decommissioning plan for the BESS?	A decommissioning plan has not been developed. ACE plans to follow industry standards for decommissioning.
20	Has ACE conducted an internal risk assessment, and did it specifically include a TRE scenario?	We have adopted the latest industry standards and implemented measures around safety and risk mitigation for the site.