

10-Aug-2016

Exelon Corp. (EXC)

Analyst Day

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MANAGEMENT DISCUSSION SECTION

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Ladies and gentlemen, please welcome Senior Vice President, Investors Relations, Dan Eggers.

Dan L. Eggers

Senior Vice President-Investor Relations

[indiscernible] (00:14). Good morning, everybody. Thank you for coming to Philadelphia and the 2016 Exelon Investor Day. We appreciate you all coming down, and spending a good part of the – a day with us. We think there is a lot of great information we want to share. It's been almost four years since the last Analyst Day. So plenty of discussion here. A few points of note, number one, keep in mind, that all the traditional regulatory disclosures are included here and in all SEC filings. We will not read them to you as we do on the earnings call. So you can thank us for that.

The second thing I'd point out is all the GAAP and non-GAAP disclosures are in the back of the presentation. So anybody who is dying to resolve for governmental reasons, they're all available for you to use at a later time. Last house-keeping item, in case there is an emergency, exits are behind you, and you can go right or left or if you go out the side, behind the screen there's two more exits. There is plenty of ways to get safely out of here, although we have no intention of that occurring today.

With all that out of the way, we have an exciting day ahead of us. If you look at the agenda, we're going to start off with Chris. We're going to have our full Utility team get up and talk about their business stories. We'll take a break. Bill and Kathleen will talk about policy, Ken and Joe will talk about the ExGen business. Jack will finish up with some financial updates in the presentation. And then we'll do Q&A. We've segmented Q&A in a way that between the businesses, you have a chance to catch up and ask questions specific to the business. And then big picture questions, you can add at the end for Chris, and Jack, and wrap everything together.

So we appreciate you being here. Hopefully it's a great day. It's my great pleasure to turn the microphone over to Chris Crane, our President and CEO.

Christopher M. Crane

President, Chief Executive Officer & Director

Good morning and thank you all for joining us in Philadelphia, one of our hometown cities. It's showing very well with the convention and now with all of you being here. The senior management team is here today to help share the outlook for our business. We have a larger than normal group that we brought in, but wanted to take the opportunity for all of you to get to know and share my confidence in this team and their ability to execute. We've had a meaningful strides, we've made meaningful strides in the shift of our business mix, as we've talked about with you before and today is the chance, especially for our utility leaders all of them to get up and describe where we're at.

The slide behind me, is kind of our brag slide. It's where we are now, where we've come from in the last four years. We're now serving more utility customers than any other company in the country. Over \$30 million in utility

rate base. We've produced more clean power than any other generator by a significant margin. We owned the biggest retail book in the business and we work with 32,000 very talented and professional employees.

Our ability to be successful rests on leveraging the advantages that this scale gives us. Advancing innovation in both technology and customer service is a high priority of ours going forward, relying on the stability of our utility base is a shift that – that we are making in leading the industry in policy development while maintaining the best-in-class operating culture that you're going to hear a lot more about today. On the next slide, you can see our value proposition that we'll be discussing. Utilities are at the heart of the earnings. Targeting utility, EPS growth, 7% to 9% annually 2016 through 2020. ExGen will produce over \$8 billion of free cash flow over the next five years to fund its current growth projects, which are tailing up, meet the equity needs for the utility growth program and retire \$3 billion of GenCo debt over that period of time.

So we will run the GenCo to maximize the value of our trademark Exelon operations and continue with our public policy advocacy that we'll talk more about today. We'll continue to find ways to fairly compensate the clean reliable attributes of our nuclear plants and we'll not run money losing plants as we have demonstrated with our announcement in Illinois earlier this year. We're going to protect our investment grade and balance sheet across all the businesses. The capital allocation is really focused on utility growth, dividend growth and debt pay down. And that prioritization, we believe will create value for all you shareholders as we're delivering value to our customers through reliability and better service.

Flipping to the capital investment in the utilities. You can see from this slide, we're delivering on the first point of our value proposition. We're investing over \$25 billion in the utilities over the next five years and that does represent a vast majority of our discretionary investment through 2020. Our utility CEOs will be up as we said shortly to discuss the details on that and their approach on the execution thereof of the capital deployment.

On the next slide, driving the strong rate base growth, the CapEx program will raise our rate base growth to 6.1% annually through 2020. So, that's from 2016 to 2020, and this is consistent with the growth that we have seen over the last five years. We will be adding nearly \$9 billion in rate base over that period of time. So to put that in perspective, that's like adding a PHI to the portfolio without paying a dividend or navigating the regulatory process to say it nicely.

On the next slide, talking about EPS growth and looking at the range here, we continue to target EPS growth from the utilities at 7% to 9% annually. And we're extending that growth path from our last conversation through 2020. The higher growth comes from the 6 plus percent rate base growth and improved ROEs at PHI which Denis will talk a little bit more about coming up. The growth is frontend loaded as we get through the early rate cases at PHI. We see the utilities providing a majority of the growth of the EPS contribution through the decade, and we see the potential of sustaining that 5% EPS growth four years after 2020.

On the ExGen side, you can see the free cash flow from ExGen supports the overall plan. We do have a strong base at our ExGen. We are talking a lot more today about the utilities to make sure we're sharing that information. We have had more conversations in the past on the ExGen. So it is a big focus today on the utilities but it is – but it's anchored on what we are doing with the ExGen. Over \$8 billion of free cash flow will fund the ExGen residual capital that we have in the plan as I said, provide the equity infusion into the utilities so we can avoid the equity markets and pay down roughly \$3 billion on debt at the ExGen, which we think will uniquely position us through the commodity cycles to maintain that strong investment grade balance sheet.

The strong free cash flow from the ExGen does underpin our capital prioritization and it benefits the entire company not just the ExGen. Steps to improve the ExGen earnings on the next slide, another key priority is

furthering and improving the consistency and the durability of those earnings. We've made significant progress and Joe will talk to you about that and Ken on our gen to load matching strategy which improves our hedging and captures incremental margins above and beyond just the wholesale market.

We're pursuing options for our nuclear plants and ensuring compensation for the clean attributes. You've seen the recent success we've had in New York and Bill and Kathleen will talk more about that, but you've also seen the hard decisions we've had to make in Illinois on the early retirement announcements and there will be more details with Ken and Bill talking about that. We're pursuing competitive power market reforms like the PJM capacity market reforms that have really provided us some consistent cash flows over the last couple of auctions. And we will take the opportunity to monetize some of our merchant assets as we see the market valuing them higher than we can. We've done that nicely in the past and we will continue that. We plan to continue that approach.

So the next slide, we're making all these decisions with a focus on the balance sheet, which you can see is the center to our proposition. Even with the considerable investment that we're making totaling \$32 billion over the next five years, we have a strong investment grade credit metrics with headroom at the corporate level, and we're targeting a three times debt-to-EBITDA at the GenCo level, and I'm very confident that we can do that. Delivering through the capital allocation, Exelon's value proposition remains linked to the capital allocation philosophy that we shared with you starting last year, which is center to all our investment decisions.

We're committed to a 2.5% dividend growth through 2018. We will deploy free cash flow from the generation as we've said to fund the utility to modestly invest in contracted assets that have to meaningfully exceed our return thresholds, and as I said, retire the \$3 billion of debt at the GenCo. We do have diverging paths for our nuclear plants, and 2016 has been a pivotal year for us in the future for nuclear generation. And this slide shows the two paths that the financially challenged plants are taking. They're driven by weak natural gas prices, the government mandates that we've been talking about for years and the unintended consequences of those preferring renewable over stated outcome, which is low carbon or carbon free generation and a failure to properly compensate them for that carbon free generation.

In New York, with the support of Governor Cuomo and the Public Service Commission, the Innovative Clean Energy Standard Program has been approved, and it will be implemented. The program puts a value on carbon in a benefit of nuclear. Preserves the at risk jobs in upstate New York, and puts us on a course to save the FitzPatrick plant that you heard the announcement about yesterday and that one will not have to close.

On the other hand, the path is different today in Illinois. We have been unable to move a very well designed legislation to preserve the Clinton and Quad Cities plant, which leaves us no choice to proceed with the steps that we must take to shut the units down. For the good of our customers, the communities, our employees and our shareholders we'll continue to work for solutions in our states to preserve these nuclear-generation fleets, but we do need the states to step up and recognize the value of these assets that they contribute to the communities and to the environment. And I will stress that we will not destroy shareholder value. If the plants are challenged, we can't find a path, we will be shutting the plants down.

So finally, we would be nowhere today without the incredible talented workforce that we have at Exelon. We are 32,000 strong now at this point, and today you're going to hear reflections from some of the other leaders on our workforce from a number of perspectives. But I wanted to highlight a few on the culture of the innovation that we're growing, and we've talked about quite a bit here publicly at Exelon. Engaging the employees has been a significant focus of myself and all of our leaders on helping find fixes to the challenges that are in front of us, some that we know about and some that they know about, but allowing them to engage their brains and help in the fixes.

There are some examples here. BGE finding new and badly needed ways for flood protection. The nuclear workers there with the iPad. We have now gone to digital work packages, it may not sound like a lot but a couple of years ago if you went into a nuclear plant, you would see a mechanic or electrician working on a pump with a three ring binder with paper like you wouldn't believe. It was a constant trap and a productivity drag, so we're now on iPads improving efficiency and reducing the chance for error.

ComEd was the first utility that was approved by the FAA to fly drones for operational use, and they're continuing to find other ways of using the drones across the company. On the bottom right-hand side, those two meter readers from the Rockford region, they were hired – as you can see, they're in their early 20s. They were hired to read meters in a very remote area of our service territory. And on their own, without any coaxing or prodding, they developed apps that gave them the most efficient routes, gave them the information on who has a dog, where the meter is at, and it drove the productivity of those meter readers up significantly, but allowing the employees to engage and take on these tests that really benefit us. So we'll be using this app as long as we have meters, but those are on the way out.

The digital worker concept is where we have done a lot of work with innovation fares with the employees, engaging the employees and sharing what can be done from business to business. And some of the things that we're doing in the nuclear plants or on the utility side allowing technology, [ph] the wear (15:51) technology that can help reduce radiation exposure. You send one person in with these wearable devices and they're getting advice from people offsite, onsite. It has helped us better utilize resources, created a much more safer workplace, but the efficiency that's coming into the organization is fantastic. So, we do have a great story to tell and I'm really excited about the prospects of Exelon going further.

But right now, I'd like to turn over to our utility leaders to discuss their businesses in more detail. And as Dan said, we'll be up at the end to answer questions or get into more dialog as you wish. So, right now, I'll turn it over to Dennis O'Brien, our Chief Executive Officer of Exelon Utilities.

Dan L. Eggers

Senior Vice President-Investor Relations

Hi, everybody. We're ready to get on with the Utilities section. As Chris said, it's my pleasure to introduce our entire senior utility management team. Dennis O'Brien, Chief Executive Officer of Exelon Utilities. And then the CEOs of our individual Utilities, Calvin Butler of BGE, Craig Adams of PECO, Dave Velazquez of PHI, and Anne Pramaggiore of ComEd. They all have their moment to go in a second.

But I'll turn it over to Dennis to give his high-level thoughts on the Utility business.

Denis P. O'Brien

Chief Executive Officer, Exelon Utilities

Thank you, Dan. Dan is one of our first leaders of IR to realize that the Utilities story was very exciting and we ought to do it first thing for everybody. So, thanks for having that great wisdom and insight, Dan, and welcome to our team.

Good morning, everyone. As the senior member of Exelon from Philadelphia and also as the current Chairman of the Greater Philadelphia Chamber of Commerce, I welcome you to my hometown Philadelphia. It's a great place to live, work, and play. And hopefully, you enjoy your time here. And while I'd love to talk to you about living in

Philadelphia, we're here today to talk about Exelon and I and my team are here today to talk to you about Exelon Utilities.

I've worked in the Utility business for over 30 years now. And I can't think of a better time to be leading the Exelon Utilities than right now. Over the last few years, Exelon Utilities has grown to be one of the largest family of utility companies in the country. With the help of over 17,000 employees, we provide safe electric and natural gas to more than 10 million customers. And by my count, that's 22 million Americans in the Mid-Atlantic and Illinois that we serve.

This morning, I will provide you with an overview of the scope and breadth of Exelon Utilities along with our strategies for improving operations and financial performance of PHI. As you can see, I have one of the best, if not the best, leadership team in the nation. And following my comments, Anne, Calvin, Craig, and Dave will provide you with a deeper understanding of each of their businesses. Next slide, please.

We've shown you this slide before, but I wanted to show you again because I think it's really important in terms of showing you the scale of our combined utility platform and putting it into perspective. As I mentioned earlier, we have about 10 million customers, which is more than any other utility in the United States.

Over the next three years, we will be investing \$16 billion in our utilities to better serve our customers. This is fourth amongst publicly traded utilities. Our rate base of nearly \$30 billion is also the fourth largest in the industry even though we are solely a transmission and distribution business. I could continue to walk through the metrics but the message would be the same. Exelon Utilities is amongst the largest utilities in this country. We are leveraging our scale to drive better operational and financial performance. Whether it is from best practice sharing or using our scale to get better pricing from our vendors, our scale is definitely a competitive advantage that we are using to benefit our customers and to achieve high levels of operational and financial performance. Next slide, please.

From 2012 to 2015, we invested about \$12 billion to improve reliability, resiliency, and the customer experience. Going forward with the addition of PHI, we will invest more than \$25 billion over the next five years. We have finished our planned smart meter deployments in all of our utilities except for ComEd, which will be done in 2018. I am extremely confident in our ability to deploy the \$25 billion of capital over the next five years efficiently and effectively to better serve our customers. Our five-year investment strategy is well-developed and our project management capabilities are growing stronger each and every day.

Next slide, please. Our considerable capital investment is in turn driving strong rate base growth. Our rate base growth averaged 6.4% annually from 2012 to 2015, and with more than \$25 billion of capital investment through 2020, we expect to see a similar rate of growth. These investments represent prudent proven projects that will improve reliability, safety and customer satisfaction.

Next slide, please. More than 70% of our rate base growth will come into service under formula rates like ComEd's distribution rate, FERC transmission formula rates or capital riders. These timely recovery mechanisms allow us to make additional investments on behalf of our customers while supporting our ability to earn our allowed ROEs. In the jurisdictions that lack these mechanisms, we are working with key stakeholders to enact and implement this type of regulatory recovery tools.

Next slide, please. On the previous slide, I showed you the significant amount of capital spend and rate base growth. The strong rate base growth of all of our utilities, coupled with improving earned ROEs at PHI, will result

in a 7% to 9% earnings CAGR through 2020. We plan to solidly land in this growth rate range, putting us as one of the top growth stories in our industry.

Next slide. Chris talked about his brag slide, this would be my brag slide. Our model for driving utility performance is based on working on the following three areas in concert. Operational excellence, financial discipline and regulatory stewardship. We know that we need to do each of these well in order to succeed.

Each of the legacy Exelon utilities has improved the operational performance since the Exelon-Constellation merger. In a short timeframe, BGE has made great strides with operating metrics that were in third and fourth quartile just a few years ago. Through hard work and best practice replication across utilities, we have significantly improved our performance in all three of our legacy companies. BGE, ComEd and PECO are operating at first quartile for the most part as seen on this chart. We believe that this improvement in operational performance [audio gap] (25:23 – 25:33)

I have to start over. I'm kidding. Testing – here we go. Okay. I'm going to start over now. I'm kidding here. We believe that this improvement in operational performance has led and will lead to improved ROEs and better treatment by our regulators. As you can see on the right side of this chart, we have much work to do to improve PHI's performance. I am confident that we will apply our high performance model and improve PHI as we did with our legacy companies. You say, Dennis, why are you so confident about the ability to do this? Well, as I mentioned, I've been around for a long time. We have faced these similar challenges at our legacy companies including most recently at BGE. BGE was not performing well, customer satisfaction was low and reliability was in the third quartile.

We worked hard at BGE to improve performance and improve customer satisfaction. Calvin and his team have done an absolutely marvelous job. Calvin and his team have rebuilt our regulatory relationships and have worked diligently on our rate cases. Delivering on operational excellence leads to more favorable regulatory outcomes. Our experience at BGE and our legacy companies gives us great confidence that we will succeed at PHI. Next slide please. The current gap between earned and authorized ROEs at PHI represents a considerable opportunity for us.

Turning around the operational performance at PHI will involve closing these gaps. Earned ROEs of 250 basis points to 500 basis points below allowed returns were our experience in 2015. This under-earning is driven by lack of rate cases in the PHI companies during our merger approval process. Some of our PHI companies have not had a rate case since before our announcement. And during that time, PHI has continued to make significant capital investment. We are going to focus on improving reliability and customer satisfaction, which is essential to get a proper regulatory treatment. This will not happen overnight, but I am confident that we will be able to do it over the next few years. Next slide please.

As I mentioned, improving operational performance and customer satisfaction are the foundation of our approach to getting good regulatory outcomes at PHI. We need to meet the commitments that we made in our merger process. We need to use financial discipline in managing our resources and managing our cost. We are most successful when our objectives are aligned with the objectives of our policy makers. So, with that in mind, we need to better understand the goals and priorities of our regulators, our state and local governments, our customers, and be better partners in achieving those goals.

When we do these things well, we are better positioned with our stakeholders and we get better regulatory outcomes. We have already begun our near-term regulatory strategy work at PHI. Hard to believe, since we've closed the deal we have made rate – nine rate filings. Six distribution rate cases and three transmission formula

rates, requesting \$465 million in revenues across our PHI jurisdictions. We expect to have by procedure, the first case resolved in November in Pepco Maryland and have all of the cases resolved by next summer. We have some very productive cost going on in some of the jurisdictions and we're optimistic about our current rate cases.

Some of the rate case increases are significant as a percentage of the customers' bill. And we have worked hard with the stakeholders to have them understand the reasons for these increases. We expect to be in a steady rate case diet in all of our PHI companies over the next three years. Next slide please. In addition to filing rate cases, there are existing mechanisms that we can pursue to recover our investments. These mechanisms or trackers for timely recovery of significant capital investments are very efficient ways to do it. Some have been used by other utilities even in the states that we're in.

In Maryland and New Jersey – in our Maryland and New Jersey cases, we asked for more than \$200 million of recovery under the state grid resiliency programs, and we are working to resolve issues with the DC PLUG legislation for the recovery of \$500 million. We will advocate for more effective mechanisms in all of our jurisdictions for rate recovery. Next slide, please. As I said, I've been in the utilities for a long time. And as a utility, you quickly realize that you're only successful, as successful, as the communities that you serve. Our employees at every level of Exelon realize this, and they are dedicated to the communities in which they live and work.

In 2015, our employees volunteered nearly 130,000 hours, up 25% from just three years ago. They participated in 100 company sponsored events, gave more than \$8.5 million to charity, and served on 540 non-profit boards. I am proud of our employee's dedication and support to our communities, and I anticipate that the communities that we serve and Exelon will continue to prosper together for years to come. Thank you.

It is now my great pleasure to introduce Anne Pramaggiore. Anne is the President and CEO of ComEd, the largest of our utilities. Anne?

Anne R. Pramaggiore

President, Chief Executive Officer & Director, Commonwealth Edison Co.

Thank you, Denis. Good morning. I think I'm actually talking off of this. Welcome, we're glad that you're all here today, and with all these different companies and all the different cities we serve now, there's any confusion just remember this, Chicago is where the Cubs play. Wouldn't have been able to say that a few years ago. Thank you.

We appreciate very much you coming out today and your interest in our business. Denis gave you an overview of the utilities. I'm going to talk about ComEd for a couple of minutes. ComEd's been in the midst of a considerable transformation over the last four and a half years, and we see this as the first phase of an important evolution in the business.

I'm going to kick off the ComEd story with a few vital statistics. Today, we serve 3.8 million customers in Chicago land, making us the third largest utility serving the nation's third largest metropolitan region. This requires massive infrastructure. We have about 90,000 miles of feeders, 1.5 million poles, and about 2,600 substations. This adds up to a rate base of about \$10.6 billion at the end of 2015 and it's growing.

To set the framework for the remarks I want to make this morning, I wanted to share my view of the utility as having – Utility business, Distribution Utility business as having three pillars. The first is a constructive and reliable regulatory model. The second is the internal capability to execute on investment plans. And the third pillar is the delivery of outcomes that shareholders experience and for which they perceive value, you, our customers, policy makers alike.

In today's world, we see another element, not previously required in the utility sphere, and that is given the sea changes underway in our business, the utility needs a plan to transform its business architecture. My discussion today will try to layer these pieces together. When we wrapped up 2015, we concluded at ComEd, the biggest investment year in our history. We put \$2.5 billion of iron in the ground. It reflects in large part the significant investments we've been making under the Energy Infrastructure Modernization Act or EIMA.

2016 will be our peak year in the EIMA Investment Plan and while those investments will tail-off in the next several years, we'll still see approximately \$10 billion in CapEx in our future 2016 through 2020. The comprehensive EIMA legislation was passed in October of 2011 and it's really been a game changer for ComEd. It addresses all three pillars that I mentioned a moment ago: the investment, the regulatory model, and the shareholder value. Under the investment pillar, we've been engaged in the 10-year \$2.6 billion investment program to modernize the grid. Half the amount goes to smart grid investments and half goes to more traditional type investments, reliability projects.

As concerns the regulatory model pillar, we were able to persuade policymakers that with this level of investment that was contemplated, it required a regulatory model different from the volatile model that we've been living with for a number of years. So we designed a formula rate that provides greater predictability as well as timely cost recovery. We make an annual filing that both captures the current estimated cost, as well as true up or reconciles the previous year's actual cost, both O&M and capital.

The ROEs are formulaic and we have the ability to amortize large one-time expenditures that exceed \$10 million. The model reduces lag, mitigates volatility and adds transparency. Finally, under the stakeholder outcomes pillar, with the increased system investment, we've committed to meet an array of performance metrics related to reliability and customer service. We can be assessed ROE penalties if we don't meet the targets. They run from about 30 basis points up to about 38 basis points depending on the year. The EIMA program has allowed us to invest and modernize what was an aging high-traffic system to recover our costs and deliver results that customers have taken notice of.

Half of the EIMA spend is in traditional reliability programs as I mentioned. The work we have done includes implementing more than 800 storm hardening and grid resiliency projects, replacing 3,500 miles of underground cable and refurbishing 26,000 manholes. On the smart grid side, we've installed over 2,600 smart switches or distribution automation devices, sectionalizing our system so that no more than 500 customers to 700 customers would see an outage from a single feeder failure, that's the goal with the smart switches or the distribution automation. We've built nine intelligent substations and we're on track to install 4 million smart meters by the end of 2018.

The result is our investments have supported record reliability for the past three years and we're on track to exceed that in 2016. Since 2011, we've seen a 43% improvement in safety and over – we've – our work has resulted in 5.5 million avoided customer interruptions. Our system investments have resulted in 30% reduction in storm restoration times, right, reliability of complaints have dropped 75% and our customer sat is at an all-time high.

Our work extends beyond EIMA and we have a lot of work going on the transmission side of the business. The slide that you're looking at identifies some standard work that we're doing on the transmission side, such as proactive replacement of large transformers and work that reflects the times, a lot of security work around our substations. And in addition, the bottom path of the slide talks about one of our large projects on the transmission side, our Grand Prairie Gateway project. It's a 60-mile high voltage, 345 kV line we're building between two of our existing substations, it will alleviate congestion on the grid and enhance reliability.

We have a formula rate for our transmission, our recovery as well, and we similarly see reduced lag and volatility with that regulatory structure. On our rate base chart, you can see the growth impact of EIMA and the other investments we've been making, in the first four years that 7.7% and then a still robust growth rate of 4.8% running out through 2020.

It's significant that of the approximately \$4.2 billion of rate base growth at ComEd over the next five years, 100% will be recovered through existing formula and rider mechanisms that have served us well over the past four-and-a-half years. But in order to keep ComEd relevant and healthy as the world evolves, we have three significant undertakings on the road ahead. The next generation energy plan, a piece of legislation pending in Illinois right now. The Illinois Commerce Commission Policy Forum, which we expect to see get up and running in the next six months or so. And the distribution formula rate sunset, which happens in 2019, which will draw us back to the legislature to reset the formula rate that we have on the distribution side of the business.

First, as you may know, Exelon and ComEd have proposed to the Illinois legislature a comprehensive next generation energy plan. I can't cover the entire legislation, but I want to touch on a couple elements that I think would be of interest to you. First, the new pricing regime, and second, growth opportunities that we have in this bill.

The pricing regime has three parts. One, we had decoupling into our regulatory structure. Right now we have close to decoupling with the formula rate, but it's not perfect. This would perfect that. We had demand rates which create a more balanced allocation across our customer base, pulling out some latent subsidies we see in the more volumetric pricing that we have today.

And third, we reduced the customer charge or the fixed charge of our bill, which is quite high right now, that gives customers more flexibility to manage their rates. The second element of the legislation that you would find of interest is the growth opportunities. This legislation gives us the opportunity to ramp up our energy efficiency spend, actually close to double it, and then treated as a regulatory asset and earn on it.

We similarly provide a solar rebate in the form of smart inverters, which we then take to our rate base as an earnings opportunity. And finally microgrids. We've about \$250 million identified to build a series of microgrids, and that is also classic rate base. So we'll continue to pursue the legislation through the veto session, and we're preparing for both the ICC forum and the sunset which will take place in 2019 neither are far off.

Like our sister utilities, we're working hard to become the best at everything that counts, and this slide demonstrates some of the successes we've had. On execution, 2015 marked the third straight year of record reliability. We've also turned in our best safety performance on record and named one of the America's Safest Companies in 2015 by Environmental Health and Safety Magazine.

Our state regulatory model comes in for kudos. It was recognized by GridWise Alliance, ranked Illinois number 2 in progress in implementing smart grid technologies, and number one in policy supporting these technologies. And finally on J.D. Power's latest customer satisfaction index, we received a fourth straight record score, while making us, well, not number one in satisfaction, we're the most improved utility across the country over the last five years.

So, I want to wrap up my presentation with some thoughts regarding the future, what functions we think customers will require of us, how we will perform them and what the business model starts to shape up to be in the new world. We expect to be discussing this further in the ICC forums that I mentioned. Our business model is

facing the biggest changes in more than a century, largely due to three trends; concern over climate change, interest in the environment, the acceleration of technology, innovation and the increasing digitalization of the economy driving new customer expectations and behavior.

The drivers manifest themselves in our business in the form of a more decentralized system. Demands for clean and leaner resource usage and customized and connected service. And more and more we'll see a trend of third parties coming into our business to try to meet the needs of customers.

Our work starts with dissecting the utilities functionality as envisioned in the future into four tranches. From here, we're making assessments as to what sorts of core competencies policy support and business architecture each layer requires. The first functional tranche is constructing and maintaining the physical grid. Someone has to do it and we've done it for over 100 years. Of course, the grid of 2030 will have much different demands than the grid of today, accommodating intermittent resources and resources controlled by multiple third parties.

The second tranche is the planning and operating function, also a function that we perform today. In the future, the world becomes more complex around this function due to the mix – the supply mix that I talked about and the control issues I mentioned. Similarly, demand becomes far less predictable. This function becomes exceedingly complex, and its success will tie closely to the investment choices made in tranche 1. Automation will be at a premium.

Third is the energy platform tranche, where energy transactions occur at the distribution level to accommodate distributed energy resources. And the fourth tranche is a service and solutions platform. This is where customers go to procure and producers go to market non-energy services and products, smart thermostats, energy efficiency, demand management services.

At ComEd, we're developing a number of projects to help progress towards the future state and test some of our hypothesis. Our key future-oriented project is our Bronzeville community of the future. The foundation for the project is a microgrid being built on Chicago's South Side and right next door to Illinois Institute of Technology, which has an existing microgrid. The ComEd microgrid will have solar and storage resources and will connect to the IIT microgrid, creating – allowing for dispatch between the two microgrids and creating the first microgrid cluster in the world. We will create neighborhood dashboards to facilitate consumer engagement and we will incorporate a number of other smart city elements. The DOE has graced us with three grants for the project and they're watching it closely. This will be our prototype to test the ultimate model we envision for the future.

While Bronzeville is our core prototype, we have highlighted several other projects that test some of our hypothesis about the future. One is infrastructure convergence, leveraging our new communications infrastructure to create efficiencies across multiple lines of infrastructure. This is the foundation for thinking about smart cities. We have installed streetlights in 50 municipalities, connecting them to our AMI communications network, allowing us to monitor outages and brighten and dim streetlights remotely.

We have a partnership with American Water where we are testing our capability to connect water meters to our communications infrastructure, offering meter-reading and data analytic services to the water utility. We're testing superconductor cable with a plan to connect multiple substations in the Chicago business district creating super redundancy and resiliency in Chicago. And finally, our marketplace, we will prototype a transactional web-based platform later this year where customers can buy energy-related products and services.

My sister utilities are doing some very exciting work in this area as well. PECO is testing microgrids. BG&E has the most sophisticated demand management program in the country, and PHI is connecting residential solar.

So I hope I've given you a flavor for what we're doing under our three pillars for customers, for investors, for all our stakeholders, and I appreciate your time. And, I'm going to turn it over to Calvin Butler, who is the CEO and President of Baltimore Gas and Electric. Thank you very much.

Calvin G. Butler

Chief Executive Officer, Baltimore Gas & Electric Co.

So let me take this opportunity to say good morning to everyone. And as introduced, I'm Calvin Butler, and have the honor of serving as CEO of Baltimore Gas and Electric. So today, I get the opportunity to introduce BGE to you. I've been CEO now of BGE for the last two-and-a-half years, and I have the honor of leading 3,300 amazing employees. For those of you who don't know, BGE is the largest utility located in central Maryland. And as the slide indicates, we've approximately \$5 billion in rate base, 650,000 gas customers, and 1.3 million electric customers. We've been serving central Maryland for approximately – for 200 years. Just celebrated our 200th anniversary of the first gas utility in the nation on June 17. Now, as many of you know, a lot has happened in the City of Baltimore over the last couple of years. And we took the opportunity this year to really celebrate not only with our employees, our retirees, our customers, but all of our stakeholders in the city, really got them all engaged in our 200th anniversary.

And what we also – we used this opportunity to take the time to educate our customers and engage them about what we mean and what we do across not only the City of Baltimore, but the entire region. We served as lead sponsor for what we call Light City, and at the end of March of 2016, and in doing so we welcomed 400,000 people from the State of Maryland and the region to downtown Baltimore.

And what that did, in turn helped us continue to connect with our customers and all of our stakeholders across our state. And not only are we continuing to invest in our customers and the community, but we are also taking great strides to identify investments in our infrastructure. We continue to see valuable investment opportunities for our customers across our Electric and Gas Distribution and Electric Transmission businesses, that are driving truly system performance.

Denis talked about the progress and the evolution of BG over the last several years. I will discuss a few examples of the infrastructure investments we are making on the next two slides. First, BG is making \$120 million in transmission investments in the Northeast area of our service territory. These investments benefit our customers by addressing potential overload conditions in this portion of our region. The transmission assets go into service in the spring of 2017. Now, it's important to note that BGE's Transmission business has a formula rate with a ROE of 10.5%. So, projects like this that we can identify are attractive to both our customers and our investors.

Second, in our Gas Distribution business, we have a 30-year plan to accelerate the replacement of old gas infrastructure. As mentioned, we're 200-years-old. So, you can imagine that gas infrastructure has some work to be done. And I'm proud to say that the team has accelerated that pace. Over the 30-year plan, these investments benefit our customers by replacing over 1,000 miles in old gas mains, and over 100,000 old gas services with modern infrastructure. The first five years of the plan was approved by Maryland regulators after being enabled through legislation in the 2013 Maryland General Assembly.

It's important to note that the plan has a tracker recovery mechanism, and BGE receives contemporaneous recovery for modernizing the gas system, which also allows us to reduce regulatory lag. The investments we'll be making over the next five years will grow rate base at a healthy clip. But most importantly, improving the reliability and resilience of our system for customers, which will in turn provide steady earnings for investors. So, the chart, as you see to the right, really goes to show you the acceleration or growth of BGE's rate base.

And next slide. In fact, BGE's projected rate base in 2020 will be nearly \$2 billion, 40% higher than it was at the end of 2015. Overall, approximately 40% of our rate base recovery over this period is through trackers, with about 60% through the traditional rate base approach. Now, this is important, because as you know, the regulatory environment in Maryland, although it has improved and as Denis alluded to, we're really working on developing those relationships as much as we can reduce that regulatory lag is important for the continued growth of our business.

We continue to explore approaches for alternative cost recovery mechanisms that will minimize that regulatory lag. I want to take the opportunity to close here by saying how proud I am to really represent the 3,000-plus employees at BGE. We talked about the transition of becoming an Exelon company and the hard work that was done by the entire team, from our COO, Steve Woerner and Chief Financial Officers and the entire operational team has really embodied what it means to come in through change and really lean in and make a difference in developing those relationships and improving operational performance.

In 2012, the entire leadership team stood together and made a commitment to improve that overall operational performance through working collaboratively with our other Exelon utilities, PECO and ComEd, using best practices and consistent management model approach we delivered on our promises to bring BGE into the top quartile and decile in the many different metrics that we measure our business.

Like ComEd, I'm pleased to report that we continue to improve not only in our reliability, but our customer satisfaction. As Denis alluded to, when you have strong customer satisfaction and we also at the highest we've been in our 200-year history, it directly translates to the financial performance of your company. And we see that each and every day as we work in the communities that we serve. As we look forward to the future, we are excited about sharing the lessons learned with our sister companies at Pepco Holdings and what we can bring to the table and to leverage those best practices.

Now, again, I just wanted to say thank you for your time and allowing me to introduce to BGE. And it is now my pleasure to introduce Craig Adams, my friend and the CEO and President of PECO. Craig?

Craig L. Adams

Executive Vice President, Exelon; President and CEO, PECO

Thanks, Calvin, and good morning, everyone. As the hometown utility, I'd like to give you a special welcome to Philadelphia. We've had an exciting 14 months here in Philadelphia. First, Vice President, Joe Biden, came to PECO to rollout the White House Energy Report, which contains key energy goals for the nation.

Next, Pope Francis came and paid our city a visit. And we just welcome the Democratic National Convention at our city. And today, we have the honor of hosting Exelon's Analyst Day. Welcome, it just keeps getting bigger. So, PECO is Pennsylvania's largest electric and natural gas utility, serving more than 2 million total customers with \$6 billion of rate base. We have a long tradition of very strong operational performance and financial performance. And we feel we're very well-positioned for future success, which I love to discuss.

Next, our capital investment program is going to be quite active with an annual spend increasing from about \$550 million a year since 2012 to about \$750 million a year between 2016 and 2020. [ph] As you'll later hear, (57:11) a substantial portion of this incremental CapEx was approved by the Pennsylvania PUC and our Long Term Infrastructure Improvement Plans. One plan to accelerate the replacement of our gas infrastructure and the other, our Electric System 2020 Plan to enhance storm hardening and address aging infrastructure.

Further, we're making significant investments in security for NERC CIP compliance, physical substation security and spare transformers. Additionally, we're making significant IT-related investments to transform how we interact with our customer.

As you can see here, PECO, like many other gas utilities, has older distribution mains and services that we're planning to replace as part of our overall risk management effort for gas line safety. And it gives us the added benefit of reducing our carbon footprint by reducing methane leakage. We plan to replace the old gas infrastructure as swiftly as possible, but we want to make sure we do it in an efficient and effective manner.

In 2015, we received approval from the PUC to update our gas LTIP plan, reducing our pipeline replacement schedule from 34 years to 20 years with CapEx climbing each year as shown here on the slides. We're already seeing operational improvements with the replacement of this infrastructure have reduced gas leaks during the winter period. The majority of the gas LTIP spend qualifies for tax repairs, deductions which will benefit net income as Pennsylvania is a flow-through state for regulatory accounting purposes. We see this investment is critical to our system operations and are pleased that our growth can be recovered either in base rates or in the gas distribution system improvement charge, that this can be used if the gas ROE falls below the current gas DSIC ROE of 9.9% set by the PUC.

System 2020; on our electric system. We successfully completed our electric smart grid implementation last year and now we're focused on our Electric System 2020 Plan, investing \$275 million of incremental capital in underground cable, substation upgrades and storm hardening. Even though PECO has first quartile reliability performance for outage frequency and duration, we realize there is much more we can do to mitigate the risk from extreme weather and to address customers with multiple interruptions. Fortunately, the PUC and consumer advocates agreed with us and approved the \$275 million LTIP plan for 2016 through 2020. These costs are also eligible to be recovered through the electric DSIC mechanism if the electric distribution ROE falls below 9.8%.

Now, next I want to talk about our really important economic development project for us. The construction of the post substation project is an example of investment needed to support economic development associated with the growth coming from Pennsylvania's Marcellus Shale region. The project enables one of our large petroleum customers, Sunoco Logistics, to process and ship natural gas liquids from the Marcellus region through the Mariner East pipeline. At its completion, the Mariner East pipeline project is expected to add up to \$4.2 billion to Pennsylvania's economy, and supporting more than 30,000 jobs during construction and up to 400 permanent jobs in the Philadelphia region.

Now, as you see here, our investments for the next five years will grow rate base at an annual rate of nearly 7%, growing much faster than the last four years as we focus on further improving reliability. And on this chart, you can see, we currently assume that we will make our first ever FERC transmission formulae rate filing in 2017 for rates effective in 2018, and we're still working on the exact timing of that, but that's in the right timeframe. Also I would like to highlight with the passage of Act 11 in 2012, we are now able to make our electric and gas distribution rate case filings based on a fully projected future test year.

That means, the test year is the same year that the rates go into effect, which reduces regulatory lag by a year. And in note – as noted in prior slides, the electric and gas LTIP CapEx is eligible for this recovery if the earned ROEs fall below 9.8% and 9.9% respectively. We're going to continue to push to drive our ROEs past the benchmark for Exelon. But, we think that these mechanisms provide useful downside protection for earned income.

And finally, year-after-year, PECO continues to be the best of utilities in the nation in safety performance, electric and gas service reliability and emergency response. And I'm really excited that our 2,600 employees have named us the best mid-sized utility in the nation according to Forbes Magazine. Our commitment to innovation and developing new programs and services is transforming the energy experience for our customers and the communities we serve. Our continued focus on customer experience resulted in all-time best customer satisfaction, with strong performance in power quality, reliability, customer service and corporate citizenship.

Thank you for the opportunity to tell our story. And now, I'd like to turn it over to Dave Velazquez, President and CEO of Pepco Holdings and my friend.

David M. Velazquez

President and CEO, Pepco Holdings, Exelon Corp.

Thank you, Craig. Good morning. It's been a very exciting year for Pepco Holdings to say the very least, it's also been a very good year. I'm very excited to have the opportunity and the honor to be able to lead Pepco Holdings as we have become part of the Exelon family of utilities. And I will tell you that the entire team at PHI is very much looking forward to and very much excited about the prospect of being able to leverage some of the things that are done at the other Exelon utilities which are going to help us drive our operational performance, help us drive some of the employee programs that we're going to be able to leverage and also some of the other programs that are going to strengthen our ties to the local communities.

Just a couple of words about Pepco Holdings. We're actually composed of three legacy utilities; Atlantic City Electric, Delmarva Power and Pepco. We serve Southern New Jersey, the state of Delaware, the Eastern Shore of Maryland, the City of Washington D.C. and then two of the surrounding counties in Maryland, around Washington D.C. We have a little over 2 million customers and we have about \$8 billion of rate base.

So, with that of introduction, let me talk a little bit more about the details of our capital plan. You will see on the slide on the left hand side that we have planned over the next five years to invest more than \$7 billion into our utilities in both the transmission and also in the distribution systems. Of the expenditures we have, over \$2 billion of them are in our transmission system, where we have formula rates at FERC to recover the cost of those investments. Like some of the other utilities, our formula rates allow us a 10.5% return on equity, 10% base return, plus the 50 basis points that were allowed as part of – being part of an RTO.

On the next slide, you will see on the left hand side two graphs that show the progress we've made over the last few years in improving the service that we provide our customers. I'm very, very happy and proud of the work the team has done to drive that performance, but also very mindful of the fact that in the merger proceedings, we made very significant commitments that continue to drive that performance in each of our jurisdictions to even better levels to achieve first quartile and even better performance across all our utilities.

As part of those merger agreements, we also in the agreements agreed to a capital plan going forward in the future for the level of investments that we needed in order to drive those reliability improvements. If you add up all the different merger agreements, those reliability investments that we said we needed to make in order to meet those reliability commitments amount to about \$2.2 billion. And you can see on the right hand side of the chart or the right hand side of the page a chart that shows those \$2.2 billion of merger commitment-related reliability spend, which is almost 50% of the total spend that we will be recovering through traditional rate base making.

Before I talk more about that, I just wanted to highlight a couple of the projects across the territory that are underway. The first one is a new substation, I'll call, Waterfront Substation, that we're building in the Pepco service territory. It's actually in Southeast D.C., near a new soccer stadium that they're building, that is driving

development in the area, not just with the soccer stadium, but increased residential and commercial growth. And it's a new substation designed to serve that area.

The other substation that's shown on that chart, Buzzard Point Substation, was actually built in 1933. And some of the purpose of the Waterfront Substation is to replace some of that aging infrastructure and move service in the area from Buzzard Point up to the Waterfront Substation. Total cost of the project is about \$192 million. Over \$100 million of that is transmission investment, which again is recovered through formula rates. That project will go in service later next year.

In the Delmarva service territory, in the next slide, I've highlighted a couple of the transmission projects. These projects are part of the almost \$600 million that we're going to be spending as part of our five-year plan on transmission in the Delmarva area. There's three different projects we've highlighted. What is really driving primarily the investment in transmission in Delmarva is replacing aging infrastructure. And also, while we're doing it, we're also hardening the system. We're replacing a number of old wooden pole lines with new steel monopole structures that are much more resistant to high winds and storms.

In fact, some of the lines that we're replacing that are shown on this page are almost 70-years-old. So, we've certainly gotten our life out of that and the projects will come in service either late or next year, or the following year.

And then, finally, a highlight of project in our Atlantic City Electric territory. This set of projects is being driven primarily by replacing aging infrastructure and also the potential retirement of generating plant in Southern New Jersey, near the shore. It is a PJM, RTEP project, Regional Transmission Expansion Plan (sic) [Regional Transmission Expansion Planning] project, it involves rebuilding probably 50 miles of transmission line. We'll be doing work in about 11 different substations and the total project pieces will come in service earlier, but the total project will come in service finally sometime in 2020.

So, if we look at all the projects we're doing on the next slide, you can see that we also have some very robust rate base growth, driving about 6.6% annual growth in our rate base over the five year period. I would note that if you look at the transmission growth, the growth in our transmission rate base is approximately double what the rate – overall rate base growth is across the PHI.

On the next slide, if you look at how we are able to recover that, although probably about 25% of our current rate base is covered by either formulas or trackers, if you look at the incremental additions, over half of those incremental additions will be covered under formula rates or trackers. Denis had mentioned, we have a couple programs on the distribution side that allow recovery through tracker mechanisms, and those notable being the D.C. Power Line undergrounding project, which is \$1 billion public, private partnership in D.C. to underground, I'll say the most vulnerable lines over headlines that we have in the district to improve storm performance. But in addition to that, in all of our jurisdictions, we're exploring ways either through the regulatory mechanisms that exist or through legislature to help increase the amount of the investments we're making that will be covered under tracker or formula rate mechanisms.

And I wanted to conclude with just a couple comments about the integration. The integration has been proceeding very, very well. We're about four months into it, the first 100 days of the first four months have gone without a hitch. We're on schedule to meet all of our merger commitments that we've made in the various jurisdictions. We're also on schedule to meet our synergy savings and have already begun to realize some of those savings, especially through the supply-enabled savings that we have. I'm very confident that we will be able to meet the \$130 million in projected synergy savings by 2020.

And I guess of final note, one of the real benefits of this merger to our communities was our increased operational or our ability to increase our operational performance. And a component of that is our performance in large storm events. And with the – being part of a family of larger utilities, we were able to not only just rely on mutual assistance, but also have access to crews at Philadelphia Electric, Baltimore Gas and even Commonwealth Edison, that not only will be able to come quicker to our territory, but also will be able to work more efficiently as we're able to work under common practices. And we've already begun to implement that and on the slide, I show an example where actually we were able to send Pepco crews up to PECO in the storm in April, and again, because of the common practices we had, they were able to work much more efficiently than neutral assistance.

So at this point, I wanted to turn it back over to Dan, so we can take whatever questions you have. Thank you.

Dan L. Eggers

Senior Vice President-Investor Relations

All right. Thank you, guys, for sharing all of your thoughts and informing the group on your businesses. We'll open up to questions now, so if people have questions for utility team, now is your chance. [ph] Mora? (01:12:20)

QUESTION AND ANSWER SECTION

Q

Just wondering on Pepco. I'm not sure the poor returns are just a function of a delay in rate case filings given the core returns even before you guys became involved with these guys. So I was wondering two questions. First, can you talk about what management changes have been made, especially on the regulatory side, and the second question is how have the incentive schemes of the management and employees has been changed at Pepco relative to how they were paid before? Thanks.

David M. Velazquez

President and CEO, Pepco Holdings, Exelon Corp.

A

A couple of comments. First, there are tremendous advantages that are being part of the Exelon family. I think we've been able to leverage and learn from the other utilities as we approach this set of rate filings. So as we've approached this set of rate filings, we've actually held sessions with all the different utilities to understand what has been successful in their jurisdictions, what's been successful in our jurisdictions.

I also think through the merger proceedings which were fairly long. It also gave us an opportunity to understand better for some of our stakeholders what was important to them. And we've tried to incorporate some of that as well into the filings we've made.

Over time, at PHI, especially in the Pepco region, as I showed on the chart, our operational performance has continued to improve. I think as most folks know, there was a time period of, say, around 2010, 2009, when the performance at Pepco was clearly where it didn't need to be. We've been able to improve that performance year-over-year and I think we've seen that reflected in both our customer satisfaction and also in the dealings we've had with various stakeholders who have also recognized those improvements that we've made.

And I think all those things are going to help us get a better set of outcomes. A large part of it is the fact that we have continued to invest in our business to drive our liability improvements and have not been – even with the level of investment we've had, not been in front of the regulators to ask or seek return of any of that.

Denis P. O'Brien

Chief Executive Officer, Exelon Utilities

A

[ph] Mora (01:14:38) thanks for the question. That's really the million-dollar question with the acquisition. As I talked a little bit about our model for running these businesses, I think it's a high performance model. It's got a basis in terms of producing results, lots of collaboration and team work, with a little bit of a level of mild competition, as we look at each company and say where's your line relative to the other companies and why is it there and when is it going to get to a better place. So in terms of changing a model, part of the change of the model we receive accountability, this is where you need to get there and holding people accountable.

That's worked very well as you see it through the Exelon companies, if you look at the track record over the last couple of years. I want to just highlight a couple of folks. Paul Bonney is here. Where's Paul? Paul was a General Counsel at PECO, doing regulatory for years. Most recently, Paul was in the generation business, wholesale power trading. Paul is the Senior Vice President down at PHI. Paul was one of the most experienced regulatory people that I know in the industry. So that is one of the changes.

Is Tyler Anthony here? Tyler is back here. Tyler is an Exelon person too. Tyler is the COO. Tyler's job is to work with Dave, turn around the operational performance, turn around the customer satisfaction. The whole team's job is to get better operational performance and better financial returns.

Dan L. Eggers

Senior Vice President-Investor Relations

A

Julien?

Julien Dumoulin-Smith

UBS Securities LLC

Q

Thank you. So perhaps the follow-up on that question first. If you look at the delta rates, so you've got a CAGR on the rate base side of about 6% and you've got a 7% to 9% earnings growth. It seems that the bulk of that delta is driven by earnings improvement back at the PHI itself, right. If you look at it, it looks like there's at least \$0.10 of earnings improvement, again, that's a minimum, it looks like \$0.10 to \$0.15, depends. When you think about it, one of the other moving pieces between reconciling the EPS growth and rate base growth outside of PHI, are you effectively saying in order to get within that range that you need to get at least a healthy amount of that ROE improvement, maybe to kick it off?

Denis P. O'Brien

Chief Executive Officer, Exelon Utilities

A

I don't know if you want, you can.

Dan L. Eggers

Senior Vice President-Investor Relations

A

Julien, I'd say that, clearly, it is mathematics behind the PHI turnaround. And we gave you [indiscernible] (01:17:07) slide as far as what the improvement in earned ROE is going to be there. So that's going to be a significant driver and the rate base growth is obviously a very significant driver. But I think if you look at the ROE contributions and the different utilities and using some normalization in ROEs that they comment over time, if you

look at the forward curves or interest rates, all those things contribute to better performance or contribution to drive that underlying growth.

Denis P. O'Brien

Chief Executive Officer, Exelon Utilities

A

Yeah. I just to make a couple more comments. When we've done it, we've taken – it's a complex company, PHI, multi-jurisdictional, nine rig filings within a couple of months here. We have spent a lot of time with the Exelon folks and the PHI team looking at the strategies. They won't happen immediately. They didn't happen at BGE immediately. Over time, at BGE, the returns were 8.5% last year, returned...

Dan L. Eggers

Senior Vice President-Investor Relations

A

10.6%.

Denis P. O'Brien

Chief Executive Officer, Exelon Utilities

A

10.6%. You take out some of the weather and some of the other things, a little less than that. We profiled in our plan and I think we've got the flesh on the bones here, a return that is commensurate with what we did at BGE, and I'm pretty confident that we can do that. We're in the first time out of the shoot here. I mean if you look at – take New Jersey, PS has done amazing with their returns in New Jersey. If one company can do it there, then we can do it too. And I'm very, very comfortable about what's in the plan and that we can achieve it.

Julien Dumoulin-Smith

UBS Securities LLC

Q

And just to clarify, it's effectively assumed in that 7% to 9%?

Denis P. O'Brien

Chief Executive Officer, Exelon Utilities

A

Correct.

Dan L. Eggers

Senior Vice President-Investor Relations

A

It is.

Denis P. O'Brien

Chief Executive Officer, Exelon Utilities

A

Yes, it is.

Julien Dumoulin-Smith

UBS Securities LLC

Q

And then, separately, on the regulatory front, just to follow up on that, you talked about steady diet, I think to use your words, of rate cases and PHI. What's the plan to get off that steady diet, whether it's from a regulatory form perspective or otherwise or is it just simply the CapEx flow and your improved ROE just a base and you don't necessarily go in every year?

Denis P. O'Brien*Chief Executive Officer, Exelon Utilities*

A

Yeah. Great question. We're in the early stages of what that looks like. So the first thing here is, look, you get the company, you get the right processes in place, you start to transform the performance. We filed the first rate cases out of the shoot. It's done in the more traditional fashion although we have some riders, some \$200 million of riders that I've talked about.

We have teams working on each jurisdiction to say what is available already in that jurisdiction, how do we utilize that better, what do you need in that jurisdiction, what can you get in that jurisdiction. And the answer is a little different in each of the jurisdictions and we're still kind of putting all the flesh on the bones as to what it looks like. Some places, it looks like some more capital riders, some places, it looks like getting a little more structure to the timing of decisions and the timing of when you can put rates in. And so, we're working at all those pieces.

I'd tell you the answer is going to look different in each place, and it's going to have different regulatory and legislative pieces to it as we put it together.

Dan L. Eggers*Senior Vice President-Investor Relations*

A

Hey, Julien just what we've said big picture is we're going to get through this rate case filing cycle and then we'll do probably another traditional cycle as we get through and probably as we talked about a three-year cycle generally speaking on the PHI side, [ph] again, it's a (01:20:30) reasonable expectation while at the same time working for other solutions. It would make for more time to recover on specific investments.

Denis P. O'Brien*Chief Executive Officer, Exelon Utilities*

A

I just would add one more thing. This is all about your reputation and your relationships. Your rates don't get set in a regulatory environment; they get set in a political regulatory environment. You have to perform well, you have to get your reputation to the right place, and you've got to develop the relationships. And all that's ongoing and it's going to take a little bit of time to put together.

Dan L. Eggers*Senior Vice President-Investor Relations*

A

Greg.

Greg Gordon*Evercore ISI*

Q

Hi.

Dan L. Eggers*Senior Vice President-Investor Relations*

A

I can't tell who got their hand up first, so I'll just – I'll go there because of I'm not getting – I'm getting totally blinded. Sorry, [ph] Paul (01:21:08). I'll come back to you. I apologize. Right there.

Greg Gordon*Evercore ISI*

Q

Can you just spend a little bit of time explaining the lessons you learned in the BG&E turnaround? And as a result of that, what the key things you have to get radar in the Potomac turnaround, in terms of the big wins whether it's labor productivity, the right level of employment, systems? What are the big chunky wins that you discovered were easy to get, hard to get at BG&E that have informed your approach to Potomac.

Denis P. O'Brien

Chief Executive Officer, Exelon Utilities

A

Yeah. I came from the PECO side and did the integration of the PECO, Unicom deal. So I think each time we go through one of these, we learn a little bit more. The BGE integration went well, but I think we learned a really lot. I think, as Exelon, we're mature enough to be able to really learn a lot from it. There's great value in having an Exelon COO in place, that's why we mentioned Tyler. In that, there's a translation when you're having the discussion of we need to do this at BGE, we found out without having the Exelon person there to understand the language and what we're talking about that there were some gaps.

So putting a few Exelon people in at the senior team was important Tyler and Paul are two that I referenced. We learned some other things at BGE too, okay, put in the Exelon approach to project management and came back [indiscernible] (01:22:43) and then, we continued to have issues with capital deployment. And then, when we went back and looked, we hadn't defined the specifications well enough of when we say put this in, this is the specification and expectation of performance. And so, this time, for everything we're putting in, there's a charter of specification and expectation of performance that will be signed off by the line officer and signed off by an Exelon integration officer that is on a full-time assignment in that company.

So there are a couple of the pieces. The other thing is about reputation. And I don't know if you want to jump in and offer some things.

Calvin G. Butler

Chief Executive Officer, Baltimore Gas & Electric Co.

A

Sure, I'd sit back and add two things. First, to Denis' point on the reputation, it's truly an understanding of what not only your customers, but your commissioners and legislators expect of the utility. Don't assume you know. Go out and make those connections and ask the questions. And not only ask it once, but repeatedly go in there and share with them what you're doing and how you're doing it, so there's a shared partnership in getting there.

The second piece is we can't underestimate the cultural transformation that comes from being part of the Exelon companies. Denis alluded to the higher level of accountability and the commitment to meeting the metrics. So in that cultural transformation, you have to understand and make sure you communicate regularly to your employees, not just focus your attention outside, but do just as much of that communication internally to make sure that everyone is pushing in same direction. And the speed in which we operate is the lot different, going to making sure that we're all on the same page.

Denis P. O'Brien

Chief Executive Officer, Exelon Utilities

A

[ph] Dan – (01:24:29) I have a meeting called an MRM, which is the review of every indicator and every performance process you have, and it's for ours and we laughed about them after, I guess, right.

Dan L. Eggers

Senior Vice President-Investor Relations

A

Yeah.

Denis P. O'Brien

Chief Executive Officer, Exelon Utilities

A

But we have these MRMs and we talk about every level of performance and you know your business inside and out, every aspect of it, the age of every bit of work you have, the backlog, your cycle time, and those things are shaping processes about high expectations and performance, and I think there is something that we learned are very effective tools and we're continuing them.

Dan L. Eggers

Senior Vice President-Investor Relations

A

I'd say, Greg, as a newbie to the company, Denis seems very nice, but the intensity of the book, which I've seen is enormous and the amount of the rigor that goes in the analytics, not only for each individual utility, but peering them against each other, is quite significant. So we actually got a copy of the book as we were thinking about the Analyst Day. It's the level of rigor that goes into comparing the utilities and hold into a standard is quite significant. I think that's part of that Exelon culture that kind of permeates out when you bring a new organization [indiscernible] (01:25:37).

Denis P. O'Brien

Chief Executive Officer, Exelon Utilities

A

I mentioned this earlier. You can't underestimate this. The model is teamwork and collaboration with a little bit of competition. And you can't imagine what it looks like when you say, why is your line the bottom line there.

Dan L. Eggers

Senior Vice President-Investor Relations

A

Oh, we could imagine. Yeah.

A

We've all had the question, Greg.

Denis P. O'Brien

Chief Executive Officer, Exelon Utilities

A

Let's talk about that every meeting until it's not the bar.

A

Right.

Dan L. Eggers

Senior Vice President-Investor Relations

A

All right. I'd promised [ph] Paul (01:26:06). So we'll go there then [ph] Angie (01:26:07), I'll come back over to you and then Steve.

Q

Just three really quick questions. One is [ph] the comment from related plan (01:26:14) and what is the interest rate that you guys embedded in your growth rate. The second one is the level of rate release that you guys are expecting in order to make your goals for your respective utilities and bill impact. Obviously, there is a – what you guys need or what the wholesale rate is? Assuming it's flat, what do you think the bill impact would be?

And then, just finally, Pepco did give some description as to what its goals were in terms of the merger and commitments, which you guys look like you're ahead of. But I wasn't really clear what the – if there was any quantifiable expectation with respect to either outages or – for the other companies, with respect to outages or efficiencies or just in general what the value proposition in a quantifiable way is. Is there one in terms of what customers are going to be getting for all this?

Dan L. Eggers

Senior Vice President-Investor Relations

A

So [ph] Paul (01:27:17), on comment ROE, it's a forward strip for the 30 years, so we're not taking a point of view, we're letting the market be what it is. Probably a little more detail to talk about expectations of individual rate cases and we probably would have to kill you after we told you, so not going to really get into that. But we can follow up separately if you want to kind of talk to specific rate cases, just it's a little cumbersome here.

I think on the bill increase side...

Denis P. O'Brien

Chief Executive Officer, Exelon Utilities

A

Yeah, on the bill increase, look, that's what we're looking at all the time because the customer has to pay the bill. So we show all these charts here, but we're looking at the bill impacts. We think all of the numbers we share with you and all the strategies we've shown you over this five year are manageable from a bill impact, and we're not concerned about the bill impact of any of the numbers that we've shown you. It's something that's going to probably be – you get so many different rate structure in so many companies, but...

Q

I'm not asking for the outcome of [ph] rates (01:28:12). Well, just sort of general sense, okay, when we look over this period, and you're talking about 7% to 9%, you're talking about substantial growth. I think it's an understandable question as to just what the range might be that a customer might be seeing in terms of their bill impact over that period of time. If you can't, I mean, we could talk afterwards.

Denis P. O'Brien

Chief Executive Officer, Exelon Utilities

A

Yeah, yeah.

Q

But I just – that's all. I'm not asking for a specific...

Denis P. O'Brien

Chief Executive Officer, Exelon Utilities

A

Exelon Corp. (EXC)

Analyst Day

C Corrected Transcript
10-Aug-2016

I'm still [ph] warning (01:28:35) all these companies, but I think about it in the 2% to 3% bill impact range, overall bill, annually, residential annually overall bill.

Dan L. Eggers*Senior Vice President-Investor Relations*

And, Dave, do you want to talk about some of the operating expectations and performance metrics from the [indiscernible] (01:28:50)?

David M. Velazquez*President and CEO, Pepco Holdings, Exelon Corp.*

Just one comment. Some of the earlier cases are a little higher, the CAGR over the period, 2% to 3%, is a good thing to think about. Yeah, just to comment on that in the appendix for each of the rate cases, if you go through each of the PHI rate cases, we actually show, for the first set of cases, the actual impact on the average residential customer bill. Again, having been out in some jurisdictions for up to three years, they probably range from like 5% to 10%. And again, once you begin to catch up, those numbers will come down.

In each of the agreements we reached in order to get the merger approved in each of the jurisdictions, there were a number of – and each one is a little bit different, a number of guarantees or promises were made as far as improving customer service, improving various metrics, critical in all of those, of course, was the improvements in reliability. And in all our jurisdictions, we have commitments to drive our reliability performance, whether it's frequency or duration of outages into the first quartile, in some cases, even beyond that. And it varies by year, some we achieve that in 2018, 2019, 2020, and there are financial penalties associated which, again, are slightly different in each of the jurisdictions. But there are specific financial penalties for not achieving those targets.

And I think the regulators will have the – of all the things we did, that was probably most important to them, and they will probably focus most closely on that. We are currently on plan depending on the jurisdiction on plan or ahead of plan to meeting all those commitments that we have.

Dan L. Eggers*Senior Vice President-Investor Relations*

[ph] Angie, did you have a question still? (01:30:30)

So first on Pepco, I mean, I didn't cover the company before the merger happened, but I have this impression that there's plenty of CapEx to be had and that the rate base growth would be actually impressive. I'm not saying that 6.6% is not impressive, but I had hoped for more. Is this just because you're trying to be conservative with your rate base growth assumptions? That's one.

And for ComEd, with 100% of your CapEx being recovered through riders, why are you under-earning or slightly under-earning your allowed ROE?

Anne R. Pramaggiore*President, Chief Executive Officer & Director, Commonwealth Edison Co.*

Do you want me to?

David M. Velazquez*President and CEO, Pepco Holdings, Exelon Corp.*

Take them in whatever order you would like.

A

Anne R. Pramaggiore*President, Chief Executive Officer & Director, Commonwealth Edison Co.*

I'll start. Yeah. So we've got – the earned to allowed gap is largely a function of one major structural item that's been in our rates for since I think 2006 or 2007, and that is we had a pension asset that was pushed down from Exelon at an equity rate. We had a big tussle over it in our pre-formula rate case, we earn a debt return on it. So that is a structural gap. It's worth about 50 basis points to 60 basis points. So that kind of always hangs in there.

There's a few other items of compensation that we've not been allowed to recover, and there's a few other odds and ends lobbying cost, things like that, that just legally the law won't allow us to recover. That's the gap. This year, it's about 60 basis points, it's closed over the last – on average, it's been about 130 basis points if you look out over the past five years. So it's narrowing in, and as rate base grows, it's narrower and narrower, but that one structural issue on the pension is just – it's sitting out there and that's the main item.

A

David M. Velazquez*President and CEO, Pepco Holdings, Exelon Corp.*

And as to your question about the rate base growth at Pepco Holdings, the times I've looked at our capital plan and compared with all the utilities, I actually think it's a fairly robust – it's fairly aggressive plan to be investing that much for the size of the utility we are. And that does translate into, what I would say, I think a fairly healthy over 6.5% rate base growth. But these investments are all, I'll say, kind of traditional investments made in the utility, and therefore, whether it's replacing aging infrastructure, needing new customer growth, issues like that that we're addressing. So I feel very confident that as we go forward through the rate cases that we're going to have or be able to get recovery of them.

A

Denis P. O'Brien*Chief Executive Officer, Exelon Utilities*

Yeah. I would just say – I said it earlier that this \$25 billion plan, it's well developed, it's stuff we know, it's stuff we have great confidence in. We've owned PHI for three months, four months here. We're still learning about it. We're in the inside now and figuring out what the opportunities are. Very comfortable with the \$25 billion. We're looking at other opportunities, but not developed enough across all our companies relative to transmission resiliency and security and some other things. But the \$25 billion that we're talking about over five years, we've got great confidence we will deploy effectively.

A

Dan L. Eggers*Senior Vice President-Investor Relations*

All right. Steve?

A

Steve Fleishman*Wolfe Research LLC*

Okay. You just kind of answered I think my first question which is, if you look over five years kind of what are things that could be upside to this plan in terms of other spending, so it sounds like maybe more transmission or greater reliability, things like that, any other...

Q

Denis P. O'Brien*Chief Executive Officer, Exelon Utilities*

A

Again, it's been around a long time. I think the one thing resiliency and security are kind of the newest thing on the regulators' and others' mind, and that's some things we're looking at. In this plan here, there's about \$450 million for security of our critical assets. We know that for sure, well, that number grow from there. And then what investments can we make in our system to make these critical assets less critical, and that's some analysis going on. So if I think about opportunities for the future, they're probably the two biggest ones. And then the other one, Anne talked about a lot of the things we're thinking about with the utility of the future. We're looking at demonstration of microgrids in different places, and as we get through the demonstrations, we'll figure out whether there's bigger opportunities or not.

Steve Fleishman*Wolfe Research LLC*

Q

My other question, just I'm not sure how you want to answer this, but just in terms of – it looks like by 2019, is it fair to say that you're pretty much getting to earning your allowed returns or without any of these structural issues?

Anne R. Pramaggiore*President, Chief Executive Officer & Director, Commonwealth Edison Co.*

A

At ComEd?

Steve Fleishman*Wolfe Research LLC*

Q

No, overall. Utilities overall in the plan, by then, are you kind of at a point where you're earning the allowed returns in your jurisdictions for the most part, whatever they are?

Dan L. Eggers*Senior Vice President-Investor Relations*

A

Well, we'd have in the plan as we're in that 2019, 2020 range, we're going to be kind of hitting our stride from an earned ROE perspective across utilities. It doesn't necessarily mean you're earning, you're allowed at all of them, but you're within that band of comfort that we've generally talked about. So kind of within 100 basis points range depending on utilities where you should expect we would be at that point in time.

And with that, I think we're going to break for break. And we'll come back to the generation and policy guys in a second. So thank you all very much.

MANAGEMENT DISCUSSION SECTION

Unverified Participant

Ladies and gentlemen, please welcome Chief Strategy Officer, Bill Von Hoene, and Senior Vice President, Federal Regulatory Affairs and Wholesale Market Policy, Kathleen Barrón.

Dan L. Eggers

Senior Vice President-Investor Relations

So he announced the people who are up here, so Bill Von Hoene and Kathleen Barrón are going to be our next presenters talking about policy and how we think about the current market landscape in a variety of fashion. So I'm going to turn over to them. They're actually in this stage seated because they're going to be a little bit of a tag team between their discussions. And this will be very informative and I think I'll start off with you, Bill.

William A. von Hoene

Chief Strategy Officer & Senior Executive VP

All right. Great, thanks very much, Dan. Chris mentioned yesterday that we're bringing some folks that we haven't brought historically in with regularity. One of them is Kathleen. A number of you know Kathleen, but a number of you don't. So I just want to give you a brief history on Kathleen.

She has been with the company for six years. She does regulatory affairs, wholesale market policy. She had a very distinguished career at FERC for five years as the number two person in the [ph] lot of apartment (01:37:13) there. Before coming to Exelon, we promised her that she'd do exclusively FERC work and she has become the guru on virtually everything else in the company. So we're very glad to have her including EPA, the PJM and [ph] CP (01:37:25), carbon policy and the like.

Kathleen and I are going to cover five topics today, run through for you, relatively briefly, in the amount of time we have. One is a general overview, which I'll do of some of the company – top company priorities from a policy standpoint. Kathleen is then going to do a deeper dive on our carbon policy principles that we're currently pursuing and the infrastructure for that and the framework for that.

I will then talk in a little bit more detail about the ZEC program in New York and some of the developments that have occurred over the course of last couple of days. Kathleen is then going to do a flyby on presidential politics and how we think that may affect policies going forward over the course of the next four years.

And then, finally, as you've seen, Chris did a [ph] – have been yet (01:38:08) on innovation and entrepreneurship and Denis did one on community involvement. I will do one on diversity and inclusion to conclude it.

So Exelon policy priorities. One of the things that I think is evident to all of you and we certainly feel within the company in terms of our value proposition is the very aggressive growth in the utility sphere and in the regulated portion of the company. And this is something we worked on for a number of years and now you can see with the capital investments that we're making, over the course of the next five years, with the anticipated EPS growth and rate base growth, has become a central tenet, the central tenet of the company. And the priority of doing that well

and making those investments, obviously, is important to us and important to you and important to all of our stakeholders.

We talked a little bit in the section that preceded us about what is happening in utility space in terms of the capital commitments, the projects we're working on. In order for this strategy to be successful, obviously, we have to have secure fair return and compensation in rate making space. And you've heard from a number of folks that preceded us up here how important this is and some of the elements of that.

So an underlying very large policy concern for us, consideration for us is addressing those kinds of rate issues that have historically kept us from fully realizing the income levels that support the system in a profitable basis. We've had challenges with regulatory lag with appropriate allowances, volatility and some inconsistency in the earnings.

It is a huge priority to have a fair rate structure and one that addresses those things as we become more concentrated in the regulatory world. You can see the seeds of what we're doing in this in the presentations that were made previously. As Denis pointed out of the \$10.8 billion in anticipated rate growth during our next five-year period, 70% of that will be recovered through formula and tracker mechanisms, that's the kind of momentum that we want to create. In some instances, we have to pursue this policy incrementally and that's what we're doing in terms of the various – the trackers that get added, riders outside the normal rate formula, alternative rate recovery mechanisms that were referenced in the last presentation.

And in some instances, we're also doing it in a larger way and the EIMA Act that Anne described is one example of that where we have the formula rates and Anne and her team have done a phenomenal job in getting that legislation passed and also executing on it.

Just to give you a sense of how important this policy is and Anne talked about some of the advantages, but on a real-time basis, right now, when you think about how contentious rate making can be, when we're able to effectuate the kinds of policies that are in place at ComEd, this year, we will have a final order before the end of 2016 on a rate case. Our revenue requirement request increases \$137 million or \$138 million.

We have two interveners in this, because the rate structure and the rate deliberations have been modernized to reflect the value that we bring to the grid. Two interveners, staff proposes a disallowance on that \$138 million of \$4.8 million, the attorney general \$5.6 million, we're going to have a one day hearing if that, an entire day to dispose of these things.

So there's a lot in policy space that we're trying to do to make sure that as we invest in greater amounts in the utilities, that the rate structure and the manner in which we recover fair return corresponds with that.

Second and related element in the utility space that is important for us and, again, you've got some reference of this in the prior presentations is we have a new customer centricity here because of what the demands of the customer base are. They want different products, they want the existing products to be delivered in different ways. It's been digitalized in the way that Anne alluded to. And it's very, very important, it's going to be a part of, as Anne mentioned, the utility future that we're going to have to address. How do we stay relevant in that, how do we stay relevant to our customers, how do we make sure that we're delivering to our customers and receiving a fair return on delivering to our customers the products that they want.

The things that they want don't fit neatly into the existing regulatory structure in many circumstances and don't fit in at all in some circumstances. So how do we change that compact as a policy to ensure that as the customer needs and desires evolve that the regulatory framework under which we operate evolves to correspond to it.

Across the countries, we see some historical evolution in this area. You see in the PSEG Solar 4 All program. A solar desire by the customers, how we get it into rate base and recover. The Massachusetts energy bill with regard to storage and renewables is another example. Microgrids at Oncor and San Diego Gas & Electric, Arizona, Virginia and Michigan also advances in the regulatory compact along the lines of addressing new products. We also see resistance to this and we've seen it in our own jurisdictions.

As you may recall, one of the objections in the initial PHI order to what we had proposed was the ownership of solar resources at the utility side and the Maryland Commission is twice denied community solar projects in rate base and public purpose microgrid has – we've just had a result in Maryland that was disappointing relative to what our ask was.

The point I'm trying to raise here is, this is an evolving process, it's probably a journey rather than a destination, but a high policy priority for us, a very high policy priority for us is to be able to respond in a meaningful way to doing the kinds of things that will allow us to provide the customers what they want and for us to receive a fair recovery. There's not a clear path necessarily. One size does not fit all. It will take some time to update the regulatory compact, but a high policy priority.

The ComEd portion of the Illinois legislation, the next generation energy plan is precisely the kind of recipe that we're looking for in there. So those are journeys that we're taking in utility space, very, very important to support the utility centricity that we've talked about creating in the company over the course of the next five years.

The third policy piece we're going to talk out briefly this morning and I'm going to turn it over to Kathleen is how do we achieve policies that are going to give us the proper recognitions of the value of our zero carbon electricity.

Kathleen, I'll turn then to you.

Kathleen L. Barrón

Senior Vice President-Federal Regulatory Affairs & Wholesale Market Policy

Thank you, Bill. What I'd like to do is just provide a framework on how we think about our advocacy in this space. We start from the premise as we always have that we think competitive markets can achieve society's goals at the lowest cost to consumers and that's even more so when society's goal is to achieve a deeper decarbonization in the power sector.

As we see it, there are really two ways government can go about doing that. One is to pay existing clean or new clean resources more and the other is to require emitting resources to internalize the causes of pollution in their bids into the market. We think both can be done well and we are pursuing both simultaneously.

Bill will talk a little bit more about the ZEC program in New York and give you some more structure around what the Commission did there last Monday. But I think the key point here for us is what the State Commission is doing there is they're saying, we are going to pay the nuclear stations the value to society of having that non-emitting generation running and we're not going to pay any more than that.

And so, what we see is that the state saying that, as long as the nuclear stations can be profitably run, once they're being paid that social cost of carbon and as long as that is cheaper than the alternatives, that the state is

paying other zero carbon resources to run, then by definition that we are the most competitive source of carbon abatement in the market, and we shouldn't be pushed out because the revenues that we're receiving today from capacity and energy markets don't adequately compensate us for what we're providing to the grid.

But simultaneously, we are continuing to pursue, as you are aware, a technology neutral price on carbon. We've been doing this in a number of venues over time. One more recent development that I know some of you are following is the effort in the Eastern RTOs led by New England, to develop a way to use the wholesale market to achieve the goals of the states in the framework of emission reductions.

This effort is really only beginning to take shape, but there is a growing support both for FERC's authority to accept, a market rule change that reflects the cost of carbon as well as a realization that the markets can achieve the goals that the states have at a lower cost. I was on a panel yesterday with Andy Ott before the National Conference of State Legislatures where he made exactly that point.

So this process that's underway and the wholesale markets will take some time, and does that program that Bill will describe is designed to accommodate that if in the future the market outcomes do reflect the value of carbon abatement or conversely the cost of carbon to customers.

Turning to the next slide. What we're showing here is really what's underlying all of our advocacy, both in the case of our state-specific efforts in New York and elsewhere and on the regional level. The cost impact to our consumers is what we have in front of mind. This slide depicts the cost per ton of carbon avoided for all the clean energy options on the grid at the moment in PJM.

Of course we could have a similar slide for all the regions, but the point is, for the foreseeable future, compensating existing nuclear plants for their carbon abatement value is far cheaper than all the other alternatives. As you can see here the second cheapest is a coal to gas re-dispatch, which of course is happening organically as a result of gas prices. But it could be harvested even more with a relatively modest carbon price.

All the other options here, new build wind, new utility scale solar, new distributed solar, they're all both a, more expensive and b, receiving federal and state subsidies in excess of the social cost of carbon. I think what we saw in New York is a recognition that the significant value to consumers of retaining that environmental attribute of existing nuclear, particularly given the cost of replacements as we've depicted here. So, I'll turn it back over to you Bill to talk about New York program.

William A. von Hoene

Chief Strategy Officer & Senior Executive VP

Great. Thanks, Kathleen. I think everyone here is fairly familiar with the mechanics of the ZEC program and I don't want to spend a lot of time going through them, we're happy to answer questions when we get into the Q&A area.

But, as you know, this is a very, very significant development for our company and for the nuclear industry in general in the United States. And we're very happy to be at the position that we are through some great work that has been done by the company and some great work by Governor Cuomo and collaboration with officials in New York.

The basic structure, as you know, the load serving entities will purchase zero emission credits from NYSERDA in proportion to their load shares in New York. It's a 12-year program. NYSERDA will have a contract, which we will negotiate over the course of the next month or so with NYSERDA. Then we'll procure from the eligible nuclear facilities which include currently three facilities, but that could expand; six two-year tranches, payments based on

megawatts produced. The price will be administratively determined subject to a formula that I think all of you have seen and that we've summarized in other public statements.

I want to talk about two things in particular beyond the mechanics here before I talk about the potential legal challenges to this. One is that this is largely predicated on a formula based on the social cost of carbon as determined by the United States interagency working group. So, what is that and what's the significance of that and what's the legal strength of that calculation?

The group was appointed by President Obama in 2013 and is comprised of 10 different agencies, largely led by the EPA, who have established the social cost of carbon. As you can see in the appendix to our slides, the cost escalates over time during each of the six tranches, because you're closer in time to the potential damage of not forgoing the carbon emissions. Very importantly on this, because some people think it's this funny science that we have and is there going to be a challenge related to this? On Monday, many of you may have seen this, but many of you may not have seen it. On Monday, the Court of Appeals in the Seventh Circuit upheld the use of this social cost of carbon mechanism in a challenge of new standards for commercial refrigeration equipment.

So it has very strong support to be used. It's obviously the linchpin of what will happen in New York with regard to the calculation of the payments that we will receive for running the nuclear plants. The second thing I want to talk about in connection with this, which occurred after the generation of the slides of course, is the agreement that was announced yesterday morning in New York, which Chris attended with Governor Cuomo, that we had agreed to secure the FitzPatrick plant, to own the FitzPatrick plant and subject to regulatory approvals, which we think is about a second quarter event of next year.

We will go ahead even though the regulatory approvals will not be finalized and refuel FitzPatrick in January provided that three conditions are met; one that the CES order is in full effect and that is essentially happening, there's some tail to that that will happen in terms of – but not anything meaningful to that the NYSEERDA contract is executed; the 12-year contract is executed, which would ensure the regular and really regulated type of income stream for the operation of the plant, as well as for Nine Mile 1 and Nine Mile 2, and for Ginna over the course of the 12-year period, and three that the New York Public Service Commission has issued an order approving our purchase of FitzPatrick as being in the public interest.

We do not anticipate that there will be any issues with any of those pieces, and so we are looking forward to having FitzPatrick in our fleet and being able to operate it under this terrific program. There are number of contingencies or number of ways that the payment can be adjusted. The one that people seem to be most concerned about is what if prices go down? Because we have, essentially, the social cost of carbon is the ceiling for the recovery on this.

We don't anticipate there is going to be a meaningful price decrease, but also, if you look at the appendix, you'll see that the social cost of carbon goes up pretty dramatically in each of the six tranches, so to the extent that we have some degradation in prices in New York, we think that it will be largely offset by that and we are not overly concerned about that.

Now, let's turn to the larger question in connection with this act that I think is on the minds of many of you have written and many other people are talking about this. Does this survive legal challenges? And the legal challenges that people who are familiar with of course are particularly dividend for the use case in the Illinois or in the United State Supreme Court and the new – relating to New Jersey and Maryland contracts' recent ruling on the Ohio proposal. So, we get lot of questions. Will those impact your ability to execute on this? There are other questions that have been raised by folks whether FERC would order mitigation under minimum offer pricing rule? Other

theories; are out-of-state plants going to raise a commerce-plus claim or they going to claim that they've been discriminated against.

As you might imagine, given the importance of this to the company, we've gone through these legal theories in great detail and each set of potential challenges and we will have the challenges. We have a road map and a legal defense on this that is very, very strong in our view and we believe it will – we will overcome any challenges that occur. Rather than to try to go through those individually and talking individually about what are the reasons why these challenges will not be successful in our view. I want to leave with you – because I'm a list kind of guy – eight things to think about when you think about all of these challenges; eight pieces of information that, in our mind, will be [ph] dispositive (01:55:00).f

Number one, this program is indistinguishable – essentially indistinguishable from REC programs that have been blessed by everybody across the country. It is a REC program for nuclear. It is a program that reflects zero emission environmental attribute. It's a credit that's tied to production not wholesale market participation. It is a REC. And nowhere in the country has a REC program, on the theories that are being advanced now, ever been successfully challenged.

So that to me is the overwhelmingly important fact to think of about this; not only have the REC programs been – and by the way, have been universally blessed in the states and in federal courts, but four years ago, FERC, in a ruling, said that REC programs and sales of RECs unbundled with electricity fall outside of jurisdiction. This is the number one factor to think about.

Number two, this is not, unlike Ohio, a contract for differences, and it fits squarely within the exceptions to that that you see in the law. Number three, it won't change bidding behavior, the units are price takers and they will remain so. Number four, there are no affiliate contracts associated with this arrangement in anyway whatsoever.

Number five, it's spatially neutral. Out-of-state facilities that meet the standards and provide a value to New York are eligible in subsequent tranches to participate. So the discrimination claim has to confront the fact that the arrangement is spatially neutral. Number six, with regard to MOPR, FERC has never applied MOPR to existing resources, and in fact, has declined to do so with regard to existing units in New York.

Number seven, very importantly from market power standpoint, the New York ISO has submitted comments in connection with this in which they are fully supportive of the arrangement and have concluded and asserted it's a necessary bridge to retaining the zero carbon and does not raise wholesale market concerns. And number eight and this doesn't fall squarely in the legal frame, but obviously, and Denis talked about regulation being regulatory and politically. If you look at the dimension of the public support that we've gotten for this program, it's truly, truly impressive and truly, truly powerful as people try to deliberate over whether it's legal or not.

Mario Cuomo (sic) [Andrew Cuomo], the governor who spearheaded this probably six months ago or eight months ago, would've been viewed as an anti-nuclear governor from a liberal state that has had a number of challenges to the nuclear plants at the Indian Point. He has become the warrior for this and in his speech yesterday, he talked about not only is this important to New York, but it's important in other states across the country because the preservation of these nuclear units is so essential to the carbon reduction goals that we all share. Climate advocates have climbed on, local communities, legislators, a huge labor support, huge number of businesses and conclusions that the cost of not doing this by third-party sources, not by us, but by third-party sources would be in excess of \$5 billion during the first tranche.

So this is the palette upon which legal decisions will have to be made and all of those benefits are ones that would have to be discarded in order to invalidate this. I want to say one other thing just parenthetically on regulatory space that is important. As you know, we need to get approval for this transaction with [ph] MG (01:58:30) from FERC, from DoJ, from New York and from the Nuclear Regulatory Commission. HHI analysis of adding FitzPatrick results in no screen failures. So, we don't believe that there will be any basis on which that regulatory approval will not smoothly go through.

In our quick road through, I wanted to turn this over now to Kathleen for some election season observations.

Kathleen L. Barrón

Senior Vice President-Federal Regulatory Affairs & Wholesale Market Policy

We're five minutes over the limit. So I'm going to be brief. I'm going to just focus on a couple of issues that we're tracking in the election which does not include the Second Amendment. Starting first with climate change, it's easy to forget that in past elections this really wasn't an issue, but it is a significant point of disagreement among the candidates this year, of course. The Republican platform refers to climate change policy as the triumph of extremism over common sense. The candidate is quoted as calling human caused climate change a hoax. And the platform calls for a repeal of the Clean Power Plan, a ban on EPA regulating carbon and the cancellation of the Paris Climate Agreement.

Meanwhile, Secretary Clinton has made global warming a center piece of her domestic and foreign policy agenda, the platform calls for an 80% reduction in greenhouse gases by 2050. And importantly, a 50% clean energy production including nuclear within the next decade. It also states the carbon should be priced to reflect its negative externality and negotiated words to avoid using the words carbon and tax in the same sentence.

As for budget and tax reform, we do think it's likely that a Trump administration would seek to permanently phase out clean energy incentives, while a Clinton Whitehouse would likely seek to expand existing clean energy tax incentives. But given that a number of the secretaries' carbon policies do reflect an intension to treat all clean generation the same, we're hopeful that to the extent there are extensions in the event she should win to clean energy tax incentives that nuclear will be added to the list of clean energy resources that receive that incentive.

Let's turn to nuclear waste. We do think that regardless of how the elections turns out there is some traction to – in the house pushed legislation to restart the licensing efforts around Yucca Mountain and in the Senate just sort of follow the Blue Ribbon Commission recommendations to look for ways to identify potential repository sites other than Yucca. So, we think what the exact nature of how that plays out is uncertain, it's likely that there will be critical mass of support to address in the next Congress.

Finally on appointments, in addition to the Supreme Court nominee, which the next President will get to name which will affect the Clean Power Plan, of course. The next President will need to address appointees to all of our regulatory agencies, including FERC, which will be relevant both to the MOPR litigation Bill mentioned and to future efforts to reform wholesale markets to reflect carbon goals.

As of next month, the FERC will have only three sitting commissioners, all of whom are democrats. So, if Secretary Clinton were to win, she would not need to take any action immediately. All of those commissioners would be able to sit until the end of 2017 when Commissioner Honorable's term expires. If President Trump is making these decisions, presumably, he would three new Republican commissioners; one to replace Commissioner Honorable and then the other to fill the other two vacancies.

William A. von Hoene*Chief Strategy Officer & Senior Executive VP*

This is an interesting thing that when we go over our a time, they send a fly up here to buzz right our face they had to get us done.

Kathleen L. Barrón*Senior Vice President-Federal Regulatory Affairs & Wholesale Market Policy*

Nice tactics.

William A. von Hoene*Chief Strategy Officer & Senior Executive VP*

Yeah. Last piece that we're going to talk to is our commitment to diversity and inclusion, and you can read the statistics here on the chart and I just want to say three things about it. Number one, the program is incredibly powerful relative to our competitors. The amount that we spend in diverse spend you see the numbers on here, 70% of which is first tier among suppliers, is really unprecedented in the industry.

This extends – number two, this extends all the way to not only the diverse suppliers in MBE and WBE space, but also to our regular banks, our insurance companies, our advisors, our consultants and the like. Just to give you an illustration with the program that we've implemented, our bank teams are now 44% female and 36% persons of color and those are the major banks that you would expect.

And third, why do we do this? Why is it important? We obviously think it's the right thing to do, but one of the things that I think is really important, it's really enhanced our performance as a company, it's made us better. You look here on the chart you see the amount of money that we have invested with minority and women-owned investment firms; that's our pension money, our nuclear decommissioning trust money. In two of the last three years, the top performer in our very high performing portfolio has been a minority money manager, so we're bringing to the table some new people with new ideas.

The second thing in that regard of why it's important though from your standpoint and I think that you would want to focus on is, particularly as we went through the Pepco merger process and as we go through and comment some of the processes have been implemented by the Commerce Commission, regulators really care about this. They want to know that a company is deeply committed to the communities and to diversity and inclusion. And the stakeholders are increasingly seeing that as a high priority.

This is a great calling card for our company because we have a fabulous story to tell and it will reap dividends over time, you may not be able to calculate them with precision, but you will see it in the attitude that we get from people who are deeply concerned with this issue, which include many of the people in whose hands our fate rests.

With that, I see we're at zero on the clock and we have been for a little while, happy to bring up our dear friends Ken Cornew and Joe Nigro to talk about Exelon Generation. Kathleen and I will return for the question-and-answer period when they are done.

Kenneth W. Cornew*President and CEO-Exelon Generation & Senior Executive Vice President and Chief Commercial Officer*

Thanks. And I just want to start by saying if there is any doubt both Eggers and FitzPatrick are great additions to our fleet. I'll let that one sink in a little bit.

I'm going to start with a brag slide as well. Yes, a merchant generator is allowed to have a brag slide and our bragging really starts and ends with the over 14,500 employees, who I personally believe are the best operators and marketers of energy in the business bar none. And that truly makes Exelon Generation the industry leader in our competitive market.

We are the largest producer of competitive power in U.S. and we have far and away the lowest carbon intensity among large power producers. And this aligns with our goal of delivering a clean world to our customers and the communities we serve. And we delivered to those customers through Joe Nigro's business. Joe is CEO of Constellation. And we have made Constellation the largest competitive retail provider by far and away in the U.S.

Despite the bragging about the employees in our business, we are keenly aware of the challenges we face in this business. And we're singularly focused on improving economics of our business both operationally and strategically. And this is going to be the subject of mine and Joe's talking points today.

These next charts illustrate the scale of our clean energy business. We've had a consistent strategy over many years of building a significant portfolio of low carbon assets, operating them at world-class levels consistently, and matching that supply to our customers' needs, what you heard from us we call generation to load.

We bring all these elements together through Constellation and we truly optimize the value of this entire fleet together. We enhance margins, we improve efficiency of our hedging program, and we provide credit efficiency in the process. And we consider our wholesale load and our – when you consider our wholesale load in our ConEd Solutions' load to finalize and close on, we pretty much match our supply with load-serving products to our customers, and we've been doing so for the last couple of years.

So this strategy of match gen to load is a longstanding strategy we've had. It started with Constellation way back almost 15 years ago when Constellation New Energy was formed. Actually, even in the 1990s, PECO had a retail business that was forming and Commonwealth Edison also had a retail business that was forming.

So we've been focusing on this kind of strategy for a very long time. We've consistently executed acquisitions and organic growth strategies to achieve the number one position we have today, including our recent acquisitions, as you know, of Integrys Energy Services and ConEd Solutions.

This strategy now more than ever has become the model for the merchant power industry. In turn, it's clearing out weaker hands, it's creating better discipline in the market and in the retail business in particular, and we continue to have good success in our retail business. We'll have Joe talk about that a little more in a few minutes.

And as we stated, we've had this consistent strategy of building a very clean fleet of generation functioning in competitive markets. This is a real competitive advantage for Exelon Generation. Over 90% of our output is carbon free; 90%. 93% of our output is in healthier markets that have a capacity construct. We've been consistent in this strategy of matching our clean energy to products our customers want for a long time, but our eyes are wide open. We know what our current environment looks like. Some of our assets are significantly challenged. Many others are not making as much as we think they should in the marketplace. So, what are we doing about it?

Well, first and foremost, our employees are working tirelessly to improve our situation and working out what we can control. And as always, that starts with safely, reliably, and economically operating our fleet. Our nuclear fleet

consistently achieves higher capacity factors than the industry average. A big part of that success is how we plan, maintain and refuel our plants. And as you could see, we really do a heck of a lot better than the industry average in refueling, thus produce a much higher capacity factor at the same time. This translates to several million more megawatt hours a year that Joe and his team get to market and he can get revenues of over \$200 million a year from that incremental output versus what an industry average would imply.

And note that we strive for the same levels of operational excellence in our non-nuclear business, our gas business, small amount of oil that we have in our significant renewable business. Our dispatch match is consistently near in the high 90%s achieving almost a 99% level recently. Our wind and solar energy capture is in the mid-to-high 90%s as well. So we strive for the same excellence across our whole fleet.

Our operational advantages also carry thorough into our cost structure. On the upper left part of the this slide, you can see our continued focus on cost and you've heard a lot about this over the last year or so. And incrementally, our plant closures are driving our O&M cost down by 1.3% over the next five years.

We've done a really good job in nuclear fuel spend as well. Some of it, obviously, is the softening of uranium prices in the market, but our portfolio management strategies in nuclear fuel and our ability to renegotiate contracts as we've seen opportunities to do so in the last few years have driven down our nuclear fuel expected spend by almost 8%.

And in the lower left, you can also see our base CapEx declining over the next five years, some of that is winding down our Fukushima upgrades and investments, some of that is also plant closures as well, and we continue to prioritize our capital on what we need to have to operate reliably and safely and not on what's nice to have and we'll continue to do so going forward.

Exelon Generation is in the lockstep with the Exelon strategy to optimize our free cash flow. We expect growth capital to drop substantially as we complete the existing projects and bring them online in the next couple of years, many of those projects are contracted as you can see up there, really, the exception is our Texas combined cycle plants. I can tell you those plants are on schedule and they'll come online next spring and be ready for the summer in Texas.

We're on budget and if you've heard us talk before, we had a real advantage on the cost side with these plants and we're maintaining that advantage with our disciplined project management. And we're still excited about the technology. We think the technology allows us to be the first combined cycles to dispatch with the heat rate advantage we have, and also be there to capture increasing ancillary benefits because of our ramp speeds that others just can't provide in the Texas market.

We admittedly would like market prices to help out and be higher, but we're very confident in the long-term investment we're making here. This is, at this point and any time into future, the last true merchant project we will endeavor on and our focus now is on contracted assets, getting down GenCo debt and returning value so utilities can invest. I want to emphasize that we have been and will remain disciplined in how we optimize the value of our assets. We sold over 3,000 megawatts of assets since 2014 at attractive prices, as Chris mentioned, relative to our view of value. We'll continue to look for those opportunities if they present themselves, and we'll be disciplined about it.

Unfortunately, not all of our plants can survive in this business. We've already closed 1,350 megawatts of fossil generation over the past five years and we've announced the retirement of Clinton, Quad Cities and Oyster Creek

nuclear stations in the next three years. Although, we love our fleet of assets, we simply cannot sustain these plants that are losing money without a solution in sight.

I want to take a moment here to commend all Exelon employees, but particularly those employees that operate at those sites. Their innovation, their determination for excellence, their continued strive to operate as efficiently, effectively and at a higher performance level as possible is really commendable. We continue to operate those plants at the highest levels, and Clinton and Quad Cities are among Exelon's best operating plants in our entire fleet. So, I just want to thank our employees for their commitment to excellence and their continued commitment while we work to control what we can and make the hard decisions that we have to make.

Summing up all these efforts, Chris went through this slide. Dan likes to repeat these slides, so it really sinks in. So, just so it sinks in, we're going to produce over \$8 billion in free cash flow in the next five years at the GenCo and we're going to complete our growth projects in the next couple of years. We're going to be reinvesting \$3 billion of that money into our utility growth and we're going to be retiring about \$3 billion of ExGen debt at the same time.

I really want to say how excited I am and the whole GenCo is about our recent developments in New York and what Bill just talked about. We're particularly thrilled for our employees, the communities those nuclear plants live in and serve, the state overall, and really, for the nuclear industry in general. It's a big, big accomplishment for the nuclear industry and for our all Exelon employees. This clean energy standard will save over 2,600 jobs in New York. It will contribute \$3 billion to New York's economy. It preserves \$47 million in property taxes each year for the local communities around New York and the state itself, and it prevents 16 million tons per year of additional carbon emissions into our environment.

And unfortunately, as Chris highlighted, Illinois is a very different situation for us and we've announced our plant closures of Clinton and Quad Cities there. When those plants close, it will mean 4,200 jobs lost. It will mean a shrinking economy and shrinking tax base for Illinois. And it will mean 20 million more additional carbon emissions in the State of Illinois per year. So we'll continue to work on what we can control. We'll continue to work for solutions in our markets, as Kathleen and Bill have highlighted. And we'll relentlessly continue to optimize the value of our fleet.

I want to close by just highlighting how proud we are of our commitment to STEM education. It's a commitment to our young people. It's a commitment to our communities and it's a commitment to our future economy in the United States. Exelon supports and engages in STEM education at all levels. We mentor many students, actually Constellation employees mentor just in one school in Baltimore, 70 students a year; 70 sixth-graders a year; awesome accomplishment and awesome commitment by our employees. We hired hundreds of professional and technical interns each year and really teach them our business and hope to hire them as permanent employees in the future.

We're proud to say we've committed over \$8 million in 2015 to STEM education and we're reaching more than 150,000 students across the communities that we serve. We're having a real difference and importance in their lives while we're doing so. So we're very proud of that; just wanted to highlight that.

I'll now turn it over to Joe Nigro. He's the CEO of Constellation. He runs a great business and hopefully he brags about a little bit. Thank you very much.

Joseph Nigro

Executive Vice President - Exelon & Chief Executive Officer - Constellation, Exelon Corp.

Thanks, Ken, and good morning. I'm going to spend some time this morning and talk to you about the Constellation business, a leader in the market for over 20 years. We have a leading competitive load provider serving over 200 terawatt hours of load across our wholesale and retail platform to over 2 million competitive customers on the retail side alone.

We also managed the 200 terawatt hours of generation that we're producing across our fleet each year. We also, if you may not know, are the eighth largest natural gas provider in the country. We serve 1.4 TCF of gas across our retail and wholesale platform on an annualized basis. Our operations extended to 48 states. We have 2,000 employees and, most importantly, our employees are serving almost 24,000 volunteer hours a year, which adds up to over 10 hours per employee, which I think is an incredible feat.

If I turn to the next slide, I want to give you some context about who we are as the largest provider of retail electricity at 139 terawatt hours a year across our retail platform. That's a 21% market share. That doesn't include the acquisition of ConEd Solutions, which I'll talk to about in a few minutes. Our market share is 50% higher than our next competitor and almost three times the average of the field and I think that scale gives us competitive advantage.

In addition, our residential business in the short five-year period has grown greatly as well. We are now the fifth largest provider with an 8% market share on the residential side. I think when you think about the consistency and sustainability of business. We have that with the scale that we have and I think it's something we can leverage to continue to grow.

If I turn to the next slide, I talk to you about how big we are, but I think we've continued to grow. If you see up top here on the slide, the compound annual growth rate of our load across our wholesale and retail platform from 2014 to 2016 has been over 16%, which is an incredible rate of growth. One of the benefits the merger of Exelon and Constellation, the industrial logic was marrying Generation to a large customer book. And I will tell you from my perspective it's definitely working.

We've been successful growing our retail business in two ways. We've got organic growth and we've also done it through acquisition. In 2014, we acquired the Integrys book of business, which has been widely successful both on the power and gas side as well as the addition of some quality personnel.

We're in the process now of acquiring the ConEd business and we'll expect to close on that later this year and that's also going to be a very value enhancing transaction for us. The purchase price to that transaction was \$53 million with about an assumed \$130 million of ongoing working capital, and, for that, we're acquiring about 350,000 customers, about 18 terawatt hours of power load across 12 states and the District of Columbia. So we think it's going to be very valuable from us. The bottom of this slide is very important as well, when you look at the growth in our residential customer business, when you look at the growth in our retail load, and you look in the growth on our wholesale load, it all leads to repeatability and sustainability, which is, we think, is very value enhancing.

If I go to the next slide, beyond electricity we have a large natural gas business as well, and we're showing you the retail numbers here. You can see the steady growth in our projections of 11% compounded growth rate over the five-year period. We were successful in two fronts. We grow our business similar to power organically in the gas business, but back in 2014, not only with the acquisition of Integrys, but with the acquisition of ProLiance, we added a big book of gas in the Midwest and that's been successful as well.

And we see opportunity to continue to grow this business in the future, both through organic growth with our customer base and also through continued acquisitions in a market that I would tell you still is very fragmented with a lot of small number of players that we think we have the opportunity with our scale to continue to capitalize on.

If I go to the next slide, this is really the crux of the story, I believe. And I want to spend a few minutes here to talk about the loyalty of our Constellation customers. I got a couple of stories. The first is I want to talk about a customer in the Midwest. It's a producer of coatings in Illinois. They've been a customer of ours through 12 years and they started as a gas customer. We now serve them power and we've also completed energy efficiency projects with them.

Another example is the aquarium in Baltimore, the National Aquarium. They started as a power customer. They've been a long time power customer. We deployed 4.3 megawatts solar deployment with them and, in addition, we've also completed some energy efficiency projects with them. I think when you think about that, it leads to some of the statistics, you're looking at here and what I think is the crux of what is exciting about the constellation strategy of using the generation in our customer book of business to deliver repeatable and sustainable earnings.

When you look at this, we've got an 80% retention rate on power. That's outstanding in and of itself. That means 80% of our customers are renewing with us when their contracts come up for renewal. On the gas side that number is even higher. It's 90% and that's outstanding. When you think about our margins for commercial industrial originations in that \$2 to \$4 range and they've been stable in that range for a couple of years now on the power side, that's very impressive. And then on the gas side, when you think somewhere around \$0.20 an Mcf and with that 90% retention rate, there's a lot of repeatability in the value of our retail business and we think we offer a lot of scale and scope to continue to deliver on that and to continue to grow on that.

I think the other important element is we serve two thirds of the Fortune 100 companies, so we're serving across the spectrum. You saw in a previous slide the large size of our residential base. We serve small businesses across the U.S. and across the country. We have medium and large commercial industrial customers. On the retail side, we serve the government and municipalities. In our wholesales business as well, we've been very successful with co-ops and municipalities. So, I think it's a real big platform that we can continue to grow on which is very important.

The last thing I would say on this slide is we win new business at a 30% rate, and I think there's a number of reasons for that but I think our consistency, our longevity in the business, our investment grade balance sheet is a big driver of what we offer the customer, and I think it's been a big value proposition.

I think the other side of it is this book of business on the power side is very important for our Generation assets on a number of fronts. The first thing is we're capturing incremental margin that we wouldn't be able to capture in the wholesale markets. And the wholesale markets have some challenges, lack of liquidity, lack of market participants with some of the players backing out, I would argue has led to quotes in market prices that are below what we think are fundamentally we believe the prices should be.

I think another reason that our customers, we've had success both with our renewals and our new business in winning, is the opportunity around really providing competitive pricing, competitive products and really an ease of agreement between us and our customer. When you think about other benefits to the Generation Fleet in particular, I mentioned the margins, but just is equally important, we match our Generation and our load which I'll show you on the next slide very well from a geographic perspective.

In addition to that, there is a lot of optionality inherent in our Generation portfolio. We are a long nuclear operator, but we own dispatch across the power generation stack and these load serving contracts meet that very, very nicely, and marry to that Generation Fleet very well. And then the last thing is, there's a credit efficiency with not having to use the over-the-counter market that we get with these Retail contracts as well.

So if I turn to the last slide, I would tell you, standalone the Constellation business is very strong, but being part of the ExGen family obviously makes it even stronger, and that's what we're trying to represent here on this slide. You can see in almost all our regions that we have a very balanced generation-to-load position. It actually fits very, very nicely. And then you could see we have additional capacity to backstop any other, what I would call, volatile incidents in the market. The one region where we don't have that is in the Midwest, but we've continued to grow our load book in the Midwest through organic growth and also through acquisitions like Integrys, and we will continue to work hard to balance that portfolio as well.

On the bottom of that next slide, there is really two important points here and it talks to some of the value proposition. The first thing is, if you go back to the winter of 2014, it's the most volatile period that we've seen in a number of years. We benefited greatly on the Generation side. If you remember, there were a lot of competitors. We talked about the competitors trying to replicate what we have with this Generation, the load matching strategy. There were a number of competitors that exited the retail market at that time because they were hurt because they didn't have the generation to match. Our Generation performed well and we made quite a bit of money on that side.

I would tell you in 2015, and even now in 2016 in a much lower volatility period, we've had the ability to monetize our load and have been very successful doing that and you see what the value proposition and what that was last year. These numbers are incremental to the margins that we achieve when we make our retail sales, when we make our wholesale load sales. So, this is the incremental value-add when we talk about the proposition of what we're bringing to the table across the Constellation platform. I know a lot of you think about this as a trading business, I don't think about it that way. I think about it as a logistics business, with the opportunity of taking these customer contracts and the Generation output, and really managing around that to create additional value by using our Generation Fleet, capturing anomalies in the market like we did in 2014, like we did in 2015, and really leveraging the scale and scope we have. So, from my perspective, I'm very excited about what the future holds for Constellation.

I think we're going to continue to see consolidation in the retail market and we'll have an opportunity to capitalize on that. We've proven we can grow our business organically. I think the utilities, talked about the evolution of the customer. I think we have an ability to capitalize on that, and I'm really excited about what the future holds for us.

I know I've covered a lot of material and Ken's covered a lot of material in a short period of time, what I'd like to do with that, Bill and Kathleen to come up and join us, and we'll open it up for questions as it relates to the ExGen business, and also, as it relates to the corporate strategy. Thank you very much.

QUESTION AND ANSWER SECTION

Dan L. Eggers

Senior Vice President-Investor Relations

Steve. Can you pass [indiscernible] (02:30:45)?

Steve Fleishman

Wolfe Research LLC

Just on the Retail business, can you speak to competitive trends – sorry, can you talk to competitive trends? You discussed the business in depth, but do you see increasing Retail competition, lessening competition, what are the trends that you're seeing in it?

Joseph Nigro

Executive Vice President - Exelon & Chief Executive Officer - Constellation, Exelon Corp.

Yeah. I got asked this question last night, and what I would tell you is, coming out of 2012 into 2013 was very much a low point in what I would call the Retail market. And then the winter of 2014 hit and we saw quite a bit of volatility. And as I mentioned, we saw a number of players liquidate their position and get out of the business. It provided an opportunity for us for acquisition. Since then, we've seen commercial, industrial margins improve, and they've remained stable. We've seen residential margins improve and have continued to improve. And we recognized, I think, two things that I think will allow us to continue to see that trend. One is, I think there is just – we've seen some consolidation in the industry, and what I would call some of the more aggressive players have passed on to other things have become less aggressive in selling Retail contracts, which I think adds to stability. And then secondly, I think some of the volatility is still fresh in people's minds and how bad they were hurt by it. And I think people are pricing accordingly and acting just more disciplined than they did previously.

Steve Fleishman

Wolfe Research LLC

Now shift over to FERC, and think of FERC as a instrument to effect carbon-free generation. Could you speak more to FERC's sort of the range of options FERC has, there have been some legal developments that are encouraging in terms of what FERC might be able to do, but just curious, if at present we're so inclined to use FERC, how that could be done?

Kathleen L. Barrón

Senior Vice President-Federal Regulatory Affairs & Wholesale Market Policy

Well, I think you're right to acknowledge that the legal developments are relevant question. I think if you'd ask a year ago, whether this is even something that would be considered at FERC you would get a different answer than you would get today. But I think the sort of horizons have been expanded a little bit by the court decision. And that the folks there are really starting to think about what the options are. And I think of them essentially three ways. One, in what think would be the most efficient for consumers would be to put a price on carbon in the energy market, let that show up in the dispatch and achieve the carbon reduction goal, use the power of the market to achieve the carbon reduction goal at the lowest possible costs to consumers.

A second option that will probably get some attention is the idea of the using the capacity market is to sort of think about it from a capacity perspective and to show, to reflect in the capacity market what did the states capacity goals are in terms of the clean generation. That does not allow you to achieve the benefits of colder gas

redispatch, efficiency, demand response, things that you would achieve if you use energy markets solutions, by the way it's the one that I will discuss, because folks do look to the capacity markets as a way to achieve some of the things that are not being achieved otherwise.

And then finally, one idea that you may hear about is doing a forward procurement of Clean Energy on a megawatt-hour basis, but essentially through the RTO and doing in a fuel-neutral way, it's another concept that has gotten some attention. But those ideas as well as others are all on display in the New England process which will play out this week as you may be aware and the other RTOs are going to have meeting play during the month to start to talk about some of the concepts.

Joseph Nigro

Executive Vice President - Exelon & Chief Executive Officer - Constellation, Exelon Corp.

A

Three Mile Island, it hasn't bid the last two auctions and just the factors that you're looking to for that plant to survive and possibly timing as to when we make decision about retirement. So, we started our focus on obviously other plants as you heard us talk about for the last two years. Bill and I led a team inside Exelon to really rationalize our nuclear situation and work on the plants that we thought were most pivotal and needed the most attention. TMI working on that at least a couple of years when we started that. Since that time, we've seen erosion in the Mid-Atlantic price points. We have, as you said, not cleared for two successive auctions in the PJM capacity market, plants committed till the middle of 2018 right now. And we now included in our list of plants that we are focusing on. So we're in the process of evaluating our options for Three Mile Island. I think the New York template is potentially a template for other states to follow and we'll pursue with the same rigor what's needed around Three Mile Island to keep it running, or we'll be disciplined about what we do, is it.

Dan L. Eggers

Senior Vice President-Investor Relations

A

Praful, right there?

Praful Mehta

Citigroup Global Markets, Inc. (Broker)

Q

Thank you. So, quickly on the Retail business, now we hear the benefits of the Integrated platform, right, the Generation and the Retail business and a lot of people are talking about it today. But when we look at transactions and where asset deals are done, and the deal that you just did, most of the price seem to be the working capital adjustment. So how do we rationalize where clearly there are other people also looking at the Integrated platform and saying, hey, retailer is valuable. But then when you do these transactions, the prices are so low for the asset itself, so how do we rationalize that disconnect, I guess?

Joseph Nigro

Executive Vice President - Exelon & Chief Executive Officer - Constellation, Exelon Corp.

A

My perspective on that is, I think a number of those retailers that have changed hands don't have the other side of the equation, which is the Generation, I think that's the first element. I think there's an intrinsic value that's greater of having these two pieces together, because I think you're de-risking your portfolio, not adding risk to your portfolio, where I think on a standalone retail basis you're getting daint for that, number one. Number two, I think after the polar vortex in 2014, I think what we've saw with the acquisition and we're going through ComEd solutions, I don't think their core business is for some entities. So when you think about ComEd, when you think about Integrys, what they were going through, and why they were sold, I think that has some impact on what the sales price is. I don't think there is one particular story for each one of them that blankets everything. I think some

of its unique and some of it is the fact that the generators, the long generators see bigger benefit in having these retail books of business and are being reflected by the standalone entities, and I think it creates more value for.

William A. von Hoene

Chief Strategy Officer & Senior Executive VP

A

And I'll just add to Joe's comment. We're not in the business of looking at acquiring platforms in Retail. We have the most substantial platform in the business. We're interested in the book of customers and what we can provide there. So, there is a valuation difference, if you think about paying for a book versus paying for a platform. We can deliver; we can close and integrate and deliver on value and for entities trying to get out of this business, what they are concerned with is their employees, and they're concerned about getting value, but they are also concerned about getting out. And to the extent we're patient and can participate when that kind of opportunity comes along, we're going to do so, and I think, that's what you're seeing.

Joseph Nigro

Executive Vice President - Exelon & Chief Executive Officer - Constellation, Exelon Corp.

A

And that scale has served as very well because in the acquisition that we're talking about, we don't pay a lot for the go-forward value of the book. We're paying for the intrinsic value of what's already on the book. And I think, our scale, and scope, and ability to integrate and our ability to close in a timely effective manner, has benefited us well. And I think it's what's creating value when we do these acquisitions.

Dan L. Eggers

Senior Vice President-Investor Relations

A

Shar?

Shahriar Pourreza

Guggenheim Securities LLC

Q

Joe, what is – if you look at slide 115, what would that look like – it's you CAGR slide, 116.

Joseph Nigro

Executive Vice President - Exelon & Chief Executive Officer - Constellation, Exelon Corp.

A

Okay.

Shahriar Pourreza

Guggenheim Securities LLC

Q

What does that growth look like sort of beyond 2016? And then, is there sort of a natural ceiling to how much of a natural hedge you're looking at, because in some of your regions, it looks, you're actually short power?

Joseph Nigro

Executive Vice President - Exelon & Chief Executive Officer - Constellation, Exelon Corp.

A

Yeah. I think there is a continued opportunity to grow this business, and I mean the acquisition of ComEd isn't in these numbers, right. So, growth is, as I mentioned in my prepared remarks, is going to come in two forms. It's going to be organic, and it's going to be through acquisition. So, when you think about the acquisition of ComEd at somewhere around 15 terawatt hours to 20 terawatt hours, that's going to add a growth trajectory onto this. We'll be able to continue to grow our business organically. And I worry less about the short you're talking about, because if you look at all of those regions, we have a back-stop of additional capacity, some of it is uneconomic.

So, what it allows us to do is use that, what I would call, out-of-the-money option to continue to sell these type of contracts, and then we can go-to-market, which is refreshing go-to-market on the buy side and actually buy some things to fill in the gaps, while knowing we have our own natural back-stop to protect this.

Shahriar Pourreza

Guggenheim Securities LLC

Q

That's good.

Dan L. Eggers

Senior Vice President-Investor Relations

A

Ali, right there.

Ali Agha

SunTrust Robinson Humphrey, Inc.

Q

Two questions. First on the New York ZEC contracts, I've noticed you haven't included those in your numbers yet. Is there a particular milestone, or what needs to happen for you to officially start putting them in your numbers?

Dan L. Eggers

Senior Vice President-Investor Relations

A

So, our policy on inclusion of that into our numbers is the next sort of contract hasn't been signed yet. So while we have the order in place and that sort of contract isn't there, so is a process or a protocol, we wouldn't do that until we have the contract in hand, which means we would give you the update in our gross margin disclosures at the third quarter update to our hedge disclosures. If you look at slide 115, the appendix after Jack's section – we should thank you for not jumping ahead and being patient – we actually give you the gross margins and EPS impact of it. So it is in there, it has not been layered into those numbers at this point in time.

Ali Agha

SunTrust Robinson Humphrey, Inc.

Q

Under the contract, okay. Second question, on the Illinois, the two nuclear plants, have we reached the point of no return as far as retirement is concerned, or is there still an opportunity to pull back? And any signs of anything from the Illinois side that could cause you to pull back?

William A. von Hoene

Chief Strategy Officer & Senior Executive VP

A

Yeah. The drop dead date, so to speak, on this is December in terms of the plan. So what happens in December in terms of the notice we have to give on Quad Cities under our merger agreement with Constellation and in terms of what happens in MISO with Clinton, that's kind of the date in which it has to happen. We don't have – we have proceeded consistent with our conclusion that this will not happen, that we will not get legislation in Illinois based on the impasse that we experienced over the course of the year.

The Illinois Legislature will have – currently has three days scheduled in November, and three days scheduled in early December to consider whatever is on the plate after the elections. It is possible that something will happen during that period of time, but we continue to plan for the retirement of the plants because there is no certainty whatsoever that anything will occur.

Dan L. Eggers*Senior Vice President-Investor Relations*

A

We'll go to Greg.

Greg Gordon*Evercore ISI*

Q

Hi. On slide 133, the ExGen Disclosures on the open gross margin, it's down \$100 million in 2017, \$200 million in 2018, probably your first quarter of debt, but you are also now excluding Clinton, you're not including the [ph] ZEC deal (02:42:41), but you're also now excluding Clinton and Quad. So is there any way for you to give us how much of that delta is just the mark on power forwards and how much is the exclusion of Clinton and Quad?

Dan L. Eggers*Senior Vice President-Investor Relations*

A

Yes. So, Greg, the gross margin data for how much we backed out for Clinton and Quad is on slide 150, so that probably is going to fill in the gap to where we would have been to where we are right now. So, it's not on the same page, I apologize. So, if you go further in the deck, you'll find them.

Greg Gordon*Evercore ISI*

Q

Thanks. And then, if we think about the bottom line earnings impact of retiring Clinton and Quad going from gross margins to EPS, I would presume that the drop-off in costs would make it earnings neutral going to positive as you disclosed, if that's [indiscernible] (2:43:22)?

Kenneth W. Cornew*President and CEO-Exelon Generation & Senior Executive Vice President and Chief Commercial Officer*

A

So in 2000 – full run rate 2019 number would be about \$0.07 a share positive and \$75 million of cash flow positive.

Greg Gordon*Evercore ISI*

Q

Great. Thank you.

Dan L. Eggers*Senior Vice President-Investor Relations*

A

All right, [ph] Angie (02:43:31).

Q

Thank you. So, I have a question on Retail. So, in the past you guys told us that when you talk about margins, you talk about origination margins. And then, once there is additional margin realized, it doesn't show up in disclosures on margins. So, can you actually talk about how those margins compare at the origination point versus the final realized margin for residential and C&I customers?

Joseph Nigro*Executive Vice President - Exelon & Chief Executive Officer - Constellation, Exelon Corp.*

A

Yeah. We tried to show that some with the last slide I was speaking to. And the reason we don't include that in our Retail margin is we think about the Retail margin as the point-of-sale margin. And then what we do is effectively all of the risk and opportunity is managed within our Wholesale business once that sale is made.

So, if you think about what I showed in 2015, we served approximately 200 terawatts hours of load. We added about \$250 million of additional value. I would call that somewhere around \$1.25 to \$1.50 of value, incremental to what the Retail sale was in optimization. When you think about what I showed you in 2014, with the \$100 million, a lot of that came off the Generation Fleet, but that was the optimization value around the market itself. So if you consider that, it's somewhere around \$1 or so additional above that \$2 to \$4 price that I gave you.

Q

Okay. And then, again, about disclosures. So, there's so many moving parts, right, FitzPatrick, ConEd, Retail to nukes in Illinois, the New York deal. Are we going to get updated disclosures on all of this during the third quarter conference call?

Dan L. Eggers

Senior Vice President-Investor Relations

A

So we're going to update things that are closed, so the New York CES will get reflected assuming that sort of it gets done, we'll reflect them in the third quarter disclosures. We're not going to disclose FitzPatrick until we get to closure, a lot closer to closure at this point in time before we put it in there. What we've said previously is it – that we're not doing deals in merchant generation, we only want contracted assets that are EPS and cash flow accretive, and FitzPatrick follows through on those two designations.

Illinois is reflected in our disclosures at this point in time. ConEd, we will – if we get it closed by the third quarter results, we'll put in there for growth in the fourth quarter going to the year-end update. But that's just general course of protocol making sure we own it before we change.

Q

And my last question, so when you guys show the impact of New York, of the New York deal, is this for your share of CENG plants or all of the CENG plants?

Dan L. Eggers

Senior Vice President-Investor Relations

A

Our share.

Q

Okay. Thanks.

Dan L. Eggers

Senior Vice President-Investor Relations

And we've gone fully over Julien, if you're really fast, you can ask your question. But I'm not sure if that's possible. So, okay. All right, you can come back to it. Thank you guys very much.

MANAGEMENT DISCUSSION SECTION

Dan L. Eggers

Senior Vice President-Investor Relations

Okay. I'm going to turn it over now to Jack Thayer, Chief Financial Officer, to do the run-through on the financials. After Jack, we'll have Chris come up and we'll do Q&A for those guys. Thank you, Jack.

Jonathan W. Thayer

Chief Financial Officer & Senior Executive Vice President

Thank you, Dan, and good morning, everyone. You've heard today from Chris and other leaders of our company on how they're positioning their businesses to deliver value to our shareholders, customers and other stakeholders. My remarks will focus on how all these pieces work together to build enduring value for you, our stakeholders. Before I get into that, I want to spend a few minutes on our results for the second quarter. We had a strong quarter financially and we were able to exceed our guidance range even with the modest setback of the recent PGA rig case decision.

For the second quarter, we delivered adjusted non-GAAP operating earnings of \$0.65 per share. This compares to \$0.59 per share for the second quarter of 2015. Exelon's Utilities delivered a combined \$0.36 per share. ComEd, PECO and BGE saw increased distribution revenues during the quarter and we had favorable weather in Northern Illinois.

We had a full quarter of PHI earnings which contributed \$0.06 per share. However, we took a negative \$0.03 per share charge resulting from disallowances primarily related to Smart Grid contained in BGE's June 3 rate case order, and partially reversed by the PSEs late July ruling on our rehearing request.

Generation had a great quarter, earning \$0.35 per share. We benefited from lower cost to serve our customers during the quarter. Our effective Generation to Load strategy continues to deliver strong earnings and consistent results.

For the third quarter, we are providing guidance of \$0.65 to \$0.75 per share. We're projecting our fourth quarter results to be in line with what we've delivered in the last few years. As a result, we're reaffirming our full year guidance range of \$2.40 to \$2.70. The appendix contains detail on our second quarter financial results compared to second quarter of 2015 results by operating company on slides 157 and 158.

Next slide, please. Turning back to the focus of today, Exelon's value to stakeholders, you've heard from each of our business heads what they're doing to benefit our shareholders and customers. When you bring together what they've discussed, Exelon is well-positioned to deliver enduring value. Over the next five years, we expect to deliver 6.1% rate base growth across our Utilities. 7% and 9% utility EPS growth, one of the best growth stories in our industry. And \$8.2 billion of free cash flow at ExGen to fund utility growth without incremental equity while also reducing ExGen debt.

We're optimizing ExGen value. Having raised nearly \$5 billion by monetizing assets through outright sales and project finance. Securing \$0.08 per share to \$0.10 per share a year through the regulatory efforts to recognize the carbon-free value of nuclear plants, and unlocking \$0.07 of run rate EPS by closing uneconomic nuclear plants. Our balance sheet is extremely strong, well exceeding investment grade credit rating downgrade thresholds, and we're growing our dividends at 2.5% per year through 2018.

Next slide. We're aggressively managing costs across our businesses. Through the cost cutting program, we announced last year, we're able to more than offset inflation. Assuming 2% for inflation, our cost should have increased by approximately \$700 million from 2016 to 2020. Instead, we're projecting an overall CAGR of negative 1.1% and a negative 1.3% CAGR at ExGen. Even without accounting for the closures at Clinton and Quad Cities, ExGen O&M would be roughly flat and lower than inflation.

Turning to the next slide. Our teams have been focused on optimizing the value of our Generation Fleet in a variety of ways. We're efficiently operating our existing Generation portfolio, running our nuclear plants at industry-leading capacity factors creates value above what other operators do. We deliver more value to our shareholders by running our fleet at best-in-class levels. We make roughly \$250 million more by running at 93% or higher capacity factors compared to the 90% current industry average. The team continues to find ways to run the fleet safely and reliably at lower cost.

Our Constellation business maximizes the value of our portfolio including our generating assets. Our Generation to Load matching strategy provides additional value over what our plants could get in the open market. Our durable and growing Retail business with its loyal customer base improves the consistency of ExGen's earnings, and PJM capacity revenues provide us a stable revenue stream consistently between \$1 billion per year to \$1.2 billion per year.

We look for ways to monetize our assets. We've raised more than \$5 billion from selling assets or project financing them. We sold 3,000 megawatts of generation at an average price of \$600 per kW in 2014, a very good price due in part on the PHI transaction. We've raised approximately \$3 billion from non-recourse project finance, and we'll seek to project finance additional assets and quickly recycle the proceeds.

We have a history of prudently retiring assets when they no longer positively contribute to the value of our fleet. By retiring plants, we're able to stem the cash flow and earnings losses from these units. Clinton and Quad alone have lost \$800 million in the last seven years. Retiring these units will result in 2019 run-rate earnings improvement of \$0.07 per share and avoid \$75 million in pre-tax cash losses.

Finally, Bill talked about our success in New York with the Zero Emission Credit program. The program is the first-to-value nuclear for its carbon-free attributes and recognizes existing nuclear generations importance in meeting our carbon goals. The ZEC will preserve our at-risk Ginna and Nine Mile plants providing up to \$350 million in additional cash through 2020, and \$0.08 per share to \$0.10 per share in additional earnings per year. We announced yesterday that we've reached an agreement to purchase FitzPatrick from Entergy for \$110 million. FitzPatrick is also eligible for the ZEC, and I mean it this time.

Next slide. These efforts to optimize the value of ExGen, maximize its free cash flow. Over the next five years, we expect ExGen to produce \$8.2 billion in free cash flow at current market pricing. I want to highlight something. Importantly, this does not include the incremental \$750 million of cash from the ZEC program sighted in the footnote on this slide. With minimal growth capital being invested at ExGen, there is nearly \$6 billion that can be redeployed to fund investments in our Utilities and reduce debt at ExGen. To extent we realize more cash flow than we project here, we will look to redeploy that additional cash, primarily by reducing debt at the Holding Company or funding additional investments at the Utilities.

Turning to the next slide. Exelon is committed to maintaining our investment grade credit ratings at each of our businesses. Exelon is significantly above the S&P FFO-to-debt threshold for a ratings downgrade. In addition, we will reduce debt by approximately \$3 billion at ExGen, which lowers our debt-to-EBITDA ratio over the next five

years. We're targeting a three times debt-to-EBITDA ratio at ExGen, which is significantly less levered than our pure merchant peers.

Next slide. When taken together, we're building enduring value for you, our stakeholders. A vast majority of our capital \$25 billion is being invested in our regulated utilities, where we can earn an appropriate and predictable return. This investment drives 6.1% rate base growth resulting in an above industry growth, earnings growth of 7% to 9% and shifts our earnings mix to primarily regulated earnings over time delivering on our commitment to you to provide more stable, durable earnings.

Next slide. In practice, our utilities payout 70% of their earnings to the corporate to help fund the external dividend and Holding Company interest expense. However, if we think conceptually about the dividend payout ratio against our EPS projections for utility-less HoldCo, we see the dividend fully covered this year and then following into the 70% in 2020, as our utility EPS growth outpaces our targeted dividend growth. We see this platform as supportive of dividend durability and pointing towards the opportunity for additional growth in the future.

Next slide. Our strong balance sheet and significant free cash flow from ExGen are the foundation of our capital allocation policy and a key to creating value for our investors. As you've heard throughout the morning, our strong free cash flow at ExGen is redeployed to fund \$25 billion of utility growth, retire debt at ExGen, which will improve our already strong credit metrics, and finally invest in select contracted assets where we can meaningfully exceed our return thresholds. Importantly, returning capital to our shareholders by increasing the dividend 2.5% per year through 2018. This is the right strategy for our markets and assets, and the right strategy to build enduring value for our investors.

Now, I'd like to invite Chris Crane and Dan Eggers up for Q&A. Thank you.

QUESTION AND ANSWER SECTION

Dan L. Eggers

Senior Vice President-Investor Relations

We'll start off with Jonathan right there.

A

Jonathan Philip Arnold

Deutsche Bank Securities, Inc.

Thanks, Jack. So [indiscernible] (02:57:11).

Q

Dan L. Eggers

Senior Vice President-Investor Relations

Yeah.

A

Jonathan Philip Arnold

Deutsche Bank Securities, Inc.

Yeah. All right. I just wanted to ask on the – you folded the parent drag, some of the parent drag on the utilities into the utility EPS forecast, I think. But should we still be expecting \$0.10 or so of HoldCo cost beyond 2016, or it was something that kind of in the utility numbers?

Q

Jonathan W. Thayer

Chief Financial Officer & Senior Executive Vice President

A

So, it's incorporated into those utility numbers and assumes that we use our free cash flow to pay down the GenCo balance sheet to the extent we get incremental capital like the \$750 million I mentioned from ZEC, that could be used to pay down Holding Company debt, and Dan, I think the number is...

Dan L. Eggers

Senior Vice President-Investor Relations

A

Little more than \$0.15, John.

Jonathan W. Thayer

Chief Financial Officer & Senior Executive Vice President

A

\$0.15. So, kind of where we are this year should be in a reasonable assume run rate going forward for HoldCo expenses. They're where they are.

Dan L. Eggers

Senior Vice President-Investor Relations

A

Yeah, that's right.

Jonathan Philip Arnold

Deutsche Bank Securities, Inc.

Q

You have the utilities, okay, that was one. And then the other question I had, on the – you're now talking about a target for debt-to-EBITDA at the GenCo around three times. As you look at the plan, do have headroom on that target, because you used to show financial forecast as opposed to just target. So, these deal numbers can of kind of take you somewhat better than that, or not?

Jonathan W. Thayer

Chief Financial Officer & Senior Executive Vice President

A

The three times debt-to-EBITDA, there was obviously a lot of focus on leverage in the merchant sector at the end of last year, beginning of this year. And as we think about the right leverage ratio and where the efficient spectrum is for capital, three times feels about right. That implies roughly 32% to 33% [indiscernible] (02:58:56) debt, anything beyond that we feel is better for us to reduce the debt at the Holding Company.

Jonathan Philip Arnold

Deutsche Bank Securities, Inc.

Q

Thank you.

Dan L. Eggers

Senior Vice President-Investor Relations

A

Julien, I promised you.

Julien Dumoulin-Smith

UBS Securities LLC

Q

Thank you. All right. So, slight change in question, looking at the dividend rather. How are you thinking about, maybe it's been more of a Chris question, 2018 onwards, you've got a 2.5% modeled in there. How do you think

about the potential increase that especially as you get more into a normal-ish range on the utilities, utilities are clearly growing faster than that.

Christopher M. Crane

President, Chief Executive Officer & Director

A

Sure. We don't need to get out in front of the board. As you've seen the numbers modeled, we've anticipated, and for modeling purposes the 2.5% continues after 2018. As we capture the execution on the utilities side, or we've become much more certain with the environmental benefits from the revenues and cash flows from the Generation business, that will inform us on our capability to have a sustainable and increasing dividend policy.

But, we want to execute on those right now, we get the 2.5%, and we have board approval through 2018, we have modeled beyond 2018 just to show we can continue to do that. We want to see the rate cases come in and the recovery on the – or the growth of the \$9 billion of rate base over that period of time in gaining certainty.

But as you can see, there is the potential for us. There is – we're not ready to make that commitment yet, because, we got to make the execution. I feel confident, but want to give the operating groups the opportunity to execute, and then we'll continue the discussion with the board. We'll be talking it at our board strategy retreat coming up fairly soon about that potential and how we want to look at it and how they want to look at it themselves.

Julien Dumoulin-Smith

UBS Securities LLC

Q

Got it. And then second question kind of big picture, you've got the utilities here, you've got the GenCo here, perhaps following the lead here – or following the rest of the sector if you will, moving towards a more regulated profile. Do you think everything within the ExGen business is still core, obviously, you've got a big retail business in matched load. But development side, obviously you're deemphasizing growth in that side, anything that you can divest, cut costs, vis-à-vis SG&A, et cetera?

Christopher M. Crane

President, Chief Executive Officer & Director

A

Sure. The cost side, I think Jack covered, we had a negative CAGR. We run the most efficient operation and we're still finding ways to take costs out and improve performance at those assets. That won't change, and that is what is driving a lot of the free cash flow.

On an annual basis, we do an asset rationalization to look at where the markets are valuing assets that would be more than we may value than more see them as valued to us within our portfolio. So, we're in that phase now looking at it and they'll make the recommendations on the determination. And if we should go after liquidating any other assets or potentially shutting down any of the peakers that aren't carrying their own weight.

Dan L. Eggers

Senior Vice President-Investor Relations

A

And Steve [indiscernible] (3:02:36).

Steve Fleishman

Wolfe Research LLC

Q

Yeah. I guess, a question for Jack or Dan. First, just on ExGen, you give us a lot of visibility on the gross margins and on the O&M, but there's things like interest, depreciation and those other lines, tax rate, that kind of matter.

So, is there any just big change events we should be aware of through the period to 2018 for that business on those below-the-line items?

Jonathan W. Thayer

Chief Financial Officer & Senior Executive Vice President

A

The only thing that really comes to mind is the – is pension expense. With the decline in rates, we've seen our liability grow fairly significantly. We're 78% funded, so we're in a good place, but that's \$0.02 to \$0.04 of incremental drag from pension that will mostly be felt at the GenCo.

Steve Fleishman

Wolfe Research LLC

Q

And that's not in the O&M?

Jonathan W. Thayer

Chief Financial Officer & Senior Executive Vice President

A

That would be in the O&M, sorry.

Steve Fleishman

Wolfe Research LLC

Q

It's in there already.

Jonathan W. Thayer

Chief Financial Officer & Senior Executive Vice President

A

Yeah.

Steve Fleishman

Wolfe Research LLC

Q

Okay.

Jonathan W. Thayer

Chief Financial Officer & Senior Executive Vice President

A

Steve, so the tax rate data we gave you, the tax rates we gave you on the first quarter call because the effect of the DPAD adjustment, that's going to be – that will create a little more burden from a tax rate perspective, but you should have that data already. I don't – can't think anything substantial is going to happen on the depreciation side, interest expense to the point we're paying down that \$3 billion of debt, kind of the ratatability of that going down, that will create some headroom presumably on interest expense.

Steve Fleishman

Wolfe Research LLC

Q

Okay. And just a strategic question for Chris. Just perspective on additional M&A consolidation for the company, obviously you just got Pepco, but during this three-year to five-year period, kind of how does that fit if at all?

Christopher M. Crane

President, Chief Executive Officer & Director

A

Right now, we are focused on the integration and the complexity of the integration, the execution on the rate cases, driving the capital projects and the spend. And so, we have seen things going for pretty good size premiums. We see more value and are sticking with our own investments, the \$25 billion; we're adding a PHI in the next five years, as I said earlier, without the opportunity for regulatory approval or the opportunity to pay a premium. So, it would have to be something that's really broken for a fixer-upper and it have to be a couple years down the road because we really need to focus on execution here. Thank you.

Dan L. Eggers

Senior Vice President-Investor Relations

[ph] Anthony (3:05:07)?

A

Q

Just off of Julien's question earlier, if I think about how you've pitched the story today, you've pitched ExGen as more hedged, the natural hedge with the retail business. I mean, is your view in the next five years or in your forecast that there's very little recovery in the power markets and you're taking a more defensive posture in your ExGen versus previously, you guys have talked about upside, the power markets return to normal or if we're at a low here, if we'd bounce back, how much benefit that would be to ExGen? Is it fair to say that while ExGen is core, the ability you'd see upside from there is limited in your five-year forecast?

Christopher M. Crane

President, Chief Executive Officer & Director

I think 2018 and 2019 have room to come up for sure. We're just using, [ph] whereas we're (3:05:53) we model here the forward strip and show the strong story with the free cash flow and the earnings accretion that we'll get from that, but I don't see 2018 or 2019 being sustainable at these levels without a whole lot more retirement or tightening in the market. So, we do see the potential for upside, but it's just showing it as the market forwards have it laid out now.

A

Jonathan W. Thayer

Chief Financial Officer & Senior Executive Vice President

And that's particularly in NiHub.

A

Christopher M. Crane

President, Chief Executive Officer & Director

Yeah, NiHub.

A

Q

And just switching to the utilities, if I think if you have your work cut out for you in rate case filings, particularly at PHI over the next couple years and you hope that bill impact is probably minimal, what's your assumption of the change in commodity prices in the customer bill during that period?

Christopher M. Crane

President, Chief Executive Officer & Director

A

Yeah. I was going to come back to Paul's question that he had for the utilities. What we do at the utilities, is take a five-year view on rates based off of not only the capital, the O&M expenditures, what we predict will be going in for rate cases and when we predict. We also run the sensitivities on the capacity market and on the energy market to make sure that we've got that understood clearly and we're communicating that with the major stakeholders here's what it looks like. So, we don't get into the case of rate shock. When we put this capital in, so we're running the sensitivities, we understand the capacity market gives us a little bit more, we understand the variability, especially 2018, 2019 in the energy market, what can be the consumer take? But there's another side of this story too is, a dollar, if you can spend \$8 of capital to save \$1 in O&M and its flat to the consumer. So, when we're putting this capital to work in the utility, we have got to be driving efficiency. Anne talked about how many truck rolls did not happen with the smart meter, it's just not put capital in for the sake of getting return, you've got to put the capital in to cut the O&M cost, shifting craft now at ComEd and other places to put that capital in has brought the O&M cost out, brought the CAGR's on O&M to. So, there is a strong focus, Paul, to your question earlier that you cannot put this on the back. And then if you're seeing some big rate shock event which we're not seeing in the out years, what can we do to mitigate that, so it's a high sensitivity. And it's not done, as I said, without driving more efficiency in cutting costs, reducing the over time, reducing – in a storm recovery, reducing the dependency on contractors in a storm recovery or in a normal operation. That's what the technology is being installed for is the resiliency and cut costs.

Q

And Chris, just to build on that, if you think about our efficacy for energy efficiency within the ComEd...

Christopher M. Crane

President, Chief Executive Officer & Director

Yeah.

A

Q

Within the clean energy bill, that will lower customers' consumption, therefore lower their G part of their bill, certainly that's been highly effective within the BGE Zone. So, we are thinking about the totality of the bill in our regulatory policy and how we advocate.

Christopher M. Crane

President, Chief Executive Officer & Director

So that's a shift in the way we have to analyze, to what Jack said, instead of just focusing on the rate, focus on the total bill. We have actions that are cutting the bill down. We have actions that are cutting the rates down from what they could be by efficiently running the business, endorsing programs and operating properly.

A

Dan L. Eggers

Senior Vice President-Investor Relations

Praful and for Greg.

A

Christopher M. Crane

President, Chief Executive Officer & Director

I think Andy is going to throw something at you...

A

Dan L. Eggers*Senior Vice President-Investor Relations*

Yeah. I know.

A

Praful Mehta*Citigroup Global Markets, Inc. (Broker)*

Thanks. So I had a quick question on the leverage at the GenCo. Now the \$3 billion deleveraging makes sense and we understand the path to it. But as you think about what's going to happen five years, seven years down the road in terms of more renewables coming in, there could be more weakness on the off-peak pricing which could put more pressure on nuclear. So, I guess, the question I'm getting to is, as you think about the optimal leverage and not just the debt-to-EBITDA, but just the amount of debt that you can have at ExGen, are you looking at asset life of nuclear five years, seven years down the road and saying if we didn't get ZECs in other states, for example, and we only have the market, what is the amount of debt that you can bear at ExGen five years down the road, if you're thinking about nuclear asset life being X. So I'm trying to get those pieces.

Q

Christopher M. Crane*President, Chief Executive Officer & Director*

Yeah. So, the most sensitive assets to the renewable build-out are going to be those in the Midwest. And so, we feel that the dual-unit larger sites are durable through that period, but we have the three times debt-to-EBITDA. We have units that are going to run out to 2040. We have a project at Peach Bottom as a pilot plant to add another 20 years onto it. So, we don't want to paint the picture that this is a dinosaur, this is – we're optimizing this fleet right now to be durable either through the REC program or the ZEC program or shutting them down. But there are – the other assets are very strong and continue to be. If the renewables continue to collapse the market, we're not the first ones that are going to be hurt. There'll have to be some other market design, because of reliability issues with the units coming up. You can see the conversation that's going on in MISO right now. MISO has been slow to file its plant for Zone 4. That stakeholder process has created a lot of dialogue that they have to work out stuff, but reliability is continuing to deteriorate in that period of time. The State of Michigan just asked MISO to run a reliability study for the State of Michigan because of the issues that MISO is having. So I think there is a view. We'll let Jack answer the view on how we manage the ratios and what's our target. There's also a view that we're going to be running some of these assets for 20 to 30 more years and they're going to be long-lived assets, the market needs them, reliability needs them and the environment needs them.

A

Jonathan W. Thayer*Chief Financial Officer & Senior Executive Vice President*

I think just to build on that, I think to Chris's point, we do have a differentiated technology with a differentiated output. We believe that that will continue to provide enduring cash flow. Our ExGen business is throwing off more than \$1 billion of cash flow a year over the next five years and we expect it to continue to throw that off. That more than provides the security to address any retirements that we might have to make and bring that debt into a very, very manageable level so we can continue to redeploy that ExGen free cash flow to grow the utilities or return value to shareholders in other ways.

A

Christopher M. Crane*President, Chief Executive Officer & Director*

So the three times debt-to-EBITDA is a conservative move in some eyes and maybe non-conservative in others. But it gives us margin to what is our down rate threshold, which is our FFO to debt. We have a five-year view and we can go further out on that so we can anticipate that degradation and take action that potentially which we do

A

not see the likelihood of it now, that you would bring that debt-to-EBITDA ratio down further to control a decline. But we have a view far enough out that we can do it. I don't think it would be prudent in order to be overly conservative to go more than three times. Use of the balance sheet at this low interest rate environment is a good thing. We just want to size it that we can ride the commodity cycle and not be stressed and allow us to access to the capital markets while providing good cash flows to make investments on the other side.

Jonathan W. Thayer

Chief Financial Officer & Senior Executive Vice President

A

And I think just to think about the broader, if you think about that dividend slide, and how much on a theoretical basis of the dividend is being covered by the utilities, we don't – as we grow the utility EPS, we don't necessarily need or were increasingly less reliant on those GenCo cash flows to fund that utility growth.

Dan L. Eggers

Senior Vice President-Investor Relations

A

Go to Andy.

Christopher M. Crane

President, Chief Executive Officer & Director

A

He's been waving his arm out there. He's going to rush to the stage.

Dan L. Eggers

Senior Vice President-Investor Relations

A

[indiscernible] (3:14:50) morning.

Andrew Levi

Avon Capital/Millennium

Q

I'm in good shape, it's all right. It's Andy Levi from Avon Capital. I thought you guys gave a really good presentation, actually very, kind of, concise and it's a very simple story. And it's actually interesting value proportion, stock seems cheap. The one question I have is that you look at your utility guidance as you go out several years and obviously very robust growth. But I was just curious, with all the mechanisms that you have for quick recovery, what gets you to the top [indiscernible] (3:15:31) of those ranges and why are the ranges so wide on such a – on our earnings per share of such a low earnings base...

Christopher M. Crane

President, Chief Executive Officer & Director

A

[indiscernible] (3:15:40).

Jonathan W. Thayer

Chief Financial Officer & Senior Executive Vice President

A

So a couple things and you saw this at BGE. We had – we build into our plans a certain amount or a certain assumption of what we'll spend on storm recovery. The absence of storms can yield a significant positive. The storms that are more significant than expected obviously can lead to the downside of that. We have, in our rate filings, an expectation of what we're going to achieve and build strong cases to achieve that, but commissions are going to have their say and they're going to give us some percentage of our ask – and that can gravitate from year to year. But I think what we're hoping to show, given the preponderance of what's recovered in formulary tracker mechanisms and what we're trying to shift the remainder of our investment program to more of those

types of programs that we are trying to limit the volatility and reduce the volatility of those rate case outcomes and ideally demonstrate the regulatory success we're having across the jurisdictions in a way that yields a premium multiple utility.

Andrew Levi

Avon Capital/Millennium

Q

What gets you to the top end? And then, I guess for Chris, if you kind of look at, let's say, one of your peers that say – Jim Robo from NextEra, he always kind of likes to say you'd be disappointed if they didn't get to the top end of their ranges. So maybe just focused on the utility, maybe you can kind of talk about to the mid to the top end of your range. And I guess would you be disappointed and is it hard to get, is it hard to get to that top end of that range?

Christopher M. Crane

President, Chief Executive Officer & Director

A

You think Denis is an asshole? I taught that range, but he's the nice guy. But, yeah, would be significantly. We've put the hedge, we put the hedge on the band to get the execution out there. I am [audio gap] (3:17:37) on executing on the PHI rate cases, the recovery and the operational improvement. We have learned how to do this and how to go about it. We have proven how to do it and how to go about it. We have a team, David is leading that team. We have put very accomplished individuals into PHI, which will help expedite what we think that recovery period is at PHI versus a year longer than it took us at BGE.

And so, yeah, I'll be disappointed; and yes, there is levers to pull and yes, there is productivity to drive and cost to cut out to bring out. But we do have sight to the capability to get towards the top of that range. It's holding ourselves accountable, it's executing, it's communicating, it's driving the operational improvements and hopefully we've demonstrated for you today that we've got the oversight and the capabilities within the team to do that. We're already seeing the improvement. We're already having some constructive dialogue around rate cases. We're going to continue to do that.

The one thing that we have learned is communications with the regulator on the long view, letting them know where things are going, getting out with the stakeholders if it's the mayors, if it's the governors, if it's the state legislators, never surprise them. Show them what is coming in these rate cases. But the other thing that we don't talk enough about and we have to put in more, we are the economic engine for the communities that we serve. If you look at what BGE showed you on that gas line replacement, that's creating jobs. There's training programs for intercity residents that are going to be trained on how to put those gas lines and gas meters in, letting the legislators know that in all states, we've done a very good job in Illinois showing the economic impact in gaining the support for the infrastructure build-out, that's the same machine we have to build up in the PHI zones and improve on greatly in the BGE zone. And so, we get better buy-in, better stakeholder agreement on the investments that are being made.

Jonathan W. Thayer

Chief Financial Officer & Senior Executive Vice President

A

Chris, if I can just – and I think it was [ph] Mora (3:20:19), you asked a question earlier, how is managements incented. In our long-term incentive plan, starting in 2017, there are three metrics that gets measured. It's earned ROE at the utilities, it's EPS growth at the utilities, and it's FFO to debt for the holding company's balance sheet. And so, I think, Andy, you'll agree that management's incentives are aligned with steering towards the top end of that range.

Dan L. Eggers

Senior Vice President-Investor Relations

Okay, Greg.

A

Greg Gordon

Evercore ISI

Hi, just to clarify from the question you asked earlier. So, when you look at the utility guidance through 2020, that nets all the parent expense against it. And that's almost all debt, cost of debt, or is there a small component of unallocated cost?

Q

Christopher M. Crane

President, Chief Executive Officer & Director

It's almost exclusively debt.

A

Greg Gordon

Evercore ISI

Great. So, to the extent that you do drive to three times debt-to-EBITDA at ExGen, by modeling it myself, I should assume that those incremental dollars for debt reduction are then potentially targeted towards reducing the parent debt. Is that fair?

Q

Christopher M. Crane

President, Chief Executive Officer & Director

Yes.

A

Greg Gordon

Evercore ISI

Okay. And if I'm, so if I'm modeling this thing out of your deck, I'm not missing anything. I know this is sort of a follow-up on Steve's question. So, if I model the utility the way you've articulated it and if I go through the back of the deck and cobble together my ExGen model based on the disclosures you've given me, I've got the whole company, I'm not missing any of the financial, anything financially that I should be looking at.

Q

Christopher M. Crane

President, Chief Executive Officer & Director

I think the important element is we have the \$8.2 billion of free cash flow coming off the GenCo with the ZEC, that's an incremental \$750 million. So you have \$9 billion of free cash flow. We haven't modeled in doing anything with that \$750 million. With the addition of FitzPatrick, obviously that's cash flow and earnings accretive as well. So, there's upside that isn't necessarily modeled into these numbers, but we give you the means of making our own assumptions.

A

Greg Gordon

Evercore ISI

Great. Thank you.

Q

Dan L. Eggers

Senior Vice President-Investor Relations

A

[indiscernible] (3:22:15).

Q

Hi. So, to what extent is Exelon a organic growth story beyond 2019, 2020 going into the 2020s or now that you've finished the PHI story and acquisition, what's your view of M&A going forward?

Christopher M. Crane

President, Chief Executive Officer & Director

A

Yeah. We are targeting prudent investments beyond 2020 to continue to improve the resiliency, reliability and efficiency of the system. We're targeting around the goal is to see if we can keep that around 5%. The 7% to 9% is pretty high on the range if you look at the comps, but we think a good growth range would be around 5% and – but it's going to be efficient capital put to use, the consumers got to benefit from that. And we have the ideas on where we can go on some of the things that Anne talked about as we continue to embrace technology and innovation and what the customer is looking for would give us the opportunities adjusting the regulatory model to go away from the volumetric and get support for that is going to be constructive as we go forward.

The – so I think we have a very near-term high power growth story, but we have a sustainable gross story after that. M&A has dug us out of where we would be is Exelon alone. From the last four years, we would be much more damaged goods today if we did not or would be damaged good today if we did not consummate the merger with Constellation.

The ability to put the load to gen match with that Constellation platform, had some clean-up work to do around how they operated. And I think we're operating very efficiently now. I think we've got the right compensation strategies in place. We've got the right oversight, if you want to say, on the operations. So, we feel good about what's happened with Constellation. We feel really good by bringing BGE into the family and making the improvements that we've been able to do that have -were not capable of before. PHI changed the story. It was tough work. A lot of people in the room worked very hard for two years to get that done. It's transformed us to be able to have a very strong organic story across all the utilities.

Not really looking to jump back into the M&A anytime soon. We have a lot on our plate and we can create value with what we have on our plate. Hopefully today, we demonstrated what I have is confidence in this team to execute. And I don't want to stretch them right now any more with any big deals; they've got an organic story, they've got good balance sheets to manage and execute on.

Dan L. Eggers

Senior Vice President-Investor Relations

A

Ali.

Ali Agha

SunTrust Robinson Humphrey, Inc.

Q

Hey Chris, when you look at your valuation on a PE multiple and you compare it to the pure regulated utilities, there's a very wide gap there. So just curious what is your aspiration? Do you think you ultimately should be trading there and does this plan get you there and if the valuation expansion does not happen, are you willing to think outside the box and maybe try some other stuff or is this the 2020 plan and the execution of that is really what the focus?

Christopher M. Crane

President, Chief Executive Officer & Director

A

Yeah. Of course, we want to be recognized with a better multiple. We trade at a discount. The hybrid has looked – I think been looked at as not the optimum versus a pure-play regulated. What we're trying to demonstrate here is we have the best hybrid. We have a cash flow machine that's supporting a significant investment without going to the equity markets while continuing to focus on a dividend. So we think it should be expanded.

I will tell you that Dan is here because we did a very poor job communicating in the past what we were doing. As you can hear us talk today, we're very operationally and execution-oriented. We have not done the right job telling the story. What we're telling you today is what we were working on before. It's why we went after PHI. But what we have to do as a team is be more sensitive to your questions, your concerns. We need to be explaining the story in a much clearer fashion and continuing to prove through execution that we're getting there. Some of the things that we have been doing or said we're going to do has taken a little bit longer.

Four years ago, we came together as the new Exelon, we went through a tough period. We have continued to evaluate this hybrid model and we've continued to figure out how do we optimize our capital allocation policies or execution that's going to create the value. We've taken a dip in value over the last four years, we're climbing back out now and we think we're climbing back out on a strong platform. We think we have – can show that we have value growth. And what we're doing with this platform that we've built and now we have to execute on it. So, on a regular basis, I asked the question, are you sure these two should be bolted together? I actually had them do a study, a very detailed study, we brought in external folks a while back.

And my opinion was that I think it's going to be better apart. And – but I'll let the team independently – Bill and Jack led the team and they independently looked at it and they brought all the stakeholders together and it is value disruptive at this point to break up to – because, one, you get, might get the expansion on the regulatory side, the EPS expansion there. But the dividend that you are expecting would not be able to be sustained as [ph] you're seeing to do (3:29:11) with the capital investment without equity issuance. And that equity issuance would have the dilutive effect that can't be overtaken by the multiple expansion.

On the other side of the business, Constellation's efficiency to market would be greatly hampered. There are counterparties that they could not transact with or there's counterparties that would be much more expensive for them to transact at.

So, we would be taking this \$8 billion free cash flow machine that's helping us build this platform on the regulated side that's creating that earnings accretion and it would hamper both. So when we looked at it together and they came in, now you got to show me this again, I want to go through very number. But it really – this is the best model and it's the best model from here to 2020. I would say, you constantly have to reassess that to make sure you're unlocking the best approach to creating the long-term value. From here to 2020, the cash flow that the Genco's throwing up as they optimize, it's not a dying business, it's a sustaining business and it's allowing us to grow without any dilution on the equity.

So it's a good question, it's something that the board asks me, I ask the team. And it is something we'll continue to evaluate; but I think we got the right mix right now. I think it's the way the team is firing and operating. The Genco, as I said and under Ken and Mike Pacilio's leadership, is doing great performance in cost and in operations. That differentiates us from others; the cash flow coming off. Can't it repeat that enough and then the Utilities execution on the efficient spend of capital and the proper return on the rate case is – says stay together at least for the next five years as we build this model up.

Ali Agha*SunTrust Robinson Humphrey, Inc.*

Q

One follow-up, unrelated. Given the New York ZECs coming through, what does that do from your perspective to the EDF put option and do you think that is now more likely to come back on the table given the profitability change over there?

Christopher M. Crane*President, Chief Executive Officer & Director*

A

We have not heard that from EDF. Bill and I have been in contact to talk to their CEO and their new management in Paris and here in the States. They like our operations, they like our arrangement, they really like the ZEC and the value that's created and they want to try to learn and see if that can be something that it can repeat in Europe. The put process is fairly well defined. It's the value of the assets in the marketplace. And if it is put, it would be put at a price that we would be compensated for in earnings and free cash flow. So, we haven't heard from them and their last comment was we're not doing anything. And we'll continue to be in dialogue with them. Their stuff in the UK as, I think, everybody has read, has been slowed down with the change in the administration. And so, not sure what their cash needs are going to be.

Dan L. Eggers*Senior Vice President-Investor Relations*

A

I think that we're over our time, we're trying – we're probably over, so let's – we'll catch [ph] after Paul has – (3:33:07), okay, we've run long. So, Chris, I think you had a couple closing remarks and then we'll let you free.

Christopher M. Crane*President, Chief Executive Officer & Director*

Yeah. I don't wear a watch so I never knew when we're over time. Now, I think I've said lot of it and I don't want to be overly repetitive. But we have set a vision and we're executing on that vision. I feel really strongly that the team that we presented here in front of you today is the team that can execute. I do realize the skepticism in some of your questions and some of your facial expressions when we talked about the PHI rate case recovery. We've proven we can do that over a couple rate cases at BGE. It takes hard work, it takes customer satisfaction and it takes great communication. So, we do feel that that is achievable and we're going to continue to execute on it.

We had questions about – well, I thought maybe you should be spending more. We're spending three times depreciation right now on capital. That's a pretty good benchmark if you compare us to the others and we want to spend that capital efficiently. As I said, it has got to be to the benefit of the consumer. There is not a model that says you have the license because you have the franchise rights to just throw capital in and put it on the back of the consumer. Everything we do has to be focused on consumer benefit. So, I think we have the right balance on that right now, going forward, and we'll be able to prove that. We do believe that we are more valuable than the market reflects for us today.

We do take part of that on ourselves because we have not communicated properly completely. We have stayed more to our knitting than doing events like this and explaining in detail and getting you to know the team more. So, from here, I think we've got a good baseline on where we're going. You can see what we think over the next five years and then you can hold us accountable to the execution and we'll keep you up-to-date.

As I've said, some of the things that we said we're going to do took a little bit longer. But the team never gave up. PHI was a real slog. We went through New Jersey very quickly. Delaware was a good process to go through.

Maryland was a good process to go through. We underestimated what we needed to do in Washington and we caused the delay in the regulatory process there. We recovered from that; we've closed on that; we're building that into the operations into the portfolio now with the PHI.

So the nuclear story, we have been – Bill, Kathleen, Joe Dominguez's team have been working very hard. We said we were going to do something to get these plants compensated or we shut them down. New York, good story, great story New York, story yet to unfold in if we can prevent anything in Illinois, but we're having to take the steps and that creates the value and the accretion.

So, I really do think that as I said, we've got the right team, the right strategy, the right approach to create value instead of having these year-after-year decreases in EPS that we start to see the year-over-year increases. And we can also really focus on how we manage the dividend. So I thank everybody for their time and questions and engagement. And from here it's just us go back to executing and showing you what we have. So thank you very much.

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