

# **JP Morgan Energy Equity Conference**

June 26, 2017

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## Cautionary Statements Regarding Forward-Looking Information

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This presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from the forward-looking statements made by Exelon Corporation, Exelon Generation Company, LLC, Commonwealth Edison Company, PECO Energy Company, Baltimore Gas and Electric Company, Pepco Holdings LLC, Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company (Registrants) include those factors discussed herein, as well as the items discussed in (1) Exelon's 2016 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 24, Commitments and Contingencies; (2) Exelon's First Quarter 2017 Quarterly Report on Form 10-Q (to be filed on May 3, 2017) in (a) Part II, Other Information, ITEM 1A. Risk Factors; (b) Part 1, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 17; and (2) other factors discussed in filings with the SEC by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this press release. None of the Registrants undertakes any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this presentation.

## Non-GAAP Financial Measures

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Exelon reports its financial results in accordance with accounting principles generally accepted in the United States (GAAP). Exelon supplements the reporting of financial information determined in accordance with GAAP with certain non-GAAP financial measures, including:

- **Adjusted operating earnings** exclude certain costs, expenses, gains and losses and other specified items, including mark-to-market adjustments from economic hedging activities, unrealized gains and losses from nuclear decommissioning trust fund investments, merger and integration related costs, impairments of certain long-lived assets, certain amounts associated with plant retirements and divestitures, costs related to a cost management program and other items as set forth in the reconciliation in the Appendix
- **Adjusted operating and maintenance expense** excludes regulatory operating and maintenance costs for the utility businesses and direct cost of sales for certain Constellation businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, and other items as set forth in the reconciliation in the Appendix
- **Total gross margin** is defined as operating revenues less purchased power and fuel expense, excluding revenue related to decommissioning, gross receipts tax, Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, and net of direct cost of sales for certain Constellation and Power businesses
- **Adjusted cash flow from operations** or **free cash flow** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding capital expenditures, net merger and acquisitions, and equity investments
- **Operating ROE** is calculated using operating net income divided by simple equity for the period. The operating income reflects all lines of business for the utility business (Electric Distribution, Gas Distribution, Transmission).
- **EBITDA** is defined as earnings before interest, taxes, depreciation and amortization. Includes nuclear fuel amortization expense.
- **Revenue net of purchased power and fuel expense** is calculated as the GAAP measure of operating revenue less the GAAP measure of purchased power and fuel expense

Due to the forward-looking nature of some forecasted non-GAAP measures, information to reconcile the forecasted adjusted (non-GAAP) measures to the most directly comparable GAAP measure may not be currently available, as management is unable to project all of these items for future periods

## Non-GAAP Financial Measures Continued

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This information is intended to enhance an investor's overall understanding of period over period financial results and provide an indication of Exelon's baseline operating performance by excluding items that are considered by management to be not directly related to the ongoing operations of the business. In addition, this information is among the primary indicators management uses as a basis for evaluating performance, allocating resources, setting incentive compensation targets and planning and forecasting of future periods.

These non-GAAP financial measures are not a presentation defined under GAAP and may not be comparable to other companies' presentation. Exelon has provided these non-GAAP financial measure as supplemental information and in addition to the financial measures that are calculated and presented in accordance with GAAP. These non-GAAP measures should not be deemed more useful than, a substitute for, or an alternative to the most comparable GAAP measures provided in the materials presented.

Non-GAAP financial measures are identified by the phrase "non-GAAP" or an asterisk. Reconciliations of these non-GAAP measures to the most comparable GAAP measures are provided in the appendices and attachments to this presentation, except for the reconciliation for total gross margin, which appears on slide 27 of this presentation.

## Exelon: An Industry Leader



Note: All numbers reflect year-end 2016; revenue accounts for PHI as of the merger effective date of March 24, 2016 through December 31, 2016.

## The Exelon Value Proposition

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- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2020 and rate base growth of 6.5%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~\$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2020 planning horizon
- **Capital allocation priorities targeting:**
  - Organic utility growth;
  - Return of capital to shareholders with 2.5% annual dividend growth through 2018<sup>(1)</sup>,
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

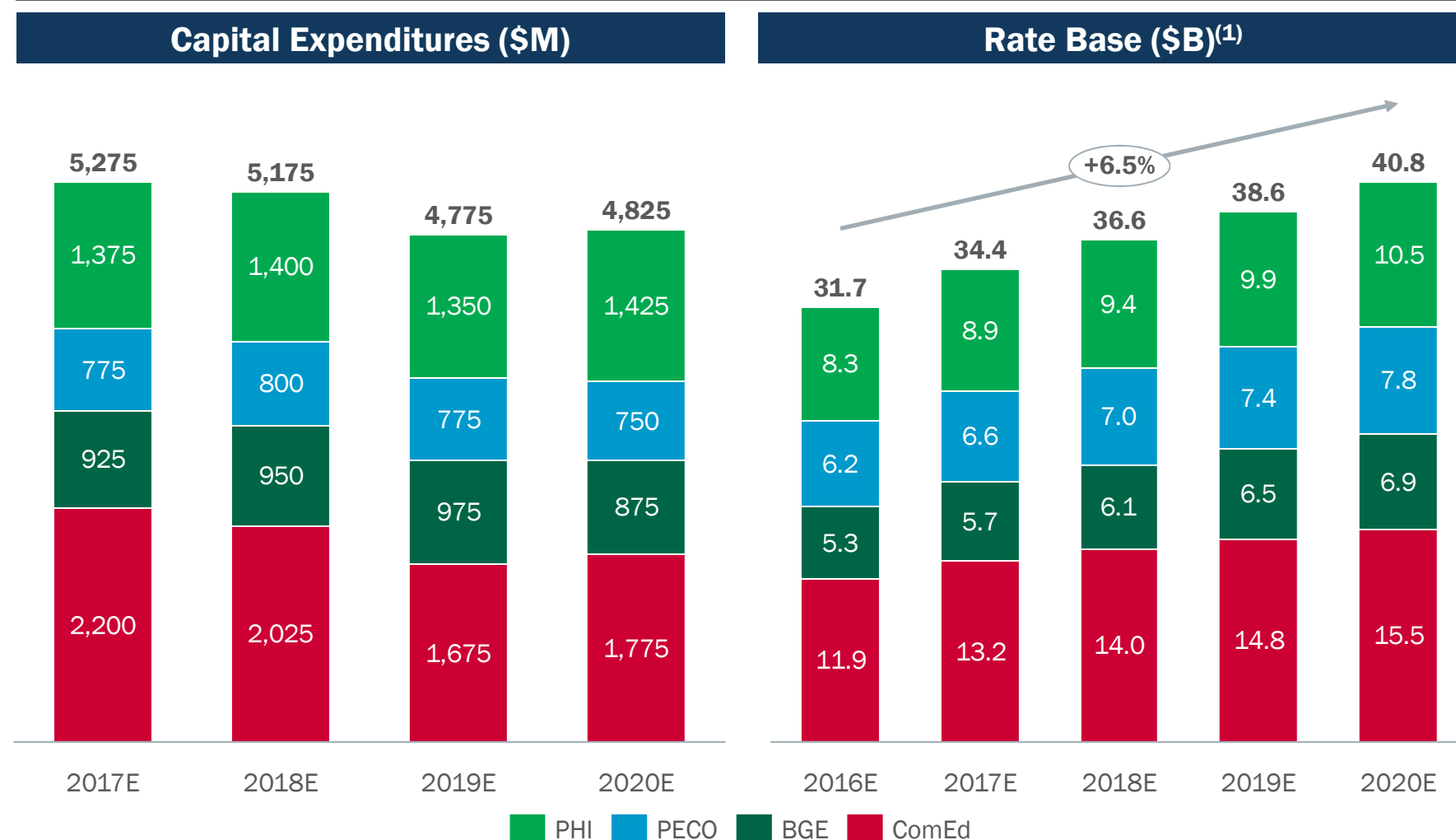


## Exelon Utilities Overview



Note: All numbers reflect year-end 2016; revenue number accounts for PHI revenue as of March 24, 2016 merger date.

## Our Capital Plan Drives Stable Earnings Growth



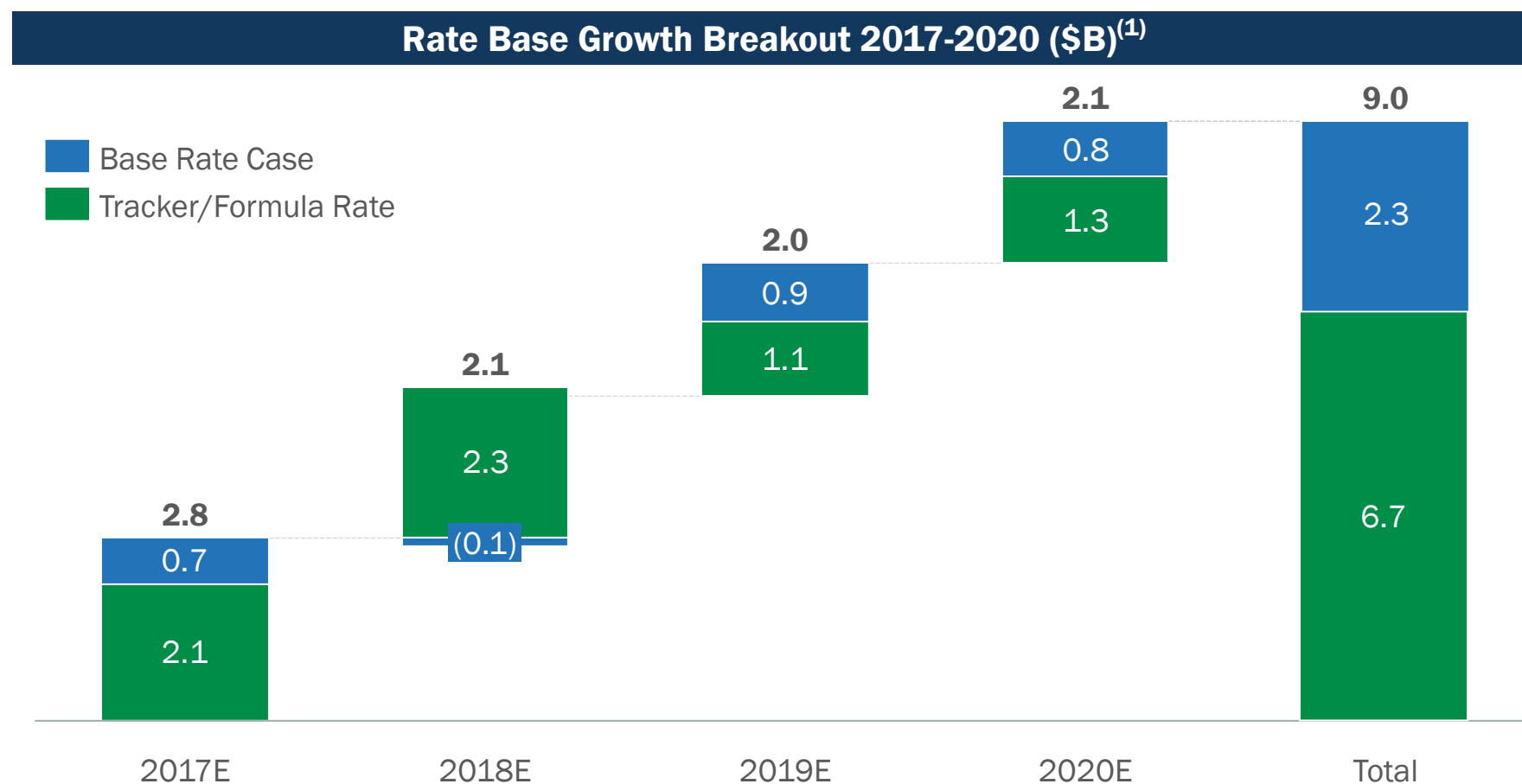
**Over \$20B of capital is being invested at utilities from 2017-2020 to improve reliability**

Note: CapEx numbers are rounded to nearest \$25M and numbers may not add due to rounding

(1) Rate base reflects year-end estimates



## Formulaic Mechanisms Cover Bulk of Rate Base Growth



**Of the approximately \$9.0 billion of rate base growth Exelon Utilities forecasts over the next 4 years, ~75% will be recovered through existing formula and tracker mechanisms**

Note: Numbers may not add due to rounding

(1) Assumes PECO transmission formula rate beginning in 2018; base rate base decrease due to reclassification of transmission rate base growth at PECO

## Proven Track Record of Improving Operational Performance

Operations	Metric	At CEG Merger (2012)			2015	Q1 2017			
		BGE	PECO	ComEd	PHI	BGE	PECO	ComEd	PHI
Electric Operations	OSHA Recordable Rate								
	2.5 Beta SAIFI (Outage Frequency)								
	2.5 Beta CAIDI (Outage Duration)								
Customer Operations	Customer Satisfaction				N/A				
	Service Level % of Calls Answered in <30 sec								
	Abandon Rate								
Gas Operations	Percent of Calls Responded to in <1 Hour			No Gas Operations			No Gas Operations		
Overall Rank	Electric Utility Panel of 24 Utilities <sup>(1)</sup>	23 <sup>rd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>	18 <sup>th</sup>	Performance Quartiles			
						Q1	Q2	Q3	Q4

Exelon Utilities has identified and transferred best practices at each of its utilities to improve operating performance in areas such as:

- System Performance
- Emergency Preparedness
- Corrective and Preventive Maintenance

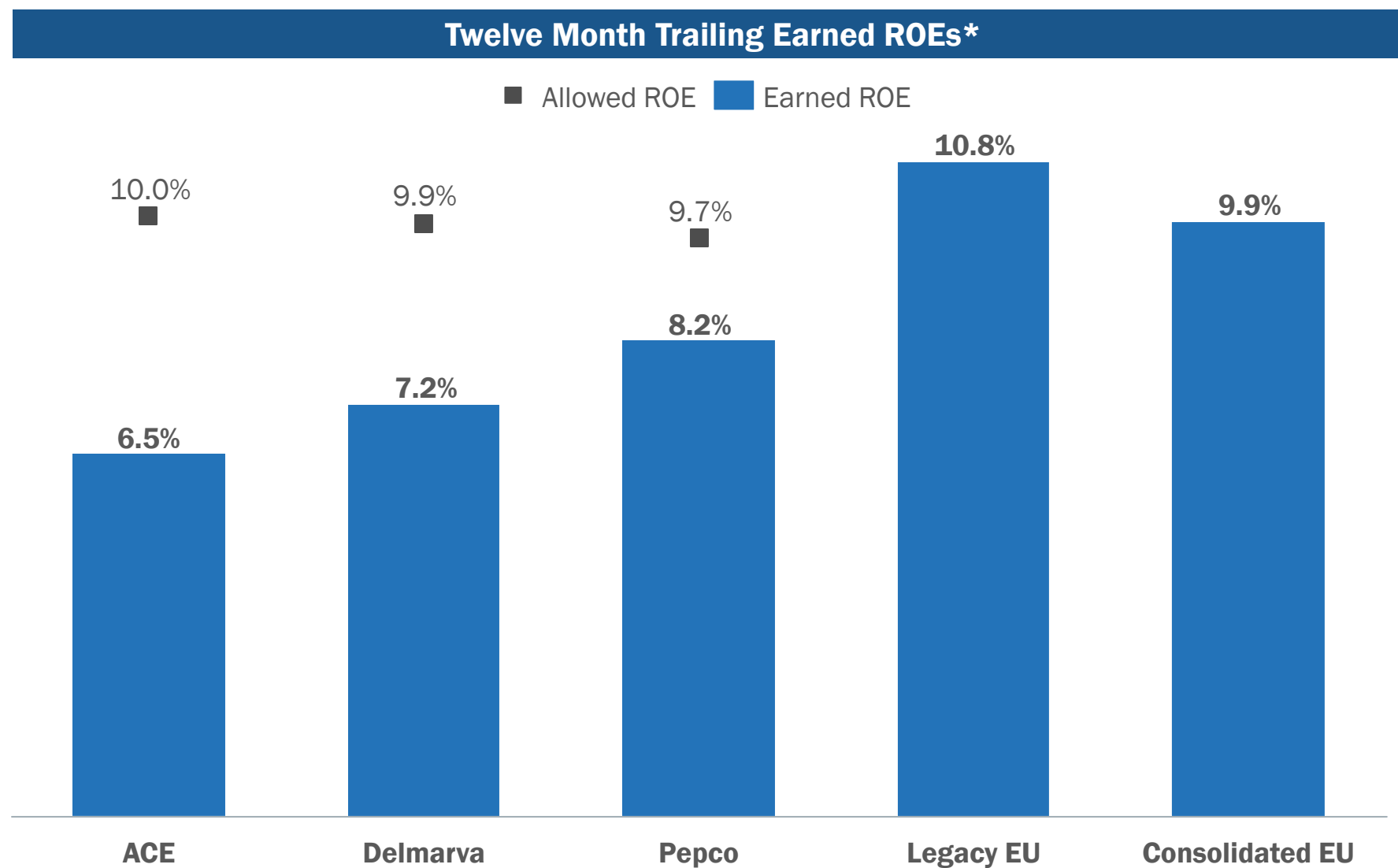
(1) Ranking based on results of five key industry performance indicators – CAIDI, SAIFI, Safety, Customer Satisfaction, and Cost per Customer

## Exelon Utilities Distribution Rate Case Summary

Delmarva MD Order		Pepco MD Filing	
Authorized Revenue Requirement Increase <sup>(1)</sup>	\$38.3M	Requested Revenue Requirement Increase <sup>(1)</sup>	\$68.6M
Authorized ROE	9.60%	Requested ROE	10.10%
Common Equity Ratio	49.10%	Requested Common Equity Ratio	50.15%
Order Received	2/15/17	Order Expected	Q4 2017
Delmarva DE Electric Filing		ACE Filing	
Authorized Revenue Requirement Increase <sup>(1)</sup>	\$31.5M	Requested Revenue Requirement Increase <sup>(1)</sup>	\$70.2M
ROE (per pending settlement)	9.70%	Requested ROE	10.10%
Common Equity Ratio	49.44%	Requested Common Equity Ratio	50.14%
Order Received	5/23/17	Order Expected	Q1 2018
Delmarva DE Gas Filing		ComEd Filing	
Authorized Revenue Requirement Increase <sup>(1)</sup>	\$4.9M	Requested Revenue Requirement Increase <sup>(1)</sup>	\$96.3M
ROE (per pending settlement)	9.70%	Requested ROE	8.40%
Common Equity Ratio	49.44%	Requested Common Equity Ratio	45.89%
Order Expected	6/6/17	Order Expected	Q4 2017
Pepco DC Filing			
Requested Revenue Requirement Increase <sup>(1)</sup>	\$76.8M		
Requested ROE	10.60%		
Requested Common Equity Ratio	49.14%		
Order Expected	7/25/17		

(1) Revenue requirement includes changes in depreciation and amortization expense where applicable, which have no impact on pre-tax earnings

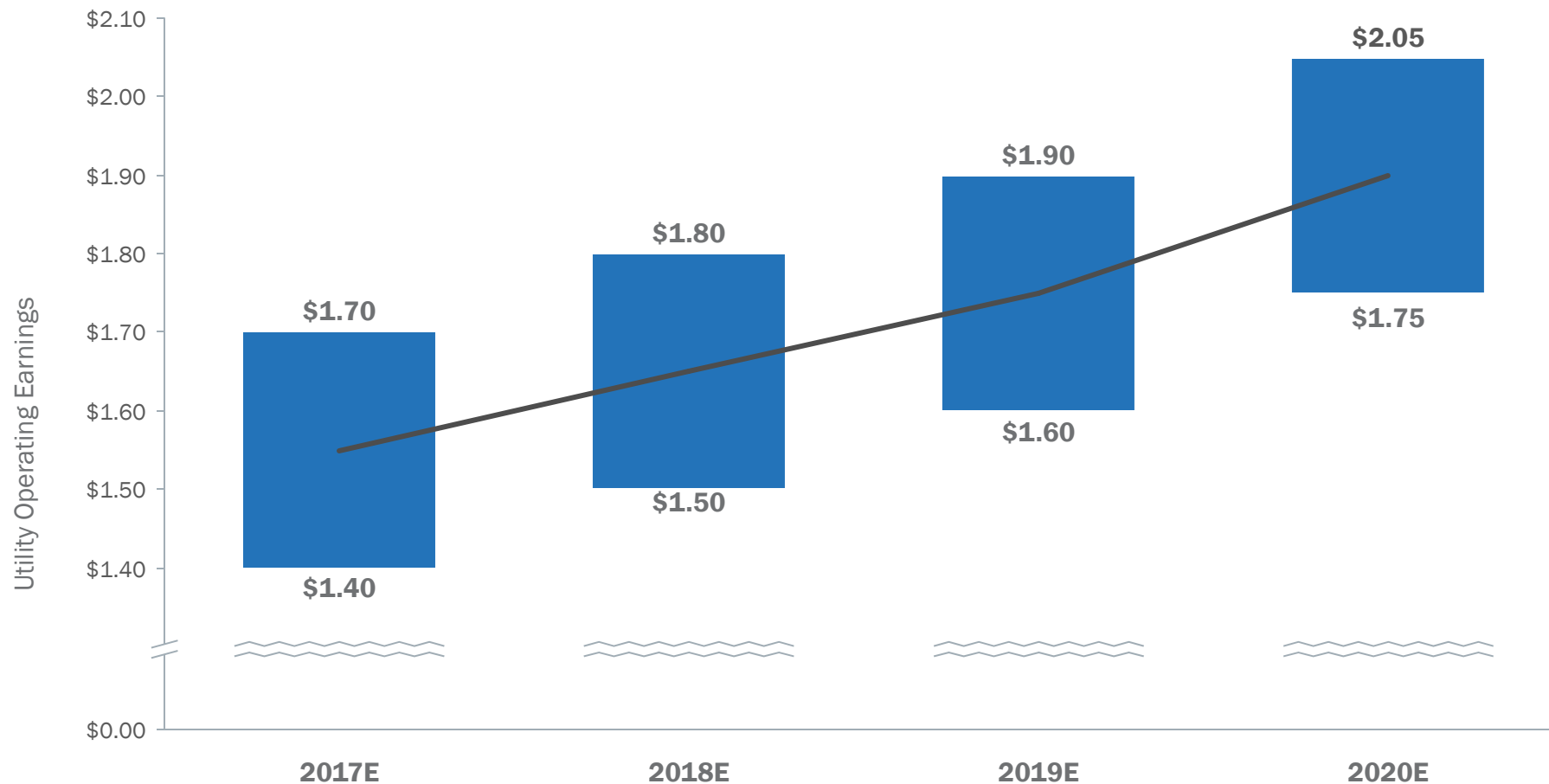
## Trailing 12 Month ROE vs Allowed ROE



Note: Represents the period from 3/31/16 to 3/31/17 and reflects all lines of business (Electric Distribution, Gas Distribution, and Transmission)

## Exelon Utilities EPS Growth of 6-8% to 2020

### Exelon Utilities Operating Earnings 2017-2020



### Rate base growth combined with PHI ROE improvement drives EPS growth

Note: Reflects GAAP operating earnings except for 2017. 2017 GAAP EPS range would be \$1.35 to \$1.65. 2017 adjusted (non-GAAP) operating earnings include adjustments to exclude \$0.05 for merger commitments and integration costs. Includes after-tax interest expense held at Corporate for debt associated with existing utility investment.



## Exelon Generation Overview



Note: All numbers reflect year end 2016

## Best in Class at ExGen and Constellation in 2016

### Exelon Generation Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Capacity Factor of 94.6% is the highest ever for Exelon
  - Most power ever generated at 153M MWh<sup>(1)</sup>
  - All-time shortest refueling outage duration average of 22 days
- Strong performance across our Fossil and Renewable fleet:
  - Renewables energy capture: 95.6%
  - Power dispatch match: 97.2%

### Constellation Metrics

**77%** retail power customer renewal rate

**28%** power new customer win rate

**91%** natural gas customer retention rate

**25** month average power contract term

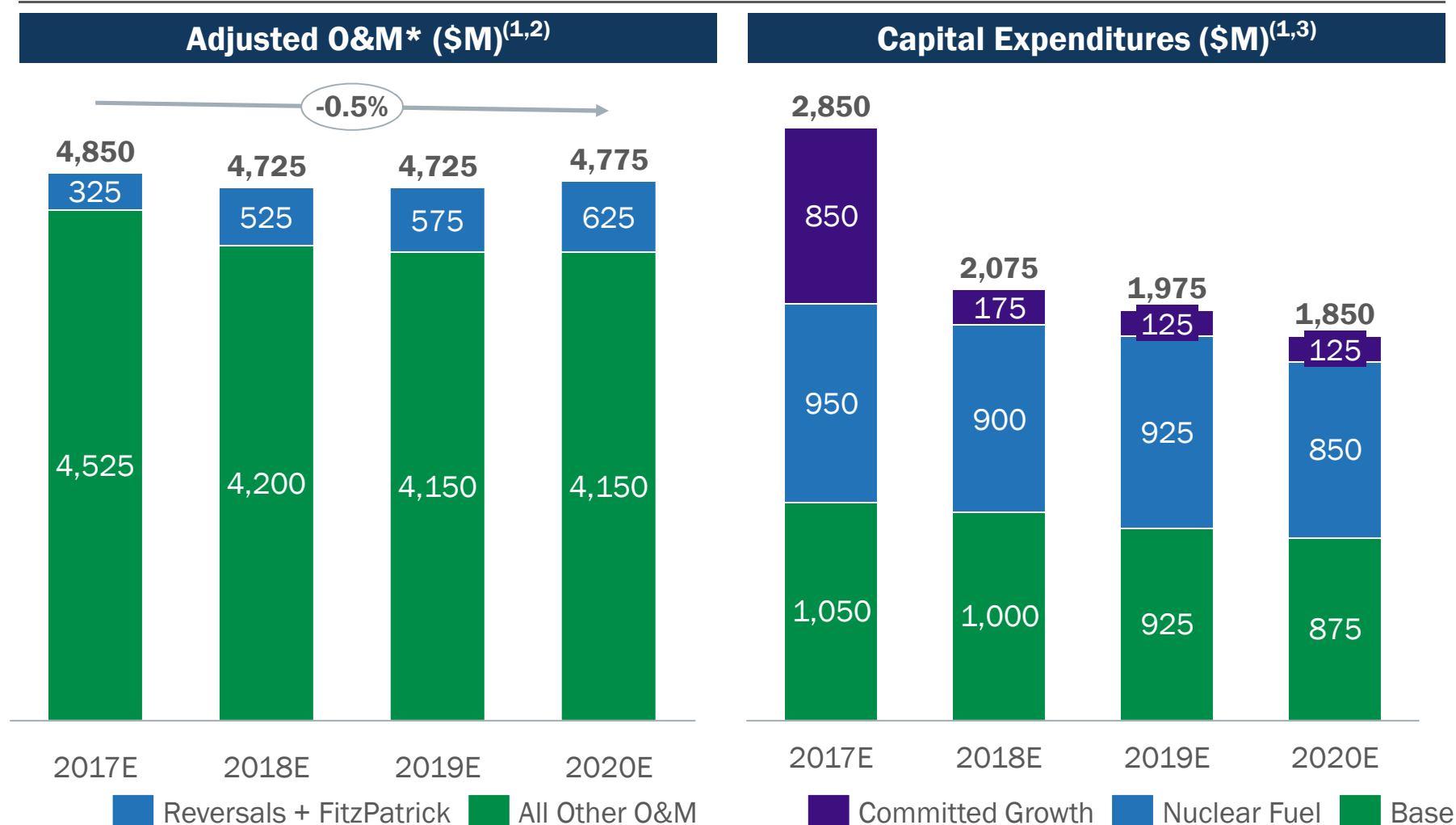
Average customer duration of more than **5** years

Stable Retail Margins

**Closed on ConEdison Solutions transaction, adding more than 560,000 customers**

(1) Reflects generation output at ownership

## Driving Cost and Capital Out of the Generation Business



**Negative O&M CAGR reflects benefits of cost optimization program**

(1) All amounts rounded to the nearest \$25M

(2) O&M and Capital Expenditures reflect reversal of Quad Cities and Clinton retirement decisions and includes FitzPatrick

(3) Capital spend represents cash CapEx with CENG at 100% and excludes merger commitments; incremental CapEx (Base and Fuel) impact from nuclear reversals and adding FitzPatrick for 2017, 2018, 2019, and 2020 at Q4 is \$250M, \$300M, \$225M, and \$275M, respectively

## Recent Key Events and Announcements



### New York ZEC Legal Challenges

- Hearings on motion to dismiss held on March 29
- Currently awaiting decision; no defined timeline
- Outcome on motion to dismiss will determine next steps
- ZEC program went effective on April 1, 2017



### Illinois ZEC Legal Challenges

- Plaintiffs filed for a preliminary injunction on March 31
- Motion to dismiss filed April 10
- On May 22, the judge informed parties of his intention to act on the motion to dismiss before taking action on the preliminary injunction; no defined timeline
- The Illinois law became effective on June 1, 2017

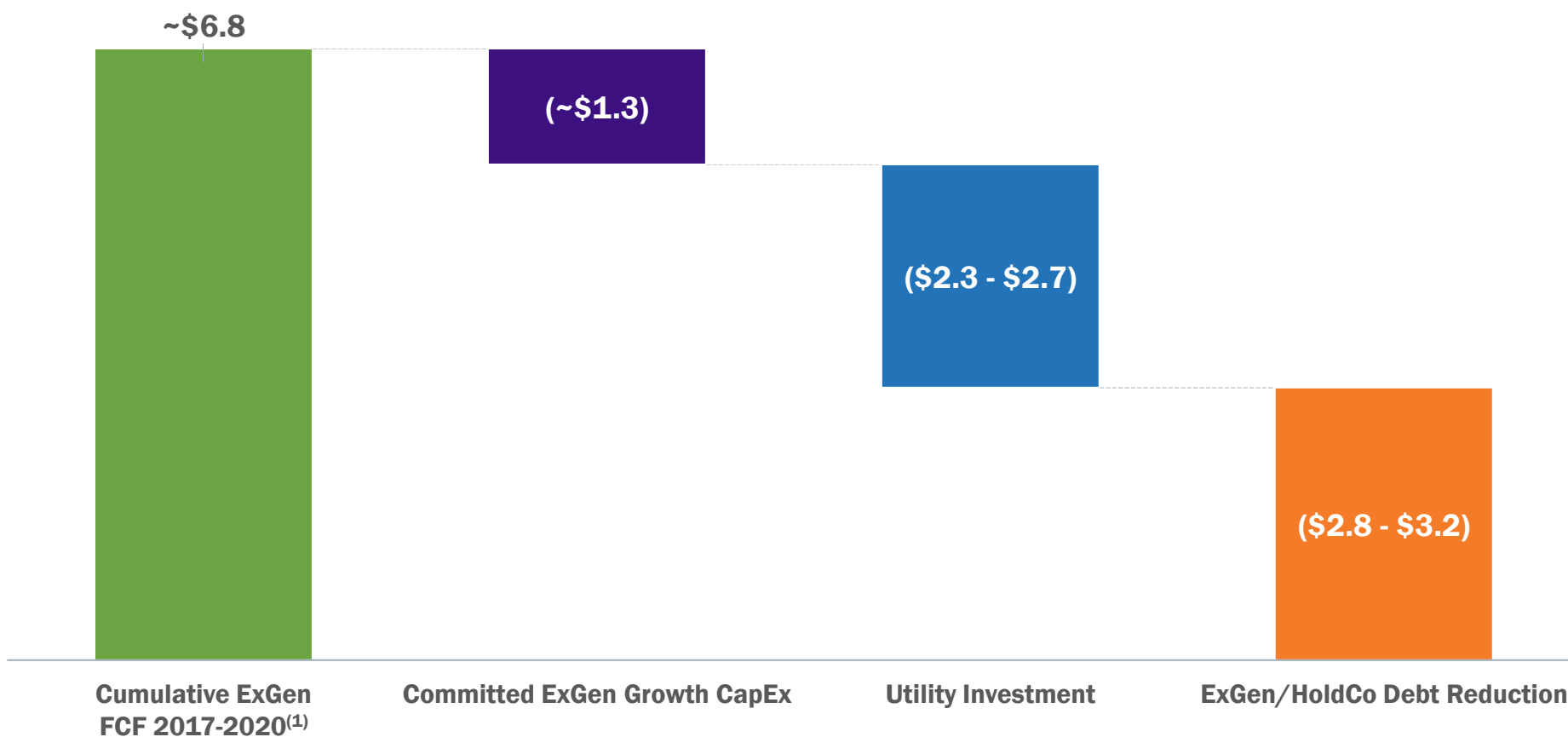


### Three Mile Island

- Exelon announced that it will retire TMI in 2019, absent needed policy reforms
- Announcement comes after TMI failed to clear PJM base residual auctions for the third consecutive year

## ExGen's Strong Free Cash Flow Supports Utility Growth and Debt Reduction

### 2017-2020 Exelon Generation Free Cash Flow\* and Uses of Cash (\$B)



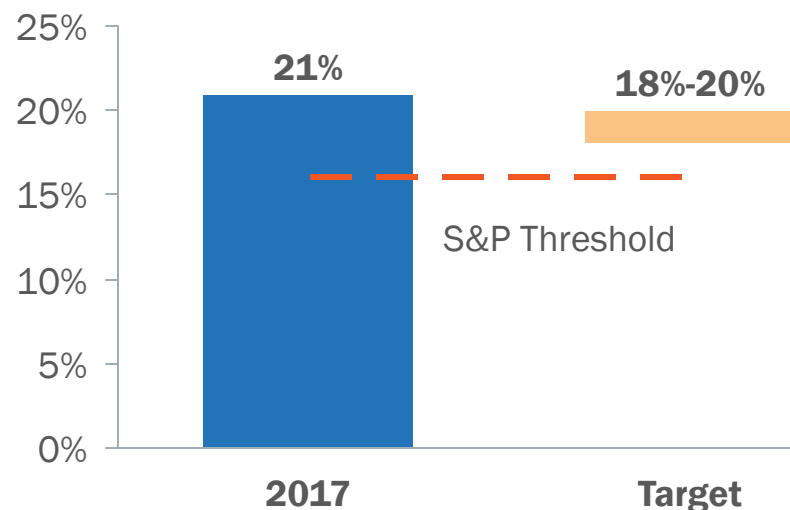
**Redeploying Exelon Generation's free cash flow to maximize shareholder value**

(1) Cumulative Free Cash Flow is a midpoint of a range based on December 31, 2016 market prices. Sources include change in margin, tax parent benefit, equity investments, and acquisitions and divestitures.

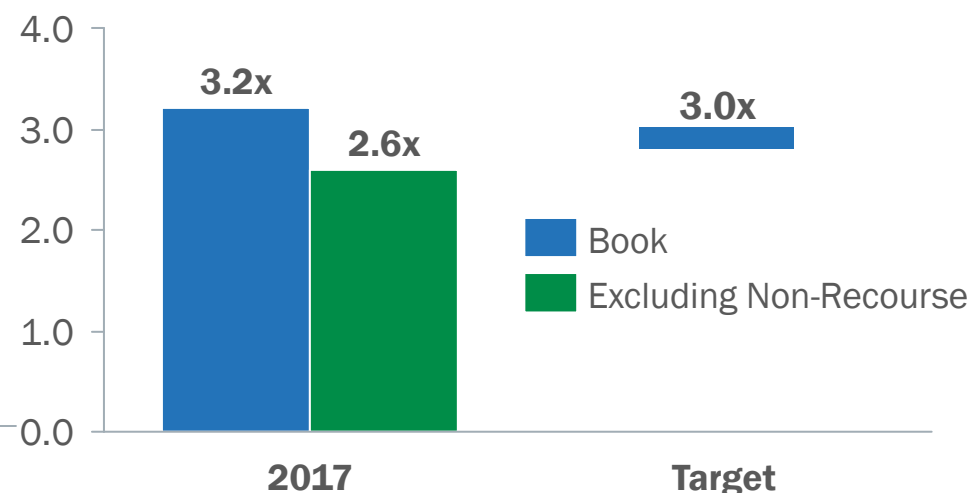


# Maintaining Strong Investment Grade Credit Ratings is a Top Financial Priority

## Exelon S&P FFO/Debt %<sup>\*(1,4)</sup>



## ExGen Debt/EBITDA Ratio<sup>\*(5)</sup>



## Credit Ratings by Operating Company

Current Ratings <sup>(2,3)</sup>	ExCorp	ExGen	ComEd	PECO	BGE	ACE	DPL	Pepco
<b>Moody's</b>	Baa2	Baa2	A2	Aa3	A3	A3	A2	A2
<b>S&amp;P</b>	BBB-	BBB	A-	A-	A-	A	A	A
<b>Fitch</b>	BBB	BBB	A	A	A-	A-	A	A-

(1) Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment

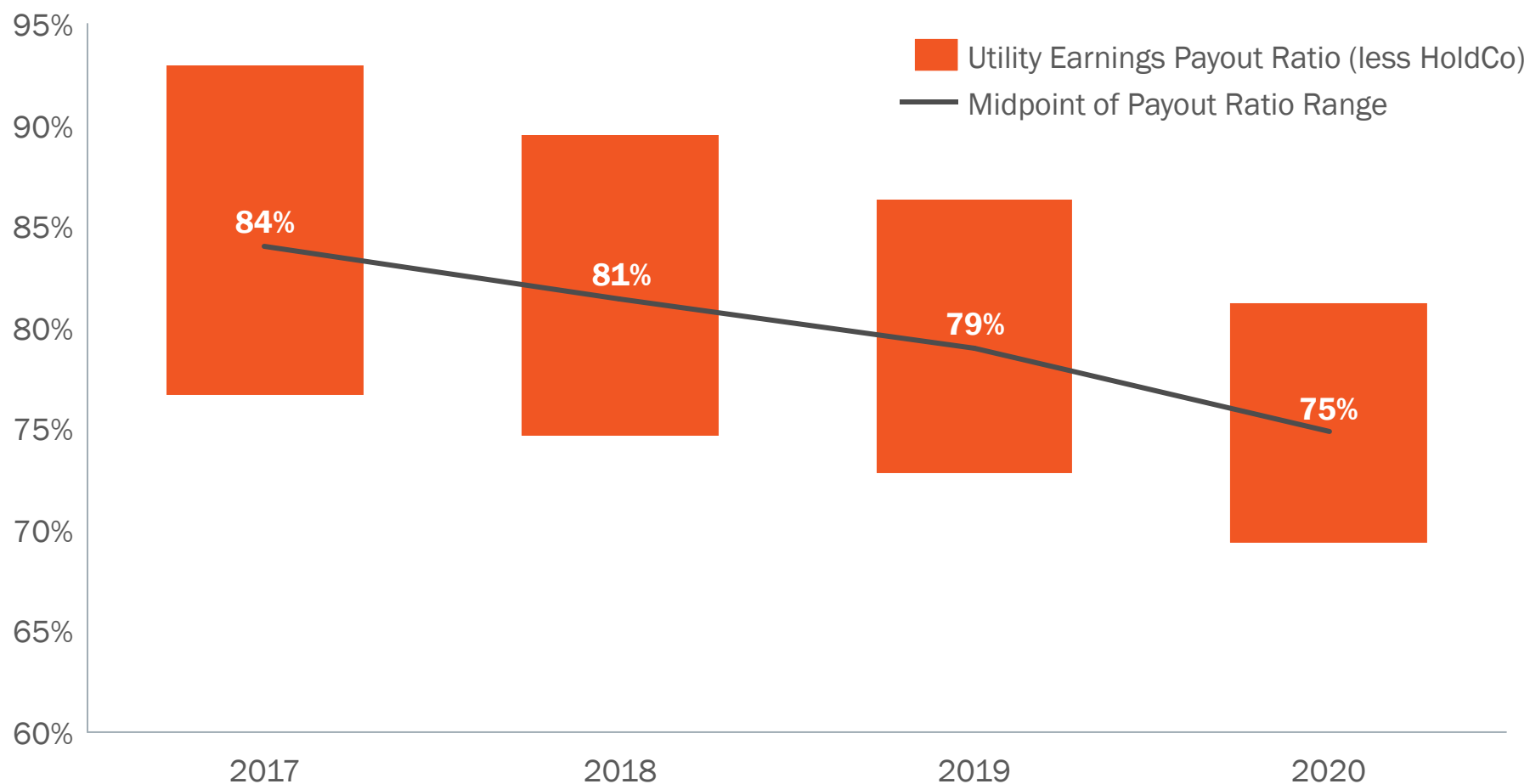
(2) Current senior unsecured ratings as of March 31, 2017, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco

(3) Moody's has ComEd on "Positive" outlook. All other ratings have "Stable" outlook.

(4) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp

(5) Reflects net book debt (YE debt less cash on hand) / adjusted operating EBITDA\*

## Theoretical Dividend Affordability from Utility less HoldCo<sup>(1,2)</sup>



**Utility less HoldCo payout ratio falling consistently even as dividend grows**

- (1) Chart is illustrative and shows theoretical payout ratio if utilities supported 100% of the external dividend and interest expense at HoldCo. Currently, the utilities have a payout ratio of 70% which covers the majority of the external dividend and interest expense at HoldCo with ExGen covering the remainder.
- (2) Board of directors has approved a policy of 2.5% per year dividend increase through 2018. For illustrative purposes only, the chart assumes the dividend continues to increase 2.5% per year 2019 and 2020; this does not signal a change in Board policy at this time. Quarterly dividends are subject to declaration by the board of directors.

## The Exelon Value Proposition

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- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2020 and rate base growth of 6.5%, representing an expanding majority of earnings
- **ExGen's strong free cash generation** will support utility growth while also reducing debt by ~\$3B over the next 4 years
- **Optimizing ExGen value by:**
  - Seeking fair compensation for the zero-carbon attributes of our fleet;
  - Closing uneconomic plants;
  - Monetizing assets; and,
  - Maximizing the value of the fleet through our generation to load matching strategy
- **Strong balance sheet is a priority** with all businesses comfortably meeting investment grade credit metrics through the 2020 planning horizon
- **Capital allocation priorities targeting:**
  - Organic utility growth;
  - Return of capital to shareholders with 2.5% annual dividend growth through 2018<sup>(1)</sup>,
  - Debt reduction; and,
  - Modest contracted generation investments

(1) Quarterly dividends are subject to declaration by the board of directors

# **Exelon Generation Disclosures**

**March 31, 2017**

# Portfolio Management Strategy

## Strategic Policy Alignment

- Aligns hedging program with financial policies and financial outlook
- Establish minimum hedge targets to meet financial objectives of the company (dividend, credit rating)
- Hedge enough commodity risk to meet future cash requirements under a stress scenario

## Three-Year Ratable Hedging

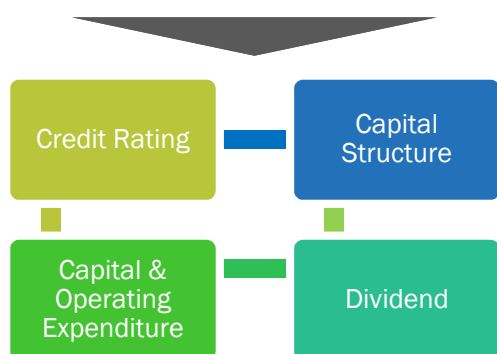
- Ensure stability in near-term cash flows and earnings
- Disciplined approach to hedging
- Tenor aligns with customer preferences and market liquidity
- Multiple channels to market that allow us to maximize margins
- Large open position in outer years to benefit from price upside

## Bull / Bear Program

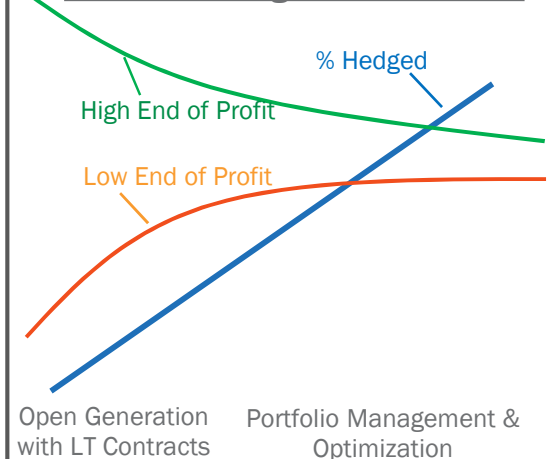
- Ability to exercise fundamental market views to create value within the ratable framework
- Modified timing of hedges versus purely ratable
- Cross-commodity hedging (heat rate positions, options, etc.)
- Delivery locations, regional and zonal spread relationships

## Align Hedging & Financials

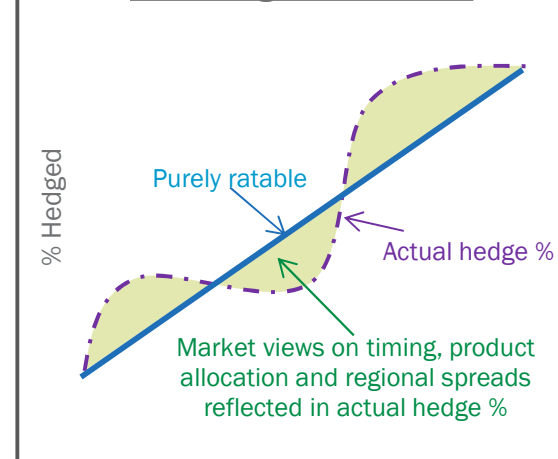
### Establishing Minimum Hedge Targets



## Portfolio Management Over Time



## Exercising Market Views



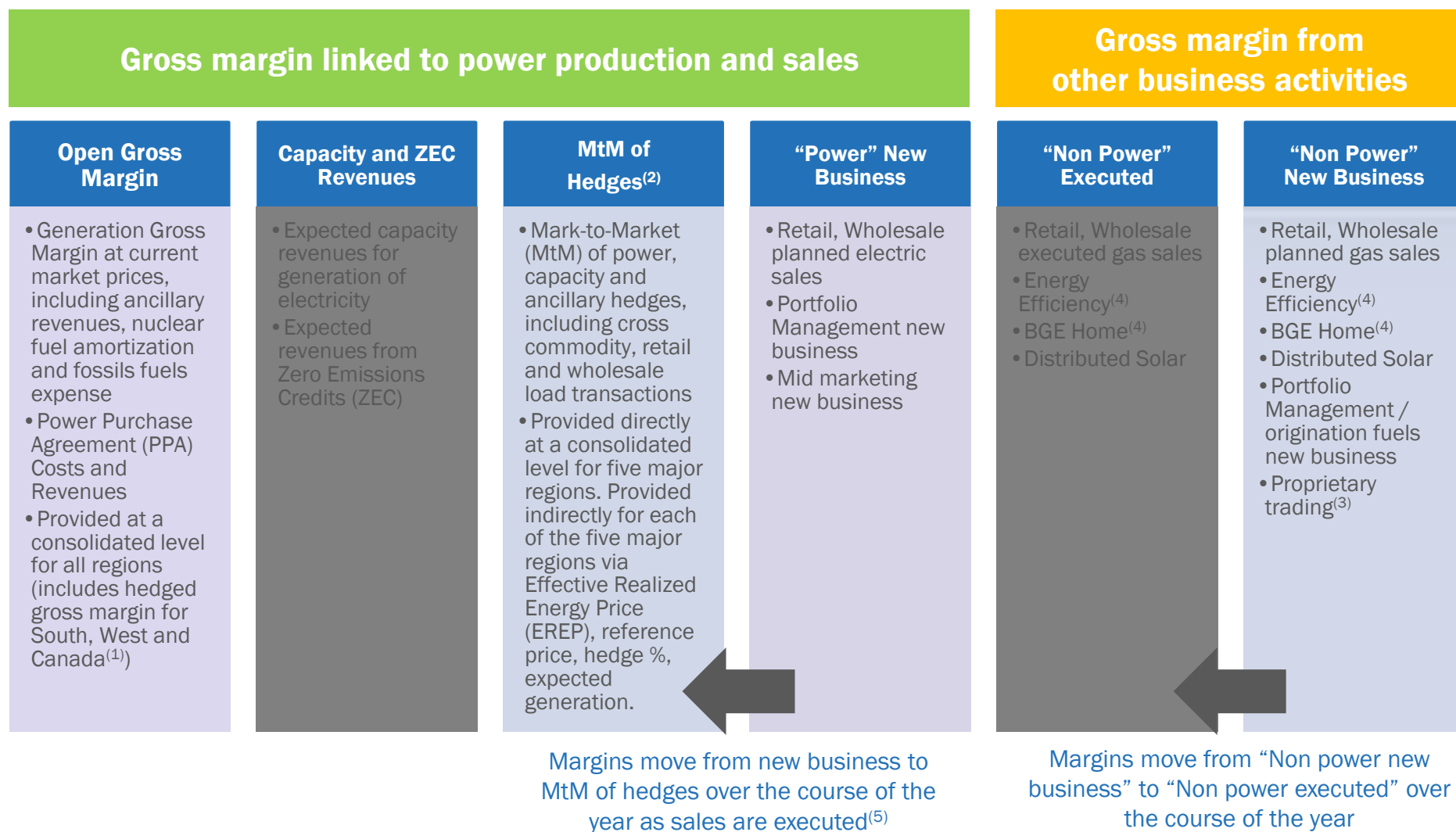
**Protect Balance Sheet**

**Ensure Earnings Stability**

**Create Value**



# Components of Gross Margin Categories



(1) Hedged gross margins for South, West & Canada region will be included with Open Gross Margin; no expected generation, hedge %, EREP or reference prices provided for this region

(2) MtM of hedges provided directly for the five larger regions; MtM of hedges is not provided directly at the regional level but can be easily estimated using EREP, reference price and hedged MWh

(3) Proprietary trading gross margins will generally remain within "Non Power" New Business category and only move to "Non Power" Executed category upon management discretion

(4) Gross margin for these businesses are net of direct "cost of sales"

(5) Margins for South, West & Canada regions and optimization of fuel and PPA activities captured in Open Gross Margin

## ExGen Disclosures

Gross Margin Category (\$M) <sup>(1)</sup>	2017	2018	2019
Open Gross Margin (including South, West & Canada hedged GM) <sup>(2)</sup>	\$3,850	\$4,150	\$3,950
Capacity and ZEC Revenues <sup>(2)</sup>	\$1,850	\$2,250	\$2,050
Mark-to-Market of Hedges <sup>(2,3)</sup>	\$1,600	\$500	\$400
Power New Business / To Go	\$400	\$850	\$950
Non-Power Margins Executed	\$250	\$150	\$100
Non-Power New Business / To Go	\$200	\$350	\$400
<b>Total Gross Margin*<sup>(5)</sup></b>	<b>\$8,150</b>	<b>\$8,250</b>	<b>\$7,850</b>

Reference Prices <sup>(4)</sup>	2017	2018	2019
Henry Hub Natural Gas (\$/MMbtu)	\$3.31	\$3.03	\$2.83
Midwest: NiHub ATC prices (\$/MWh)	\$27.72	\$27.82	\$26.39
Mid-Atlantic: PJM-W ATC prices (\$/MWh)	\$31.10	\$32.07	\$30.21
ERCOT-N ATC Spark Spread (\$/MWh) <i>HSC Gas, 7.2HR, \$2.50 VOM</i>	\$0.66	\$1.66	\$1.95
New York: NY Zone A (\$/MWh)	\$27.15	\$29.40	\$28.38
New England: Mass Hub ATC Spark Spread (\$/MWh) <i>ALQN Gas, 7.5HR, \$0.50 VOM</i>	\$4.91	\$5.12	\$6.01

- 1) Gross margin categories rounded to nearest \$50M
- 2) Excludes EDF's equity ownership share of the CENG Joint Venture
- 3) Mark-to-Market of Hedges assumes mid-point of hedge percentages
- 4) Based on March 31, 2017, market conditions
- 5) Reflects ownership of FitzPatrick as of April 1, 2017, and Oyster Creek retirement in December 2019

## ExGen Disclosures

Generation and Hedges	2017	2018	2019
<u>Exp. Gen (GWh)</u> <sup>(1)</sup>	<b>203,400</b>	<b>208,700</b>	<b>212,200</b>
Midwest	95,700	96,000	97,000
Mid-Atlantic <sup>(2,6)</sup>	60,300	60,400	60,100
ERCOT	21,000	28,500	29,500
New York <sup>(2)</sup>	14,600	15,400	16,600
New England	11,800	8,400	9,000
<u>% of Expected Generation Hedged</u> <sup>(3)</sup>	<b>97%-100%</b>	<b>60%-63%</b>	<b>30%-33%</b>
Midwest	94%-97%	55%-58%	27%-30%
Mid-Atlantic <sup>(2,6)</sup>	105%-108%	71%-74%	35%-38%
ERCOT	91%-94%	62%-65%	26%-29%
New York <sup>(2)</sup>	91%-94%	46%-49%	35%-38%
New England	99%-102%	68%-71%	36%-39%
<u>Effective Realized Energy Price (\$/MWh)</u> <sup>(4)</sup>			
Midwest	\$32.00	\$30.00	\$29.50
Mid-Atlantic <sup>(2,6)</sup>	\$42.50	\$38.00	\$41.00
ERCOT <sup>(5)</sup>	\$8.00	\$4.50	\$3.00
New York <sup>(2)</sup>	\$40.50	\$39.00	\$30.50
New England <sup>(5)</sup>	\$18.50	\$4.50	\$4.00

(1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 15 refueling outages in 2017, 15 in 2018, and 12 in 2019 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 93.4%, 93.3% and 94.5% in 2017, 2018, and 2019, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2018 and 2019 do not represent guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years.

(2) Excludes EDF's equity ownership share of CENG Joint Venture

(3) Percent of expected generation hedged is the amount of equivalent sales divided by expected generation. Includes all hedging products, such as wholesale and retail sales of power, options and swaps.

(4) Effective realized energy price is representative of an all-in hedged price, on a per MWh basis, at which expected generation has been hedged. It is developed by considering the energy revenues and costs associated with our hedges and by considering the fossil fuel that has been purchased to lock in margin. It excludes uranium costs, RPM capacity and ZEC revenues, but includes the mark-to-market value of capacity contracted at prices other than RPM clearing prices including our load obligations. It can be compared with the reference prices used to calculate open gross margin in order to determine the mark-to-market value of Exelon Generation's energy hedges.

(5) Spark spreads shown for ERCOT and New England

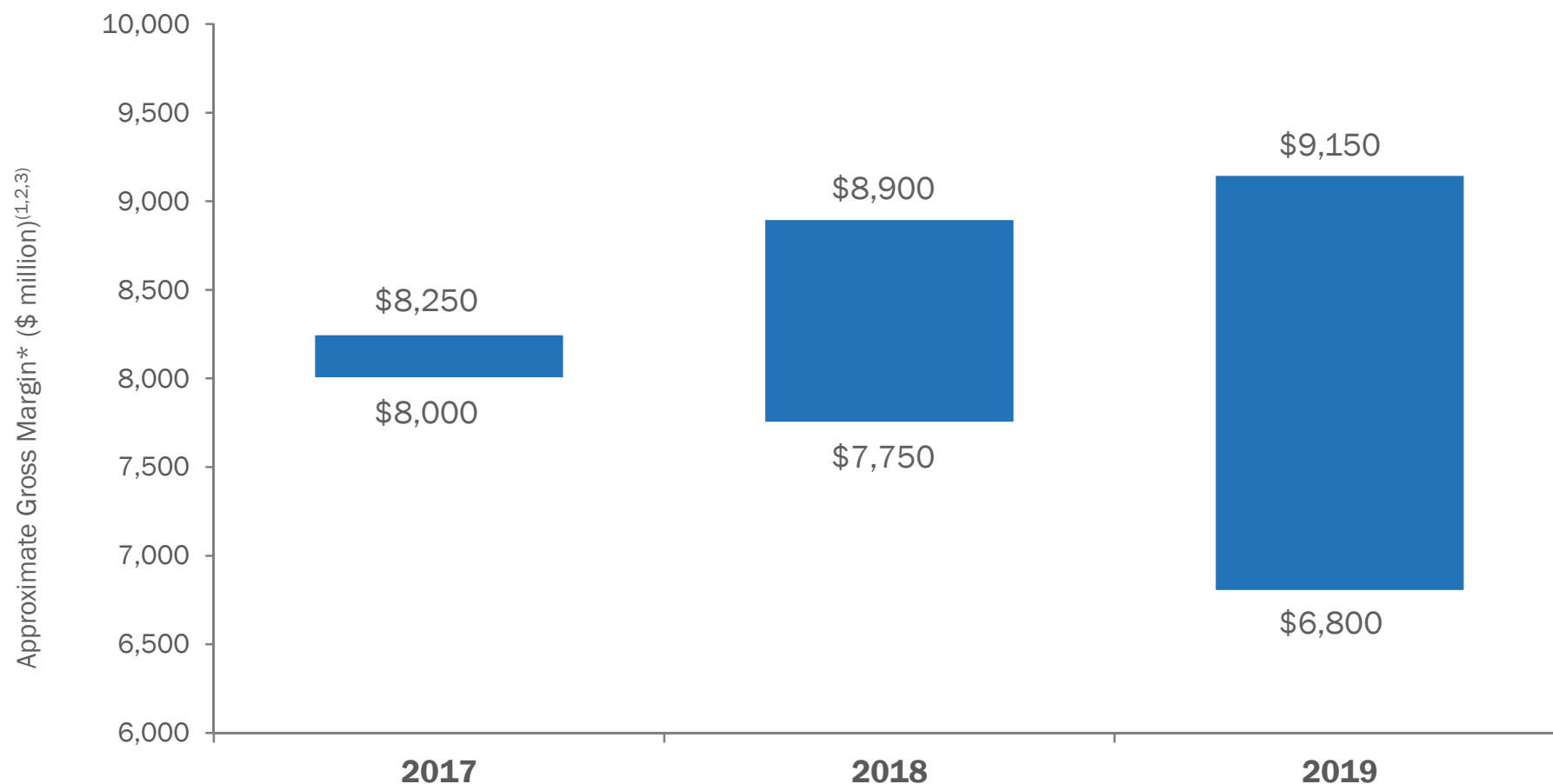
(6) Reflects ownership of FitzPatrick as of April 1, 2017, and Oyster Creek retirement in December 2019

## ExGen Hedged Gross Margin\* Sensitivities

Gross Margin Sensitivities (with Existing Hedges) <sup>(1)</sup>	2017	2018	2019
Henry Hub Natural Gas (\$/Mmbtu)			
+ \$1/Mmbtu	\$15	\$285	\$520
- \$1/Mmbtu	\$60	\$(270)	\$(490)
NiHub ATC Energy Price			
+ \$5/MWh	\$10	\$200	\$335
- \$5/MWh	\$(10)	\$(200)	\$(330)
PJM-W ATC Energy Price			
+ \$5/MWh	\$(15)	\$85	\$195
- \$5/MWh	\$25	\$(95)	\$(185)
NYPP Zone A ATC Energy Price			
+ \$5/MWh	\$10	\$45	\$50
- \$5/MWh	\$(5)	\$(40)	\$(55)
Nuclear Capacity Factor			
+/- 1%	+/- \$30	+/- \$40	+/- \$35

(1) Based on March 31, 2017, market conditions and hedged position; gas price sensitivities are based on an assumed gas-power relationship derived from an internal model that is updated periodically; power price sensitivities are derived by adjusting the power price assumption while keeping all other prices inputs constant; due to correlation of the various assumptions, the hedged gross margin impact calculated by aggregating individual sensitivities may not be equal to the hedged gross margin impact calculated when correlations between the various assumptions are also considered; sensitivities based on commodity exposure which includes open generation and all committed transactions; excludes EDF's equity share of CENG Joint Venture.

## ExGen Hedged Gross Margin\* Upside/Risk



(1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2018 and 2019 do not represent earnings guidance or a forecast of future results as Exelon has not completed its planning or optimization processes for those years; the price distributions that generate this range are calibrated to market quotes for power, fuel, load following products, and options as of March 31, 2017.

(2) Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions

(3) Reflects ownership of FitzPatrick as of April 1, 2017, and Oyster Creek retirement in December 2019

# Illustrative Example of Modeling Exelon Generation 2018 Gross Margin\*

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	← \$4.15 billion →					
(B)	Capacity and ZEC	← \$2.25 billion →					
(C)	Expected Generation (TWh)	96.0	60.4	28.5	15.4	8.4	
(D)	Hedge % (assuming mid-point of range)	56.5%	72.5%	63.5%	47.5%	69.5%	
(E=C*D)	Hedged Volume (TWh)	54.2	43.8	18.1	7.3	5.8	
(F)	Effective Realized Energy Price (\$/MWh)	\$30.00	\$38.00	\$4.50	\$39.00	\$4.50	
(G)	Reference Price (\$/MWh)	\$27.82	\$32.07	\$1.66	\$29.40	\$5.12	
(H=F-G)	Difference (\$/MWh)	\$2.18	\$5.93	\$2.84	\$9.60	(\$0.62)	
(I=E*H)	Mark-to-Market value of hedges (\$ million) <sup>(1)</sup>	\$120	\$260	\$50	\$70	(\$5)	
(J=A+B+I)	Hedged Gross Margin (\$ million)	\$6,900					
(K)	Power New Business / To Go (\$ million)	\$850					
(L)	Non-Power Margins Executed (\$ million)	\$150					
(M)	Non-Power New Business / To Go (\$ million)	\$350					
(N=J+K+L+M)	Total Gross Margin <sup>*</sup>	\$8,250 million					

(1) Mark-to-market rounded to the nearest \$5 million

## Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in \$M) <sup>(1)</sup>	2017	2018	2019
<b>Revenue Net of Purchased Power and Fuel Expense*<sup>(2,3)</sup></b>	<b>\$8,725</b>	<b>\$8,875</b>	<b>\$8,450</b>
Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at merger date	\$50	-	-
Other Revenues <sup>(4)</sup>	\$(200)	\$(225)	\$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses <sup>(5)</sup>	\$(425)	\$(400)	\$(400)
<b>Total Gross Margin* (Non-GAAP)</b>	<b>\$8,150</b>	<b>\$8,250</b>	<b>\$7,850</b>

Key ExGen Modeling Inputs (in \$M) <sup>(1,6)</sup>	2017
Other <sup>(7)</sup>	\$175
Adjusted O&M*	\$(4,850)
Taxes Other Than Income (TOTI) <sup>(8)</sup>	\$(375)
Depreciation & Amortization <sup>(9)</sup>	\$(1,125)
Interest Expense <sup>(10)</sup>	\$(425)
<b>Effective Tax Rate</b>	<b>32.0%</b>

(1) All amounts rounded to the nearest \$25M

(2) ExGen does not forecast the GAAP components of RNF separately, as to do so would be unduly burdensome. RNF also includes the RNF of our proportionate ownership share of CENG.

(3) Excludes the Mark-to-Market impact of economic hedging activities due to the volatility and unpredictability of the future changes to power prices

(4) Other Revenues reflects revenues from Exelon Nuclear Partners, JExel Nuclear JV, variable interest entities, funds collected through revenues for decommissioning the former PECO nuclear plants through regulated rates, and gross receipts tax revenues

(5) Reflects the cost of sales of certain Constellation and Power businesses

(6) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture

(7) Other reflects Other Revenues excluding gross receipts tax revenues, nuclear decommissioning trust fund earnings from unregulated sites, and the minority interest in ExGen Renewables JV and Bloom

(8) TOTI excludes gross receipts tax of \$100M

(9) Excludes P&L neutral decommissioning depreciation

(10) Interest expense includes impact of reduced capitalized interest due to Texas CCGT plants going into service in May and June of 2017. Capitalized interest will be an additional ~\$25M lower in 2018 as well due to this.

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# **Appendix**

## **Reconciliation of Non-GAAP Measures**



# 1Q YTD GAAP EPS Reconciliation

<u>Three Months Ended March 31, 2016</u>	<u>ExGen</u>	<u>ComEd</u>	<u>PECO</u>	<u>BGE</u>	<u>PHI</u>	<u>Other</u>	<u>Exelon</u>
<b>2016 GAAP Earnings (Loss) Per Share</b>	<b>\$0.34</b>	<b>\$0.13</b>	<b>\$0.14</b>	<b>\$0.11</b>	<b>\$(0.34)</b>	<b>\$(0.18)</b>	<b>\$0.19</b>
Mark-to-market impact of economic hedging activities	(0.07)	-	-	-	-	-	(0.07)
Unrealized gains related to NDT fund investments	(0.03)	-	-	-	-	-	(0.03)
Amortization of commodity contract intangibles	(0.01)	-	-	-	-	-	(0.01)
Merger and integration costs	0.01	(0.01)	-	-	0.04	0.05	0.08
Merger commitments	-	-	-	-	0.30	0.12	0.42
Long-lived asset impairments	0.07	-	-	-	-	-	0.07
Reassessment of state deferred income taxes	0.01	-	-	-	-	(0.01)	-
Cost management program	0.01	-	-	-	-	-	0.02
CENG non-controlling interest	0.01	-	-	-	-	-	0.01
<b>2016 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share</b>	<b>\$0.34</b>	<b>\$0.12</b>	<b>\$0.14</b>	<b>\$0.11</b>	<b>\$0.00</b>	<b>\$(0.02)</b>	<b>\$0.68</b>

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not sum due to rounding.

# 1Q YTD GAAP EPS Reconciliation (continued)

<u>Three Months Ended March 31, 2017</u>	<u>ExGen</u>	<u>ComEd</u>	<u>PECO</u>	<u>BGE</u>	<u>PHI</u>	<u>Other</u>	<u>Exelon</u>
<b>2017 GAAP Earnings (Loss) Per Share</b>	<b>\$0.46</b>	<b>\$0.15</b>	<b>\$0.14</b>	<b>\$0.13</b>	<b>\$0.15</b>	<b>\$0.04</b>	<b>\$1.07</b>
Mark-to-market impact of economic hedging activities	0.03	-	-	-	-	-	0.03
Unrealized gains related to NDT fund investments	(0.10)	-	-	-	-	-	(0.10)
Merger and integration costs	0.02	-	-	0.01	-	-	0.03
Merger commitments	(0.02)	-	-	-	(0.06)	(0.07)	(0.15)
Reassessment of state deferred income taxes	-	-	-	-	-	(0.02)	(0.02)
Tax settlements	(0.01)	-	-	-	-	-	(0.01)
Bargain purchase gain	(0.24)	-	-	-	-	-	(0.24)
CENG non-controlling interest	0.04	-	-	-	-	-	0.04
<b>2017 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share</b>	<b>\$0.18</b>	<b>\$0.15</b>	<b>\$0.14</b>	<b>\$0.14</b>	<b>\$0.09</b>	<b>(\$0.05)</b>	<b>0.65</b>

NOTE: All amounts shown are per Exelon share and represent contributions to Exelon's EPS. Amounts may not sum due to rounding.

## GAAP to Operating Adjustments

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- **Exelon's 2017 adjusted (non-GAAP) operating earnings exclude the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains from NDT fund investments to the extent not offset by contractual accounting as described in the notes to the consolidated financial statements
  - Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at the ConEdison Solutions acquisition date
  - Certain merger and integration costs associated with the PHI and FitzPatrick acquisitions
  - Adjustments to reserves for uncertain tax positions related to the deductibility of certain merger commitments associated with the 2012 CEG and 2016 PHI acquisitions
  - Non-cash impact of the remeasurement of state deferred income taxes, related to a change in the statutory tax rate
  - Costs incurred related to a cost management program
  - Benefits related to the favorable settlement of certain income tax positions related to PHI's unregulated business interests
  - The excess of the fair value of assets and liabilities acquired over the purchase price for the FitzPatrick acquisition
  - Generation's non-controlling interest related to CENG exclusion items

## GAAP to Non-GAAP Reconciliations

YE 2017 Exelon FFO Calculation (\$M) <sup>(1,2)</sup>		YE 2017 Exelon Adjusted Debt Calculation (\$M) <sup>(1,2)</sup>	
GAAP Operating Income	\$4,300	Long-Term Debt (including current maturities)	\$32,650
Depreciation & Amortization	<u>\$3,200</u>	Short-Term Debt	\$1,575
EBITDA	\$7,500	+ PPA Imputed Debt <sup>(5)</sup>	\$350
+/- Non-operating activities and nonrecurring items <sup>(3)</sup>	\$200	+ Operating Lease Imputed Debt <sup>(6)</sup>	\$875
- Interest Expense	(\$1,425)	+ Pension/OPEB Imputed Debt <sup>(7)</sup>	\$3,450
+ Current Income Tax (Expense)/Benefit	(\$75)	- Off-Credit Treatment of Debt <sup>(8)</sup>	(\$2,225)
+ Nuclear Fuel Amortization	\$1,050	- Surplus Cash Adjustment <sup>(9)</sup>	(\$650)
+/- Other S&P Adjustments <sup>(4)</sup>	<u>\$375</u>	+/- Other S&P Adjustments <sup>(4)</sup>	<u>\$300</u>
<b>= FFO (a)</b>	<b>\$7,625</b>	<b>= Adjusted Debt (b)</b>	<b>\$36,325</b>

YE 2017 Exelon FFO/Debt <sup>(1,2)</sup>		
FFO (a)	=	21%
Adjusted Debt (b)		

- (1) All amounts rounded to the nearest \$25M  
(2) Calculated using S&P Methodology. Due to ring-fencing, S&P deconsolidates BGE from Exelon and analyzes solely as an equity investment.  
(3) Reflects impact of operating adjustments on GAAP EBITDA  
(4) Includes other adjustments as prescribed by S&P  
(5) Reflects present value of net capacity purchases  
(6) Reflects present value of minimum future operating lease payments  
(7) Reflects after-tax unfunded pension/OPEB  
(8) Includes non-recourse project debt  
(9) Applies 75% of excess cash against balance of LTD

## GAAP to Non-GAAP Reconciliations

YE 2017 ExGen Net Debt Calculation (\$M) <sup>(1)</sup>	
Long-Term Debt (including current maturities)	\$9,550
Short-Term Debt	\$650
- Surplus Cash Adjustment	(\$375)
<b>= Net Debt (a)</b>	<b>\$9,825</b>

YE 2017 ExGen Operating EBITDA Calculation (\$M) <sup>(1)</sup>	
GAAP Operating Income	\$1,550
Depreciation & Amortization	<u>\$1,200</u>
EBITDA	\$2,750
+/- Non-operating activities and nonrecurring items <sup>(2)</sup>	\$300
<b>= Operating EBITDA (b)</b>	<b>\$3,050</b>

YE 2017 Book Debt / EBITDA	
Net Debt (a)	
Operating EBITDA (b)	= 3.2x

YE 2017 ExGen Net Debt Calculation (\$M) <sup>(1)</sup>	
Long-Term Debt (including current maturities)	\$9,550
Short-Term Debt	\$650
- Surplus Cash Adjustment	(\$375)
- Nonrecourse Debt	(\$2,550)
<b>= Net Debt (a)</b>	<b>\$7,275</b>

YE 2017 ExGen Operating EBITDA Calculation (\$M) <sup>(1)</sup>	
GAAP Operating Income	\$1,550
Depreciation & Amortization	<u>\$1,200</u>
EBITDA	\$2,750
+/- Non-operating activities and nonrecurring items <sup>(2)</sup>	\$300
- EBITDA from projects financed by nonrecourse debt	(\$250)
<b>= Operating EBITDA (b)</b>	<b>\$2,800</b>

YE 2017 Recourse Debt / EBITDA	
Net Debt (a)	
Operating EBITDA (b)	= 2.6x

(1) All amounts rounded to the nearest \$25M

(2) Reflects impact operating adjustments on GAAP EBITDA

## GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation (\$M) <sup>(1)</sup>	2017	2018	2019	2020
<b>GAAP O&amp;M</b>	<b>\$5,775</b>	<b>\$5,525</b>	<b>\$5,500</b>	<b>\$5,575</b>
Decommissioning <sup>(2)</sup>	25	50	50	50
Costs associated with early nuclear plant retirements	-	-	-	-
Long-lived asset impairment costs	-	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses <sup>(3)</sup>	(400)	(400)	(400)	(400)
O&M for managed plants that are partially owned	(425)	(425)	(425)	(450)
Other	(125)	-	-	-
<b>Adjusted O&amp;M (Non-GAAP)</b>	<b>\$4,850</b>	<b>\$4,725</b>	<b>\$4,725</b>	<b>\$4,775</b>

2017-2020 ExGen Free Cash Flow Calculation (\$M) <sup>(1)</sup>	
Cash from Operations (GAAP)	\$15,150
Other Cash from Investing and Activities	(\$650)
Baseline Capital Expenditures <sup>(4)</sup>	(\$4,025)
Nuclear Fuel Capital Expenditures	(\$3,625)
<b>Free Cash Flow before Growth CapEx and Dividend</b>	<b>\$6,825</b>

(1) All amounts rounded to the nearest \$25M

(2) Reflects earnings neutral O&M

(3) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin, a non-GAAP measure

(4) Baseline capital expenditures refer to maintenance and required capital expenditures necessary for day-to-day plant operations and includes merger commitments

## GAAP to Non-GAAP Reconciliations

Operating ROE Reconciliation (\$M) <sup>(1)</sup>	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP) <sup>(1)</sup>	\$87	\$120	\$208	\$1,156	\$1,571
Operating Exclusions	(\$24)	(\$31)	(\$28)	\$160	\$77
Adjusted Operating Earnings <sup>(1)</sup>	\$63	\$89	\$180	\$1,316	\$1,648
Average Equity	\$970	\$1,240	\$2,210	\$12,176	\$16,597
<b>Operating ROE (Adjusted Operating Earnings/Average Equity)</b>	<b>6.5%</b>	<b>7.2%</b>	<b>8.2%</b>	<b>10.8%</b>	<b>9.9%</b>

ExGen Adjusted O&M Reconciliation (\$M) <sup>(2)</sup>	2017
<b>GAAP O&amp;M</b>	<b>\$5,800</b>
Decommissioning <sup>(3)</sup>	25
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses <sup>(4)</sup>	(425)
O&M for managed plants that are partially owned	(425)
Other	(100)
<b>Adjusted O&amp;M (Non-GAAP)</b>	<b>\$4,850</b>

(1) ACE, Delmarva, and Pepco represents full year of earnings

(2) All amounts rounded to the nearest \$25M. Items may not sum due to rounding.

(3) Reflects earnings neutral O&M

(4) Reflects the direct cost of sales of certain businesses, which are included in Total Gross Margin\*