

# Credit Suisse 23<sup>rd</sup> Annual Energy Summit

February 13, 2018



# 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 2017 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 23, Commitments and Contingencies; 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

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 and Power businesses, decommissioning costs that do not affect profit and loss, the impact from operating and maintenance expense related to variable interest entities at Generation, EDF's ownership of O&M expenses, 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** 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
- **Free cash flow** primarily includes net cash flows from operating activities and net cash flows from investing activities excluding certain capital expenditures, net merger and acquisitions, and equity investments
- **Operating ROE** is calculated using operating net income divided by average 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 measures 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 42 of this presentation.

# Milestones and Accomplishments

## Financial

- Delivered FY 2017 GAAP earnings per share of \$3.97 and adjusted operating earnings per share\* of \$2.60, within our guidance range
- Updated dividend policy to 5% growth annually through 2020
- Tax reform legislation will benefit our utility customers through lower bills after committed rate adjustments while our shareholders benefit from additional utility rate base growth and lower tax rates at ExGen
- Expanded cost management program from 3<sup>rd</sup> quarter 2017 will save an incremental \$250M annually by 2020
- Effective capital deployment at ExGen:
  - Creation of Renewables JV with Hancock
  - ExGen Renewables IV project financing
  - Exit of EGTP portfolio

## Operational

- Utilities performed largely at first quartile levels with especially strong results across key metrics:
  - BGE, ComEd and PECO achieved 1st decile performance in the System Average Interruption Frequency Index (SAIFI)
  - BGE and ComEd achieved 1st decile performance in the Customer Average Interruption Duration Index (CAIDI)
  - PHI achieved best ever performance on SAIFI and CAIDI
- Invested \$5.3B of capital into our utilities to improve reliability, replace aging infrastructure, and enhance customer experience
- Total Exelon utilities collectively earned 9.5% ROE in 2017, the mid-point of our long-term range
- Achieved 94.1%<sup>(1)</sup> nuclear capacity factor, producing a record 157 TWhs of nuclear generation

## Regulatory & Policy

- Successful dismissal of legal challenges of NY and IL ZEC programs in federal district court; appeals process is ongoing
- FERC recognized need to better understand the status of resilience of system. Created “Grid Resilience in Regional Transmission Organizations and Independent System Operators” order to seek input from RTOs on how market rules may need to be changed
- Completed distribution rate cases providing \$283M in revenue increases and another \$114M of rate increases for FERC transmission assets

## Employees & Community

- 2017 awards and recognitions include: Billion Dollar Roundtable, Civic 50, Top 50 Companies for Diversity, Best Places to Work in 2017, CEO Action for Diversity & Inclusion, and UN's HeForShe
- Exelon and our employees set a new record in corporate philanthropy and volunteerism, committing over \$52M in giving and volunteering 210,000 hours
- Recognized by Dow Jones Sustainability Index for 12<sup>th</sup> consecutive year and by NewsWeek Green rankings for 9<sup>th</sup> consecutive year
- 2,200 employees, contractors and support personnel from Exelon's six utilities mobilized to assist residents in the southeastern U.S. impacted by Hurricane Irma

(1) Capacity factor excludes impacts of Salem

# Proven Track Record of Improving Operational Performance

Operations	Metric	At CEG Merger (2012)			2015	Q4 2017			
		BGE	ComEd	PECO	PHI	BGE	ComEd	PECO	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

- Best on record SAIFI and CAIDI performance for BGE, ComEd and PHI
- Best on record Customer Satisfaction performance for BGE, ComEd and PECO
- BGE, ComEd and PECO achieved 1<sup>st</sup> decile performance in SAIFI
- BGE and ComEd achieved 1<sup>st</sup> decile performance in CAIDI
- For the 5<sup>th</sup> consecutive year, BGE and PECO achieved top decile performance in Gas Odor Response. PHI improved by moving from 1<sup>st</sup> quartile in 2016 to top decile in 2017.

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

# Best in Class at ExGen and Constellation

## Exelon Generation Operational Metrics

- Continued best in class performance across our Nuclear fleet:
  - Capacity factor for Exelon owned and operated units was 94.1%<sup>(1)</sup>
  - This was the second consecutive year over 94% and the fourth out of the last five years topping 94%
  - Most nuclear power ever generated at 157 TWhs<sup>(2)</sup>
  - 2017 average refueling outage duration of 23 days, just over the Exelon record of 22 days set in 2016
- Strong performance across our Fossil and Renewable fleet:
  - Renewables energy capture: 95.8%
  - Power dispatch match: 98.8%

## Constellation Metrics

**74% retail power customer renewal rate**

**24% power new customer win rate**

**90% natural gas customer retention rate**

**25 month average power contract term**

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

**Stable Retail Margins**

Note: Statistics represent full year 2017 results

(1) 2017 capacity factor includes FitzPatrick for the Exelon period of ownership and operation (March 31 to December 31, 2017) and excludes impacts of Salem

(2) Reflects generation output at ownership

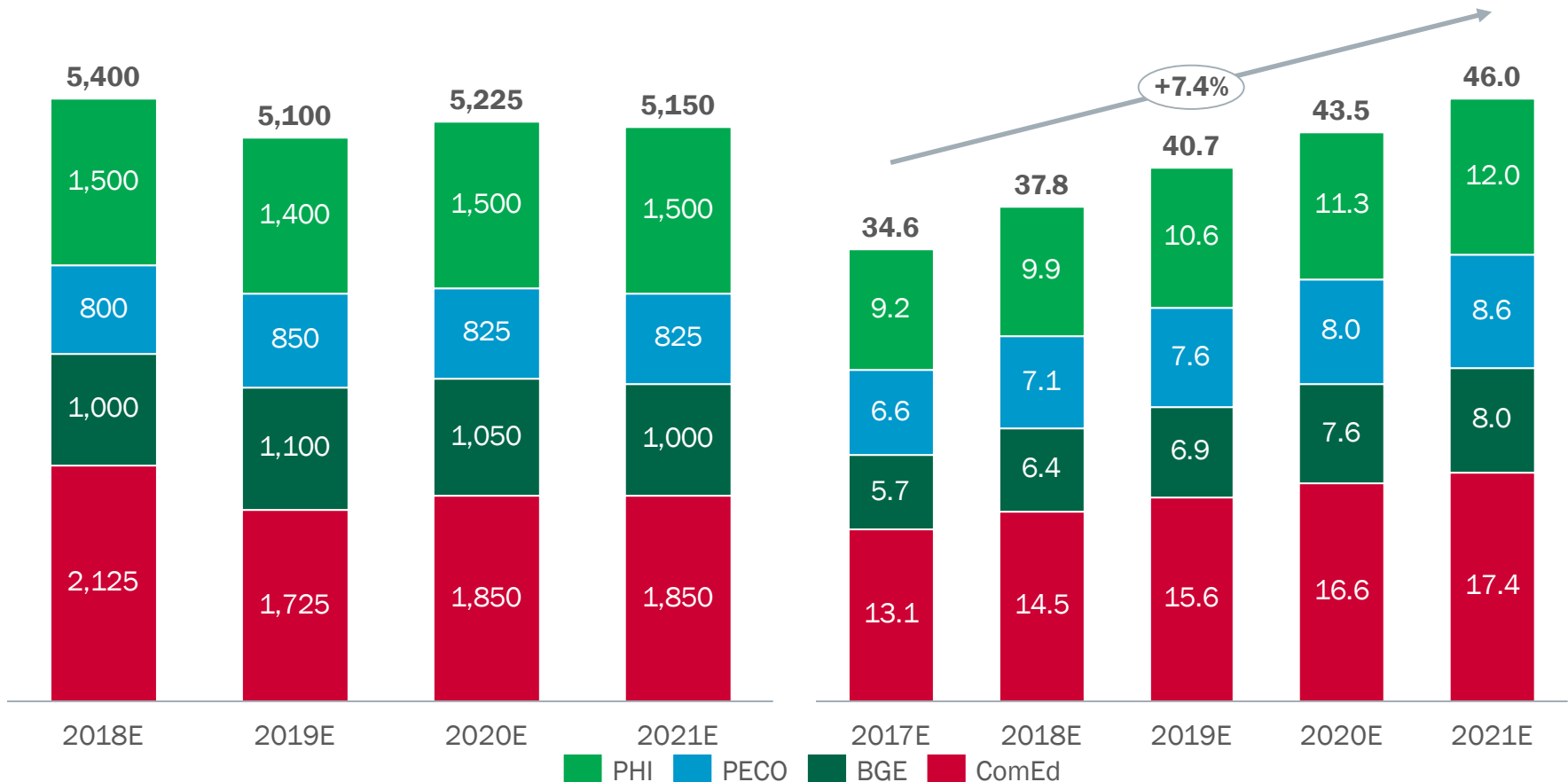




# Our Capital Plan Drives Leading Rate Base Growth

## Capital Expenditures (\$M)

## Rate Base (\$B)<sup>(1)</sup>



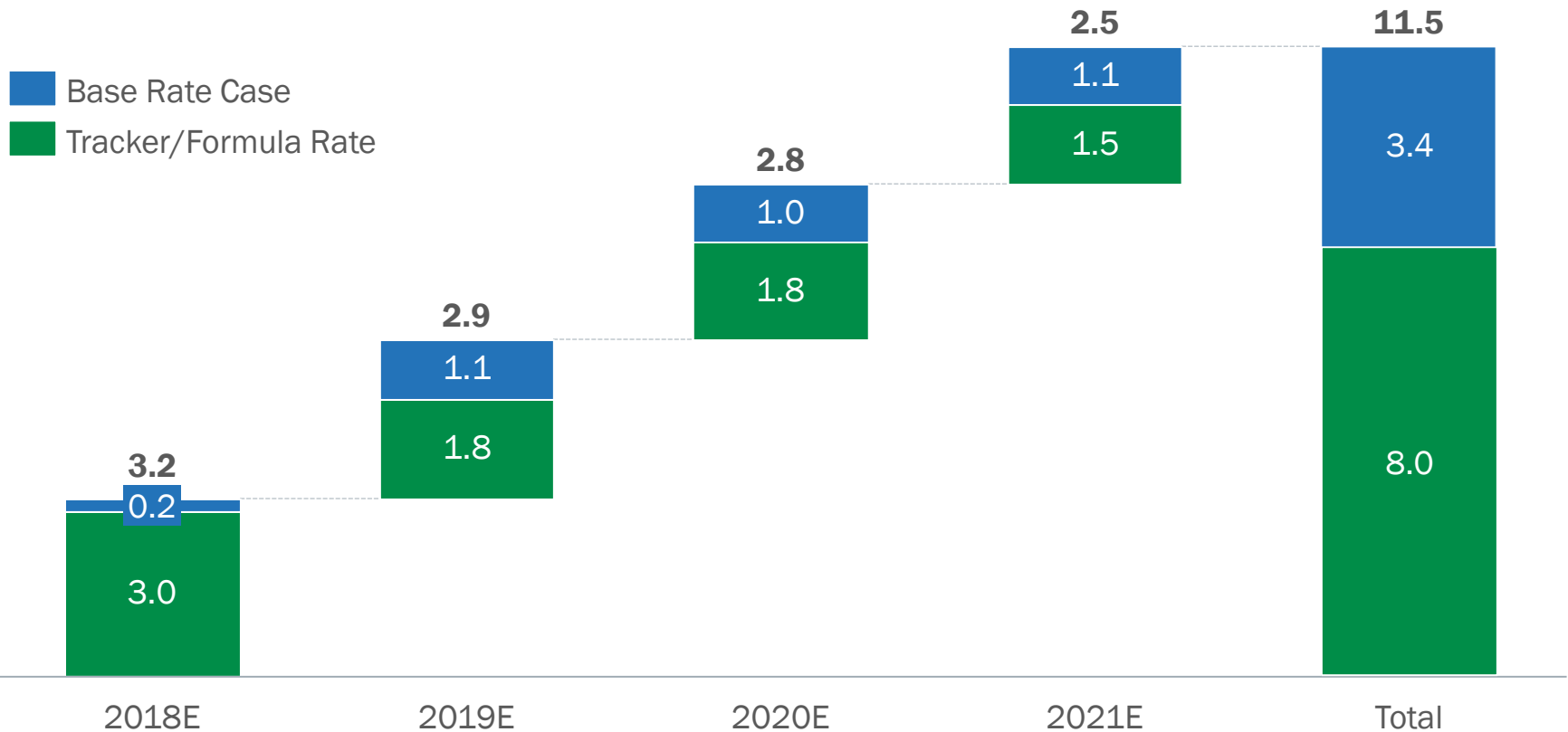
**\$21B of capital will be invested at Exelon utilities from 2018-2021 for grid modernization and customer satisfaction**

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

(1) Rate base reflects year-end estimates

# Mechanisms Cover Bulk of Rate Base Growth

## Rate Base Growth Breakout 2018-2021 (\$B)



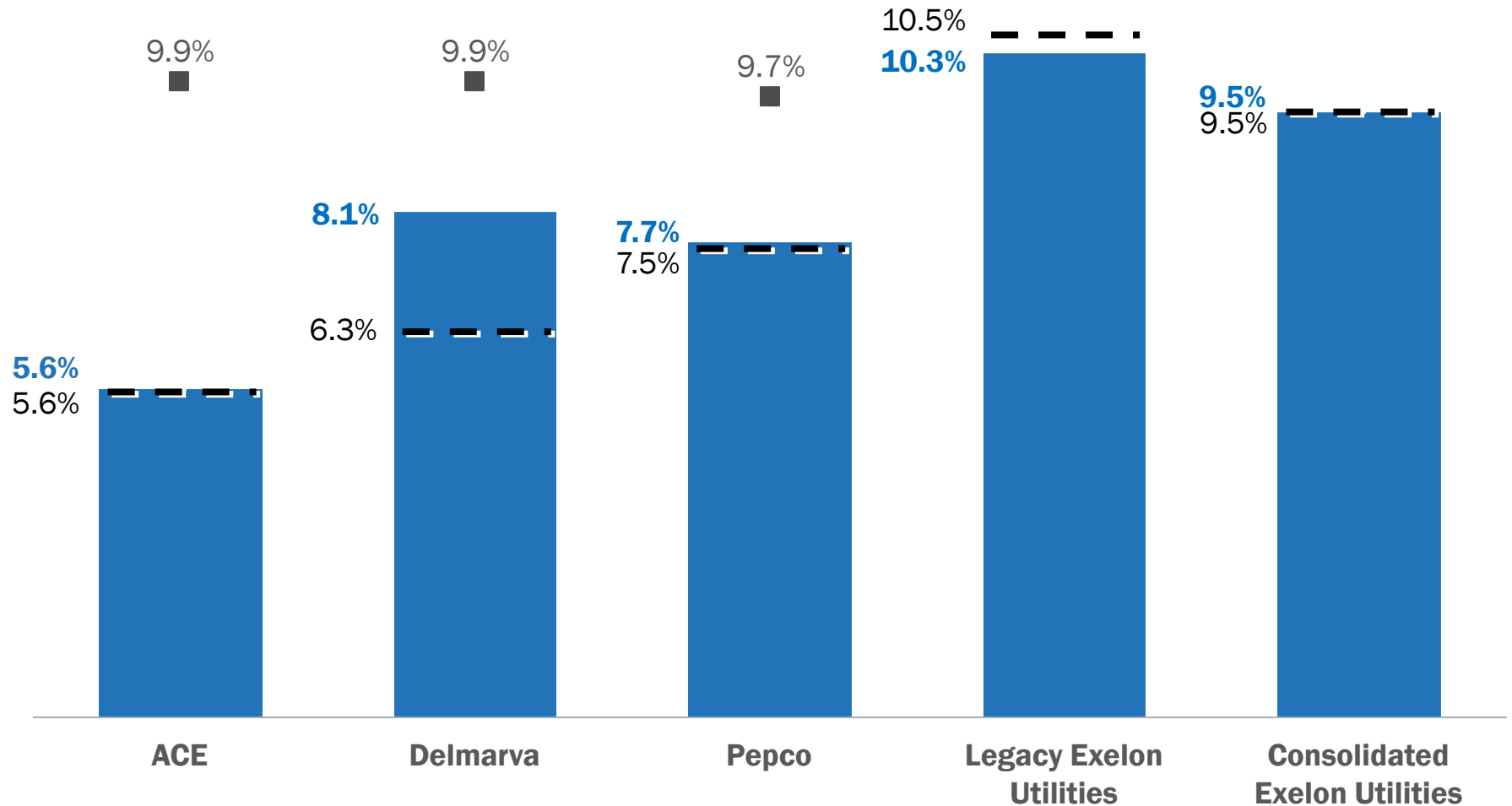
**Of the approximately \$11.5 billion of rate base growth Exelon Utilities forecasts over the next 4 years, ~70% will be recovered through existing formula and tracker mechanisms**

Note: Numbers may not add due to rounding

# Trailing 12 Month ROEs\* vs Allowed ROE

## Twelve Month Trailing Earned ROEs\*

■ Allowed ROE\* — Q4 2016 ■ Q4 2017



Note: Represents the 12-month periods ending 12/31/2016 and 12/31/2017, respectively. ROEs\* represent weighted average across all lines of business (Electric Distribution, Gas Distribution, and Transmission).

# Exelon Utilities' Distribution Rate Case Updates

## ACE NJ Order

Authorized Revenue Requirement Increase <sup>(1)</sup>	\$43.0M
Authorized ROE	9.60%
Common Equity Ratio	50.47%
Order Received	9/22/17

## Pepco MD Order

Authorized Revenue Requirement Increase <sup>(1)</sup>	\$32.4M
Authorized ROE	9.50%
Common Equity Ratio	50.15%
Order Received	10/20/17

## ComEd Filing

Authorized Revenue Requirement Increase <sup>(1)</sup>	\$95.6M
Authorized ROE	8.40%
Common Equity Ratio	45.89%
Order Received	12/6/17

## Delmarva MD Filing

Per Settlement Revenue Requirement Increase <sup>(1)</sup>	\$13.4M
Per Settlement ROE	9.50% <sup>(3)</sup>
Per Settlement Common Equity Ratio	N/A
Order Expected	2/9/18

## Delmarva DE Electric Filing

Requested Revenue Requirement Increase <sup>(1,2)</sup>	\$31.2M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q3 2018

## Delmarva DE Gas Filing

Requested Revenue Requirement Increase <sup>(1,2)</sup>	\$11.0M
Requested ROE	10.10%
Requested Common Equity Ratio	50.52%
Order Expected	Q4 2018

## Pepco DC Electric Filing

Requested Revenue Requirement Increase <sup>(1)</sup>	\$66.2M
Requested ROE	10.10%
Requested Common Equity Ratio	50.28%
Order Expected	12/2018

## Pepco MD Electric Filing

Requested Revenue Requirement Increase <sup>(1,4)</sup>	\$10.7M
Requested ROE	10.10%
Requested Common Equity Ratio	50.28%
Order Expected	7/31/18

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

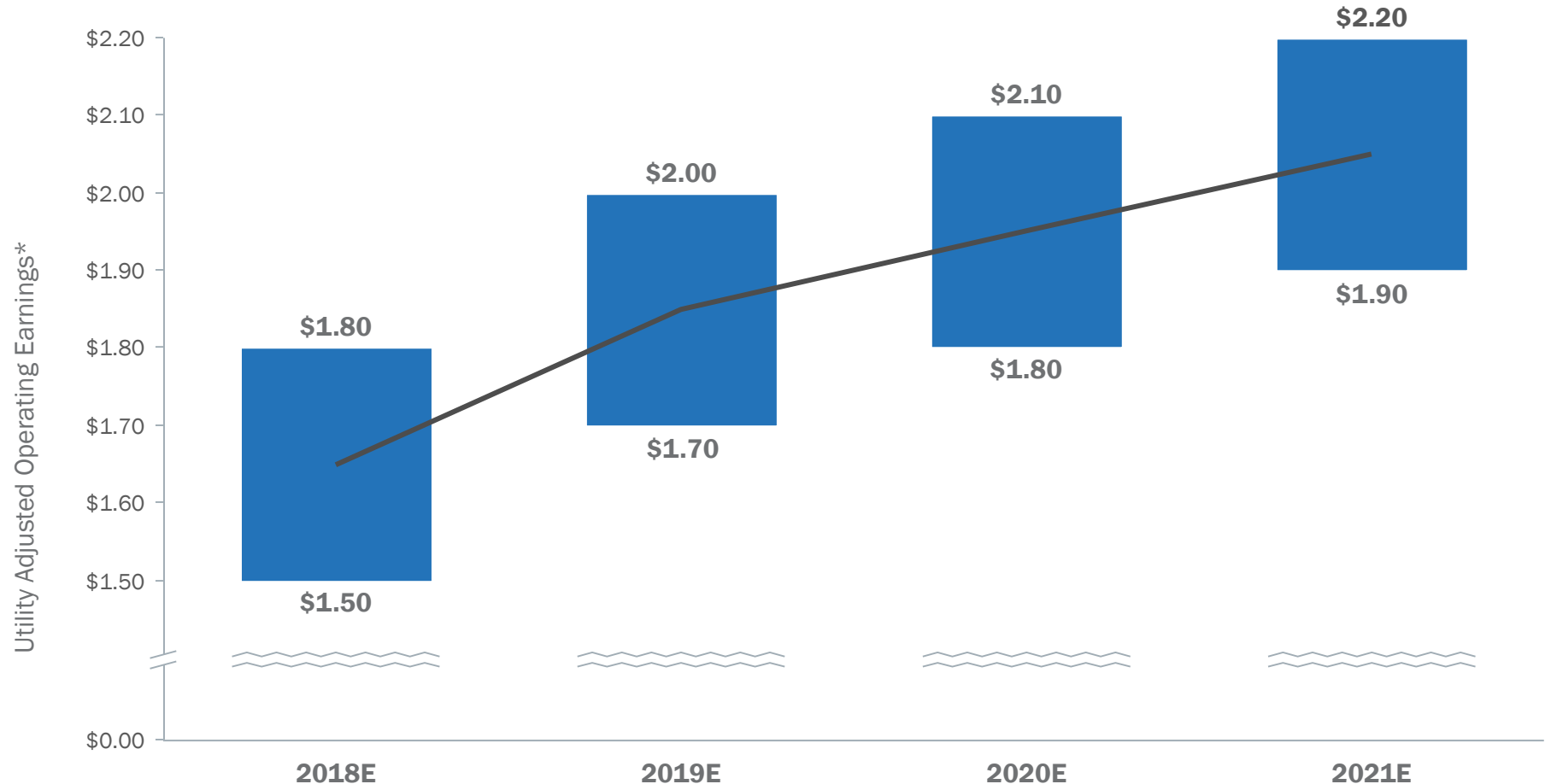
(2) As permitted by Delaware law, Delmarva Power implemented interim rate increases of \$2.5M in Q3 2017 and will implement full allowable rates on March 17, 2018, subject to refund

(3) Solely for purposes of calculating the Allowance for Funds Used During Construction and regulatory asset carrying costs

(4) On February 5, 2018, Pepco filed with the MDPSC an update to its current distribution rate case to reflect approximately \$30.7 million in annual tax savings resulting from the enactment of the TCJA

# Exelon Utilities EPS\* Growth of 6-8% to 2021

## Exelon Utilities Operating Earnings\* 2018-2021



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

Note: Includes after-tax interest expense held at Corporate for debt associated with existing utility investment

# Exelon Generation: Gross Margin Update

	December 31, 2017			Change from September 30, 2017	
Gross Margin Category (\$M) <sup>(1)</sup>	2018	2019	2020	2018	2019
Open Gross Margin <sup>(2,5)</sup> (including South, West, Canada hedged gross margin)	\$4,350	\$3,900	\$3,750	\$450	\$200
Capacity and ZEC Revenues <sup>(2,5,6)</sup>	\$2,300	\$2,000	\$1,850	-	-
Mark-to-Market of Hedges <sup>(2,3)</sup>	\$350	\$400	\$250	\$(300)	\$(50)
Power New Business / To Go	\$550	\$750	\$900	\$(150)	\$(100)
Non-Power Margins Executed	\$200	\$100	\$100	-	-
Non-Power New Business / To Go	\$300	\$400	\$400	-	-
<b>Total Gross Margin*<sup>(4,5)</sup></b>	<b>\$8,050</b>	<b>\$7,550</b>	<b>\$7,250</b>	<b>-</b>	<b>\$50</b>

## Recent Developments

- In 2018, Total Gross Margin is flat compared to September 30, 2017, with the retention of Handley Generating Station adding \$50M, offset by the early retirement of Oyster Creek which lowers Gross Margin by \$50M
- In 2019, Total Gross Margin is up \$150M on a combination of higher power prices, strengthening ERCOT spark spreads, and additional generation from Handley, partly offset by early retirement of Oyster Creek which lowers Gross Margin by \$100M
- Relative to 2019, 2020 Total Gross Margin is lower by \$300M:
  - \$150M lower driven by reduction in Open Gross Margin primarily related to TMI retirement
  - \$150M lower Capacity revenues from lower PJM and NE capacity prices
- Behind ratable hedging position reflects the upside we see in power prices
  - ~13-16% behind ratable in 2018 when considering cross commodity hedges

(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 December 31, 2017, market conditions

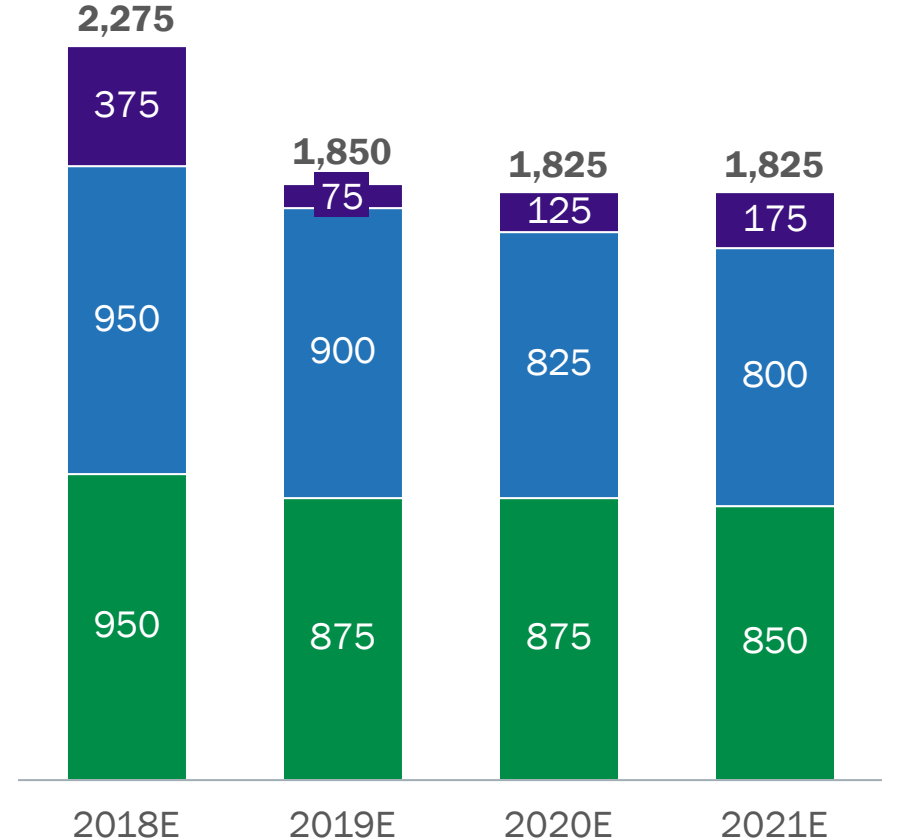
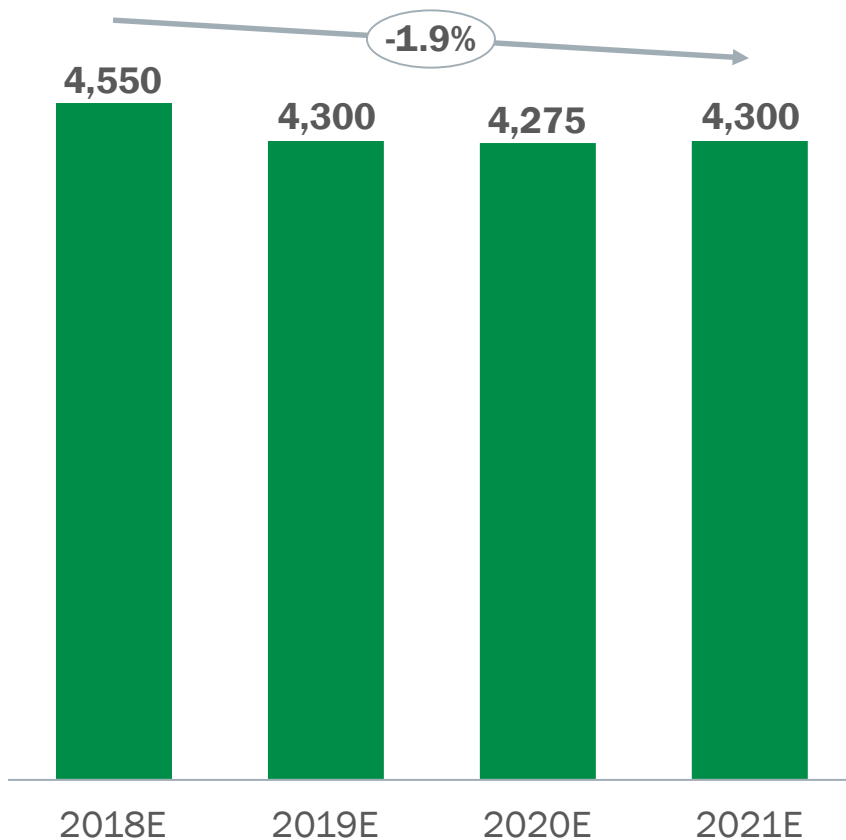
(5) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.

(6) 2018 includes \$150M of IL ZEC revenues associated with 2017 production

# Driving Costs and Capital Out of the Generation Business

## Adjusted O&M\* (\$M)<sup>(1,2)</sup>

## Capital Expenditures (\$M)<sup>(1,3,4)</sup>



Committed Growth Nuclear Fuel Base

**Cost optimization programs and planned nuclear plant closures drive lower total O&M**

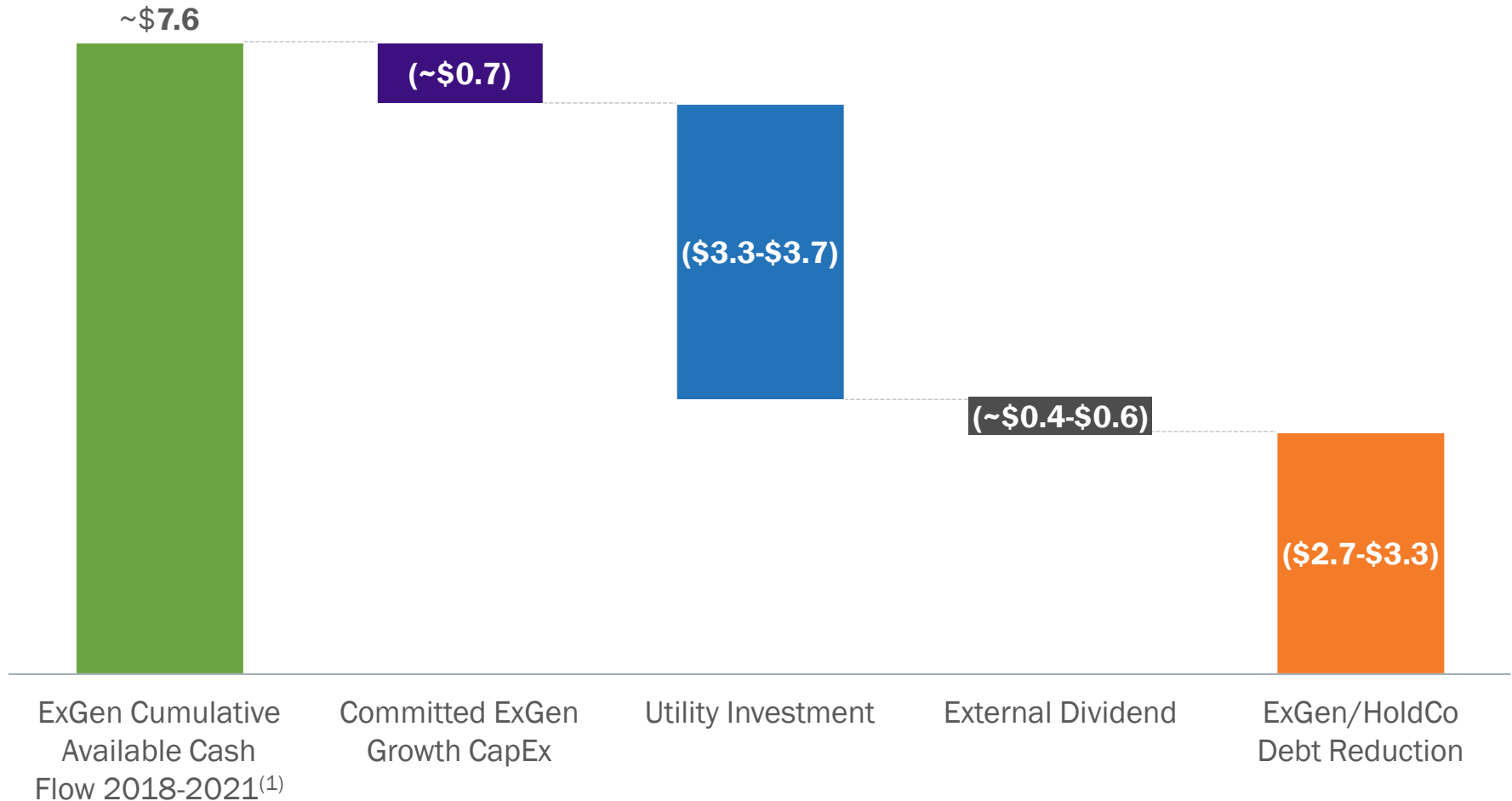
- (1) All amounts rounded to the nearest \$25M
- (2) O&M and Capital Expenditures reflect removal of Oyster Creek and TMI in 2018 and 2019, respectively, and removal of EGTP in 2018 forward, adjusted for retaining Handley Generating Station
- (3) Capital spend represents cash CapEx with CENG at 100% and excludes merger commitments
- (4) 2018E growth capital expenditures reflects a ~\$175M shift of cash outlay from 2017A to 2018E related to timing of payments for the CCGT projects in Texas

# ExGen's Strong Available Cash Flow\* Supports Utility Growth and Debt Reduction

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## 2018-2021 Exelon Generation Available Cash Flow and Uses of Cash\* (\$B)



## Redeploying Exelon Generation's available cash flow\* to maximize shareholder value

(1) Cumulative Available Cash Flow\* is a midpoint of a range based on December 31, 2017, market prices. Sources include change in margin, tax sharing agreement, equity investments, equity distributions for renewables JV and Bluestem tax equity, and acquisitions and divestitures.

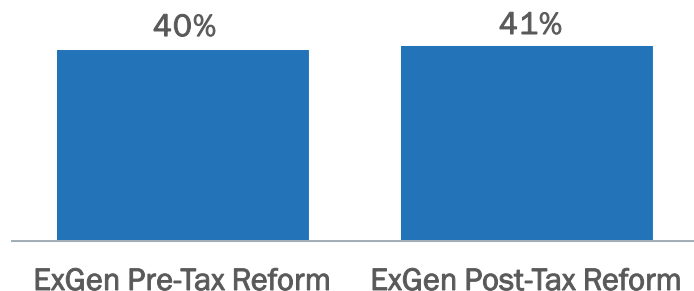


# Impacts from Tax Reform

## Tax Impacts

	2018	2019	2020	2021
<b>Cumulative Incremental Rate Base from Tax Policy Changes</b>	\$0.9	\$1.4	\$1.7	\$2.0
<b>ExGen Effective Tax Rate</b>	22%	22%	22%	21%
<b>Consolidated Effective Tax Rate</b>	18%	19%	20%	20%
<b>Consolidated Cash Tax Rate</b>	1%	4%	3%	3%

## 2018 ExGen S&P FFO/Debt %\*

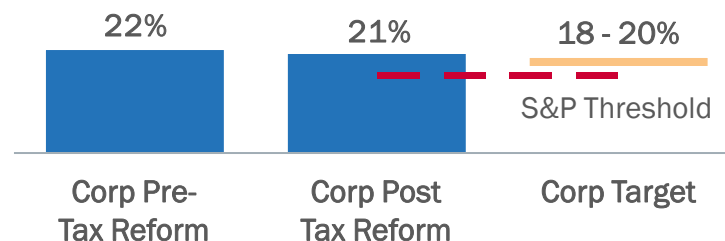


Reflects the increased free cash flow as a result of tax rates decreasing to 22% from an expected 33% in 2018

## Key Takeaways

- Changes in federal tax policy are expected to increase run-rate EPS by \$0.10 per share in 2019
- Utility rate base is expected to be \$1.7B higher in 2020 than prior disclosures
- Generation cash flows will benefit from a lower tax rate and full expensing of capital with an effective tax rate of 22% in 2018-2020, and 21% in 2021
- Projected Exelon FFO/Debt is largely unchanged with ExGen metrics stronger and modest deterioration at the six regulated utilities, which remain at or above rating agency thresholds

## 2018 Exelon S&P FFO/Debt %\*(1,2)



Impact of tax reform on Exelon's metrics is largely neutral given offsetting impacts between ExGen and utilities

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

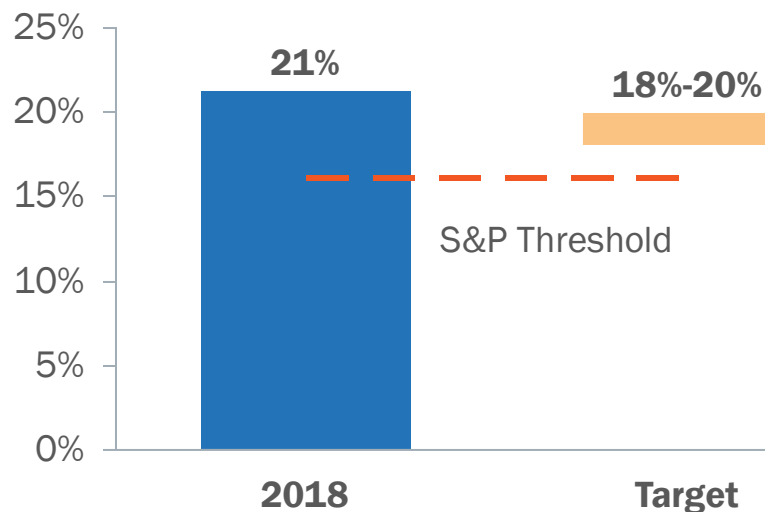
(2) Exelon Corp downgrade threshold (red dotted line) is based on the S&P Exelon Corp Summary Report; represents minimum level to maintain current Issuer Credit Rating of BBB at Exelon Corp

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

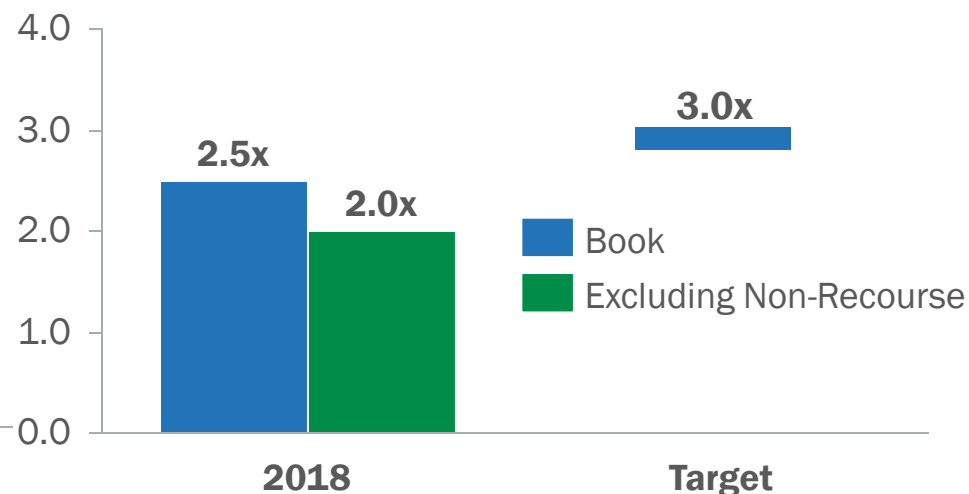
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## Exelon S&P FFO/Debt %<sup>\*(1,4)</sup>



## 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	A1	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 February 7, 2018, for Exelon, Exelon Generation and BGE and senior secured ratings for ComEd, PECO, ACE, DPL, and Pepco

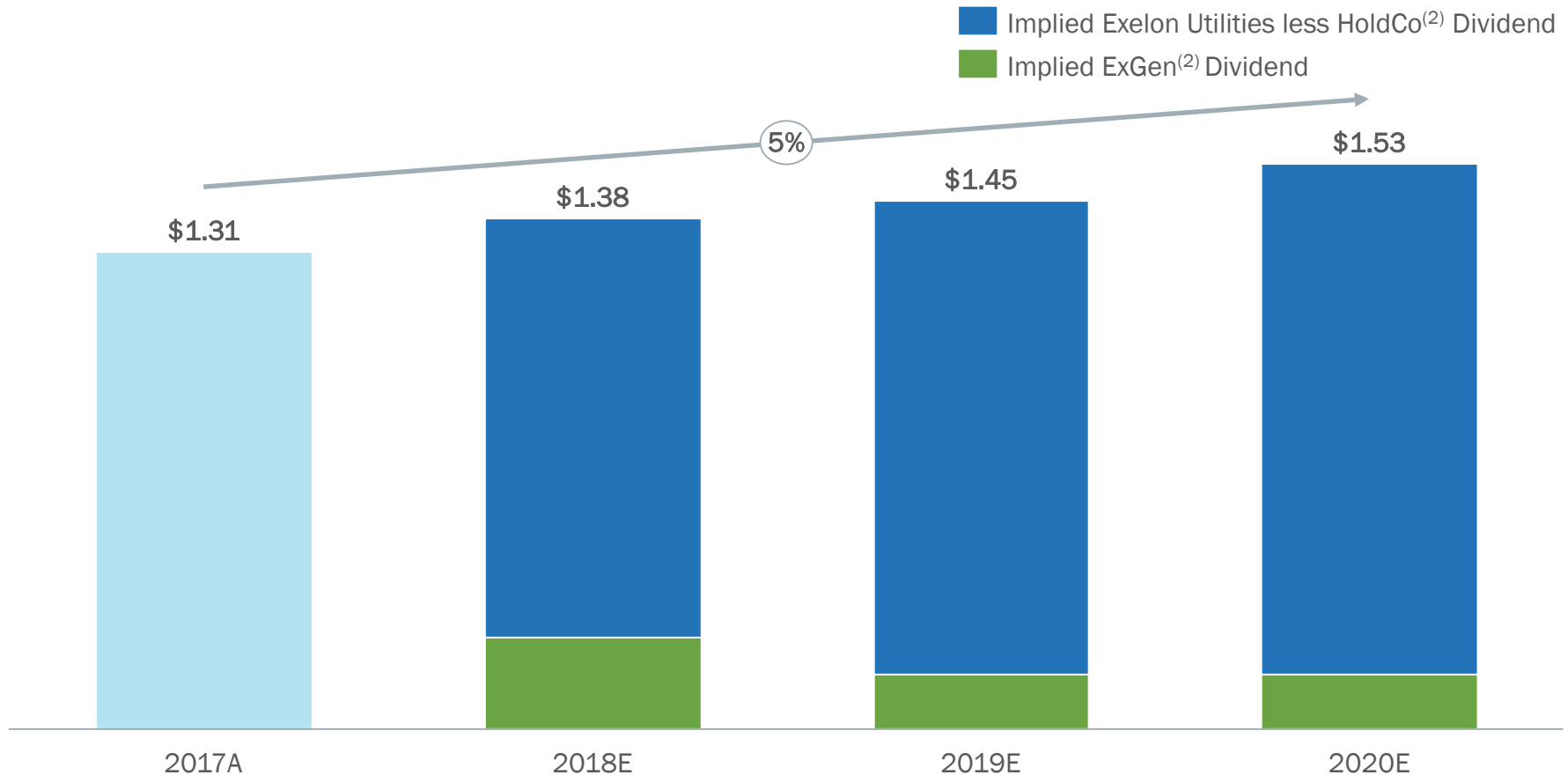
(3) All ratings have a "Stable" outlook

(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\*

# Raising Dividend Growth Rate to 5% Annually through 2020

## Dividends per Share<sup>(1)</sup>



**Assuming a steady 70% payout ratio on Utility less HoldCo earnings, ExGen's contribution to the Exelon dividend represents a modest payout on earnings and free cash flow**

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

(2) Total projected Dividend per Share (DPS) figures are illustrative of a 5% growth annually applied to the 2017 dividend. Implied Exelon Utilities contribution is based on a 70% payout on the midpoint of the EPS guidance band for Exelon Utilities less HoldCo. Implied ExGen contribution is based on the remaining balance between the illustrative total annual DPS and the Implied Exelon Utilities contribution.

# Resiliency and Energy Market Reform

## Price Formation

- PJM has stated that it is committed to advancing its proposal to allow all resources to set LMP and to improving scarcity pricing
- PJM issued “Proposed Enhancements to Energy Price Formation” whitepaper in November 2017
- January 8, 2018, FERC order on resilience invited RTOs to submit filings discussing potential paths forward for addressing any identified gaps or exposure on the resilience of the bulk power system
- “One of the most important things that we have been focused on is how does our market . . . actually compensate for resources that are providing reliability services? We've proposed key reforms and have engaged in discussion about key reforms on what we call price formation...we're looking for FERC and certainly we'll work with FERC to put time discipline on these discussions to address these in a timely manner.” - PJM CEO and President Andrew Ott at Senate ENR Committee hearing on January 23, 2018

## Resiliency

- FERC issued “Grid Reliability and Resilience Pricing” order on January 8, 2018, to open new docket on resilience
- “The Commission recognizes that we must remain vigilant with respect to resilience challenges, because affordable and reliable electricity is vital to the country’s economic and national security.” – January 8 order at 1
- “[W]e are not ending our work on the issue of resilience. To the contrary, we are initiating a new proceeding to address resilience in a broader context” - January 8 order at 7
- “As we stated in our order, we appreciate the secretary reinforcing the importance of the resilience of our bulk power system as an issue that warrants further attention and, as we said in our order, prompt attention.... it's something where I have declared it, and our order declares it to be a matter of priority for this commission...Those are not words we utter very often – it is a declared priority of the Commission ” - FERC Chairman Kevin McIntyre at Senate ENR Committee hearing on January 23, 2018

**In 2018, FERC and PJM are considering action on price formation and valuing the attribute of resilience, both of which should directly benefit our 24x7 nuclear fleet**

## New York ZEC Legal Challenges

### Federal Case:

- Case dismissed on July 25 and judgment entered on July 27
- “The ZEC program does not thwart the goal of an efficient energy market; rather, it encourages through financial incentives the production of clean energy”
- On August 24, the plaintiffs appealed to the US Court of Appeals for the 2nd Circuit
- Briefing schedule:
  - Plaintiff-Appellant Opening Brief filed October 13
  - Reply Briefs filed on December 1
  - Oral arguments scheduled for March 12

### State case:

- On January 22, the court partially affirmed and partially denied motion to dismiss
- The case will proceed in the trial court and will likely be decided on motions for summary judgment, which could take up to a year

## Illinois ZEC Legal Challenges

- Both cases dismissed and judgment entered July 14
- “The ZEC program does not conflict with the Federal Power Act”
- On July 17, both sets of plaintiffs appealed to the US Court of Appeals for the 7th Circuit
- On July 18, the 7th Circuit consolidated the appeals and set a briefing schedule:
  - Plaintiff-Appellant Opening Brief filed August 28
  - Reply Briefs filed on December 12
  - Oral arguments occurred on January 3, 2018 – Judge requested supplemental briefings within 14 days
- Supplemental briefs were filed on January 26
- Parties are awaiting further action by the court

## New Jersey ZEC

- In December, two legislative committees in the New Jersey senate and assembly unanimously passed the nuclear diversity credit bill
- On January 8th, the lame duck session of the NJ Legislature came to a close without a vote on the floor
- At the time, Governor-elect Murphy expressed a preference to include support for nuclear in a broader clean energy legislative package that will provide a number of benefits for customers in NJ
- On January 25, an expanded clean energy bill was introduced in the Senate, incorporating the same nuclear support provisions but recharacterizing them as ZECs to reflect new priorities
- Exelon looks forward to continuing to work with Governor Murphy and the legislature in the upcoming session

# The Exelon Value Proposition

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- **Regulated Utility Growth** with utility EPS rising 6-8% annually from 2017-2021 and rate base growth of 7.4%, 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 2021 planning horizon
- **Capital allocation priorities targeting:**
  - Organic utility growth;
  - Return of capital to shareholders with 5% annual dividend growth through 2020<sup>(1)</sup>,
  - Debt reduction; and,
  - Modest contracted generation investments

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

# 2018 Business Priorities and Commitments

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**Maintain industry leading operational excellence**

**Effectively deploy \$5.4B of 2018 utility capex**

**Advance PJM power price formation changes in 2018**

**Prevail on legal challenges to the NY and IL ZEC programs**

**Seek fair compensation for at-risk plants in NJ and PA**

**Grow dividend at 5% rate**

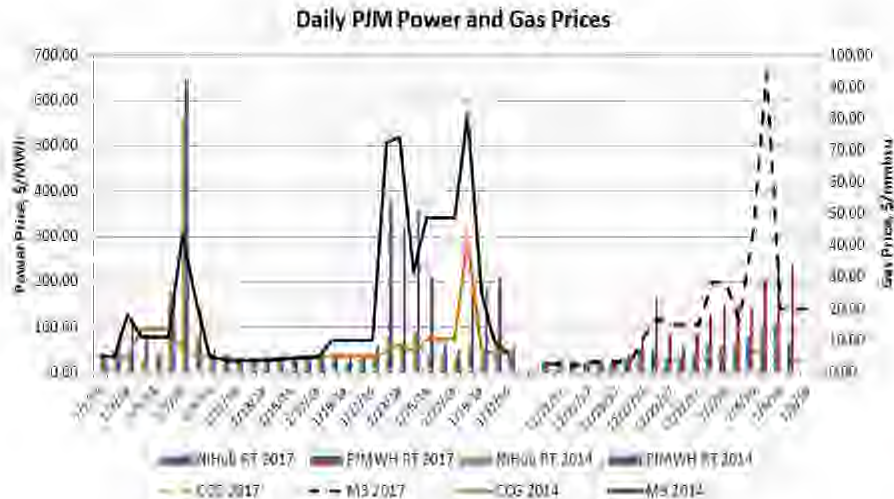
**Continued commitment to corporate responsibility**

# **Additional Disclosures**



# Comparing Winter 2017/2018 and the 2014 Polar Vortex

## 2014 Polar Vortex vs. 2017/2018 Winter

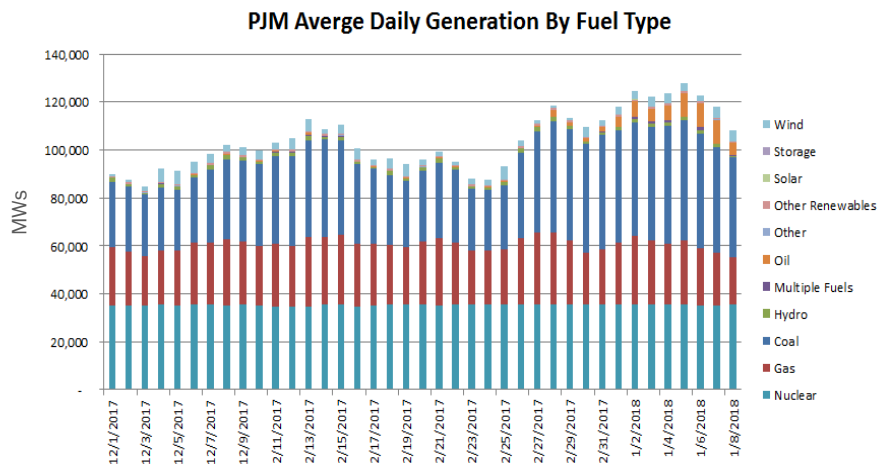


## Generation Forced Outages<sup>(1)</sup>

Fuel Type	Polar Vortex 1/7/2014		Winter 2017/2018			
	MW	%	1/5/2018		1/6/2018	
Coal	13,700	34%	5,849	35%	7,095	31%
Gas-Plant	9,700	24%	6,590	40%	9,220	40%
Gas-Supply	9,300	23%	2,181	13%	3,143	14%
Nuclear	1,400	3%	0	0%	0	0%
Oil			1,273	8%	1,991	9%
Other	6,100	15%	778	5%	1,457	6%
	40,200		16,671		22,906	

+23,000MW  
Improvement

## Generation Fuel Mix (MW)<sup>(2)</sup>



## Key Takeaways

- PJM power prices cleared at times over ~\$200/MWh during the 2017/2018 winter, but were not as high as during the 2014 Polar Vortex
- Gas prices, while strong, were also not as high as polar vortex
- Unplanned outages during the 2017/2018 winter were much lower than experienced during the Polar Vortex, in part reflecting the benefits of improved reliability associated with the capacity performance improvements
- On the days with the highest gas prices, oil units ran and replaced eastern gas units

(1) Source: PJM Cold Weather Summary report, dated January 9, 2018

(2) Source: PJM

# 2018 Projected Sources and Uses of Cash

(\$M) <sup>(1)</sup>	BGE	ComEd	PECO	PHI	Total Utilities	ExGen	Corp <sup>(8)</sup>	Exelon 2018E	Cash Balance
<b>Beginning Cash Balance*<sup>(2)</sup></b>									<b>1,400</b>
Adjusted Cash Flow from Operations* <sup>(2)</sup>	625	1,625	600	1,125	3,975	3,875	275	8,100	
Base CapEx and Nuclear Fuel <sup>(3)</sup>	0	0	0	0	0	(2,000)	(25)	(2,025)	
<b>Free Cash Flow*</b>	<b>625</b>	<b>1,625</b>	<b>600</b>	<b>1,125</b>	<b>3,975</b>	<b>1,875</b>	<b>225</b>	<b>6,075</b>	
Debt Issuances	300	1,300	700	750	3,050	0	0	3,050	
Debt Retirements	0	(850)	(500)	(250)	(1,600)	0	0	(1,600)	
Project Financing	n/a	n/a	n/a	n/a	n/a	(100)	n/a	(100)	
Equity Issuance/Share Buyback	0	0	0	0	0	0	0	0	
Contribution from Parent	100	450	50	225	850	0	(850)	0	
Other Financing <sup>(4)</sup>	175	300	25	(75)	425	(100)	(50)	275	
<b>Financing*<sup>(5)</sup></b>	<b>600</b>	<b>1,200</b>	<b>275</b>	<b>650</b>	<b>2,725</b>	<b>(200)</b>	<b>(900)</b>	<b>1,625</b>	
<b>Total Free Cash Flow and Financing</b>	<b>1,200</b>	<b>2,850</b>	<b>875</b>	<b>1,775</b>	<b>6,700</b>	<b>1,675</b>	<b>(675)</b>	<b>7,700</b>	
Utility Investment	(1,000)	(2,125)	(800)	(1,500)	(5,400)	0	0	(5,400)	
ExGen Growth <sup>(3,6)</sup>	0	0	0	0	0	(375)	0	(375)	
Acquisitions and Divestitures	0	0	0	0	0	0	0	0	
Equity Investments	0	0	0	0	0	(25)	0	(25)	
Dividend <sup>(7)</sup>	0	0	0	0	0	0	(1,325)	(1,325)	
<b>Other CapEx and Dividend</b>	<b>(1,000)</b>	<b>(2,125)</b>	<b>(800)</b>	<b>(1,500)</b>	<b>(5,400)</b>	<b>(400)</b>	<b>(1,325)</b>	<b>(7,125)</b>	
<b>Total Cash Flow</b>	<b>225</b>	<b>700</b>	<b>75</b>	<b>275</b>	<b>1,300</b>	<b>1,275</b>	<b>(2,000)</b>	<b>575</b>	
<b>Ending Cash Balance*<sup>(2)</sup></b>									<b>1,975</b>

- (1) All amounts rounded to the nearest \$25M. Figures may not add due to rounding.
- (2) Gross of posted counterparty collateral
- (3) Figures reflect cash CapEx and CENG fleet at 100%
- (4) Other Financing primarily includes expected changes in money pool borrowings, tax sharing from the parent, debt issue costs, tax equity cash flows, capital leases, and renewable JV distributions
- (5) Financing cash flow excludes intercompany dividends and other intercompany financing activities
- (6) ExGen Growth CapEx primarily includes Texas CCGTs, W. Medway, and Retail Solar
- (7) Dividends are subject to declaration by the Board of Directors
- (8) Includes cash flow activity from Holding Company, eliminations, and other corporate entities

## Consistent and reliable free cash flows

*Operational excellence and financial discipline drives free cash flow reliability*

- ✓ Generating \$6.1B of free cash flow, including \$1.9B at ExGen and \$4.0B at the Utilities

## Supported by a strong balance sheet

*Strong balance sheet enables flexibility to raise and deploy capital for growth*

- ✓ \$1.4B of long-term debt at the utilities, net of refinancing, to support continued growth

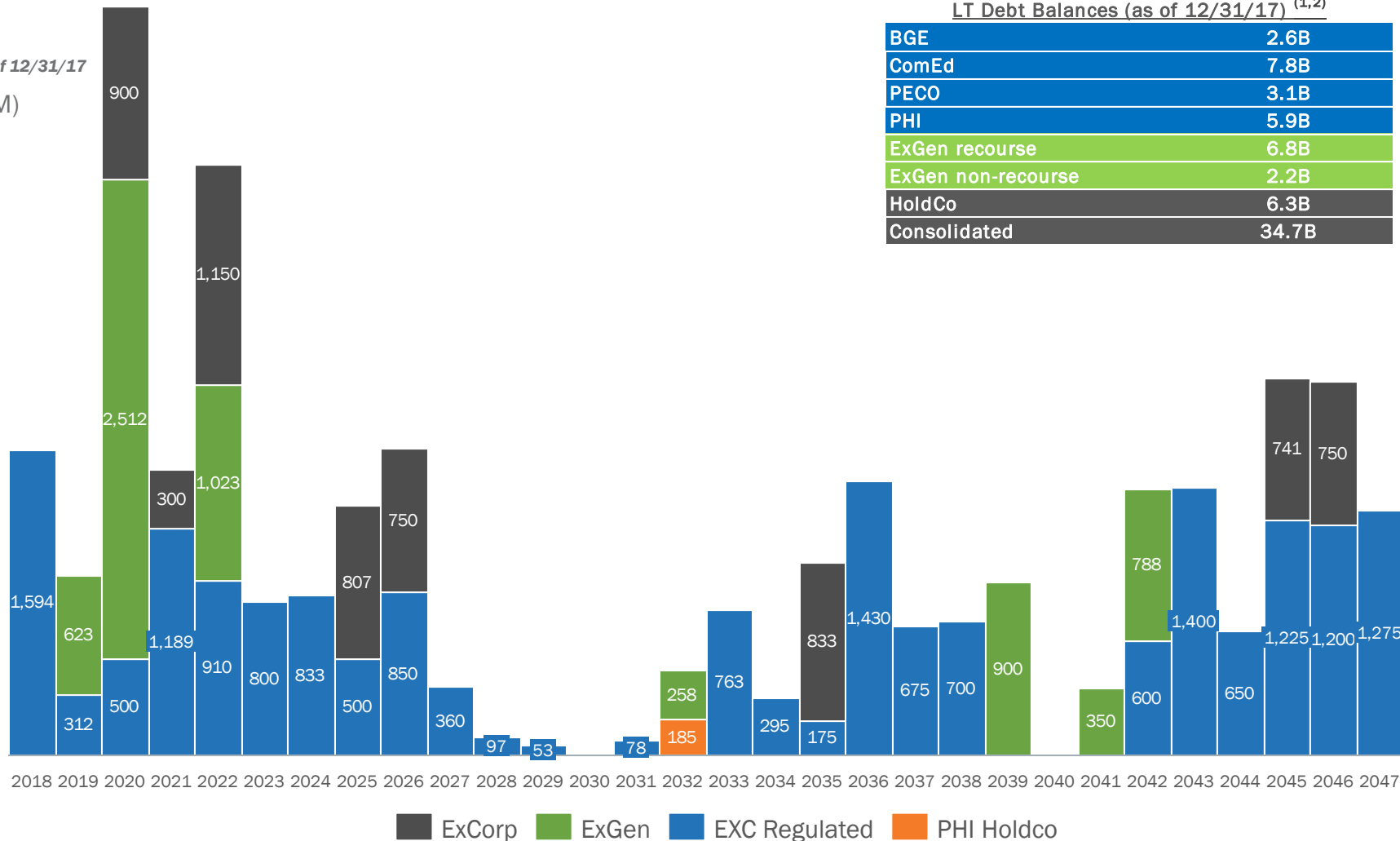
## Enable growth & value creation

*Creating value for customers, communities and shareholders*

- ✓ Investing \$5.8B of growth capex, with \$5.4B at the Utilities and \$0.4B at ExGen

# Exelon Debt Maturity Profile<sup>(1)</sup>

As of 12/31/17  
(\$M)



**Exelon's weighted average LTD maturity is approximately 13 years**

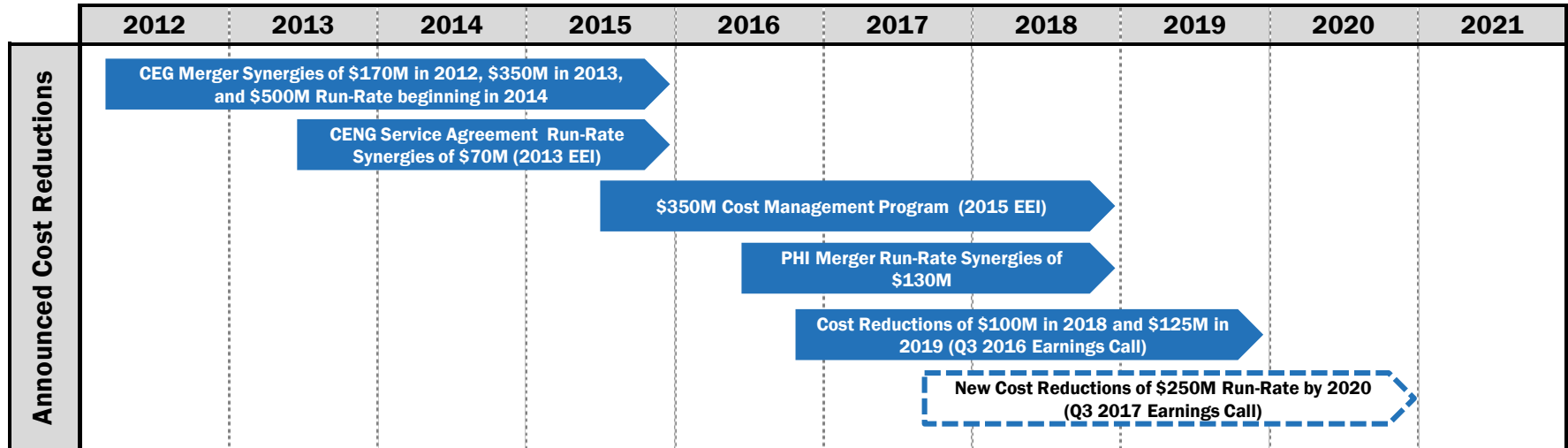
- (1) Maturity profile excludes non-recourse debt, securitized debt, capital leases, fair value adjustments, unamortized debt issuance costs and unamortized discount/premium  
 (2) Long-term debt balances reflect 2017 10-K GAAP financials; ExGen debt includes legacy CEG debt

	2018	2019	2020	
ExGen EPS Impact* (1)	Henry Hub Natural Gas			
	+ \$1/MMBtu	\$0.15	\$0.32	\$0.50
	- \$1/MMBtu	(\$0.15)	(\$0.31)	(\$0.47)
	NiHub ATC Energy Price			
	+ \$5/MWh	\$0.06	\$0.16	\$0.26
	- \$5/MWh	(\$0.05)	(\$0.16)	(\$0.26)
	PJM-W ATC Energy Price			
	+ \$5/MWh	\$0.02	\$0.08	\$0.13
	- \$5/MWh	(\$0.01)	(\$0.07)	(\$0.12)
Interest Rate Sensitivity to +50 BP	ComEd ROE	\$0.03	\$0.03	\$0.04
	Pension Expense	-	\$0.03	\$0.03
	Cost of Debt	(\$0.00)	(\$0.00)	(\$0.01)
Share count (millions)	969	972	975	
Exelon Consolidated Effective Tax Rate	18%	19%	20%	

(1) Based on December 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 price inputs constant. Due to correlation of the various assumptions, the EPS impact calculated by aggregating individual sensitivities may not be equal to the EPS impact calculated when correlations between the various assumptions are also considered.

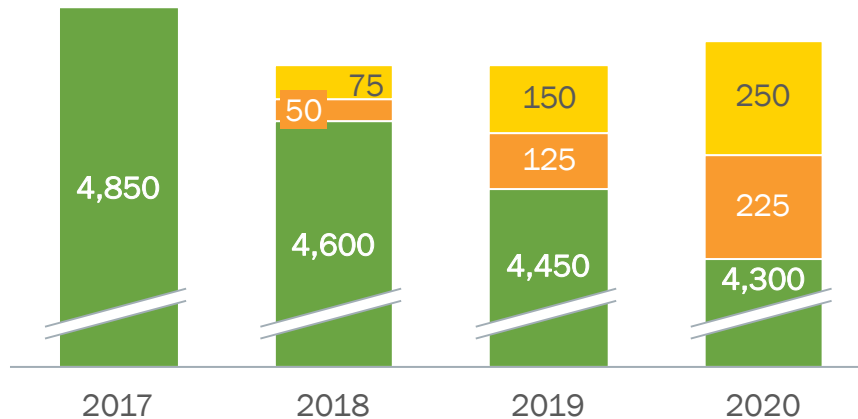
# Cost Management is Integral to Our Business Strategy

## ExGen and BSC Cost Reductions Since Constellation Merger



### ExGen Forecast O&M\* Q3 2017 (\$M)<sup>(1)</sup>

Cost Reductions EGTP & TMI ExGen Total O&M



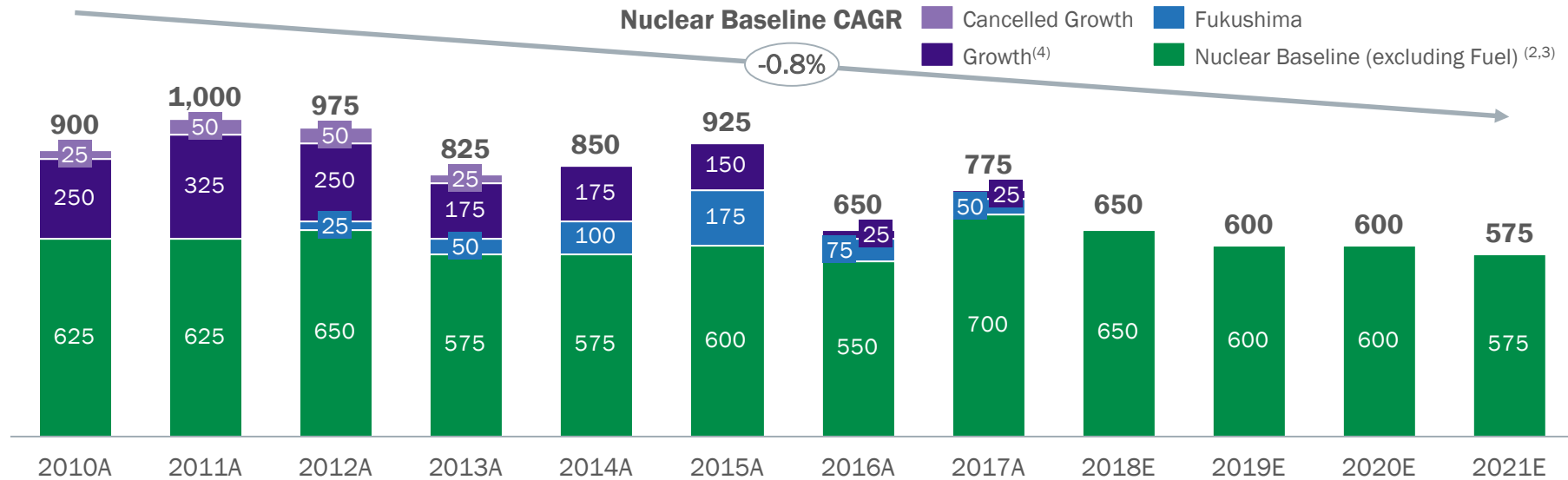
(1) Adjusted for TMI retirement and removal of EGTP, net of other expenses

### ExGen Forecast O&M\*: Q3 2017 vs. Q4 2016<sup>(1)</sup>

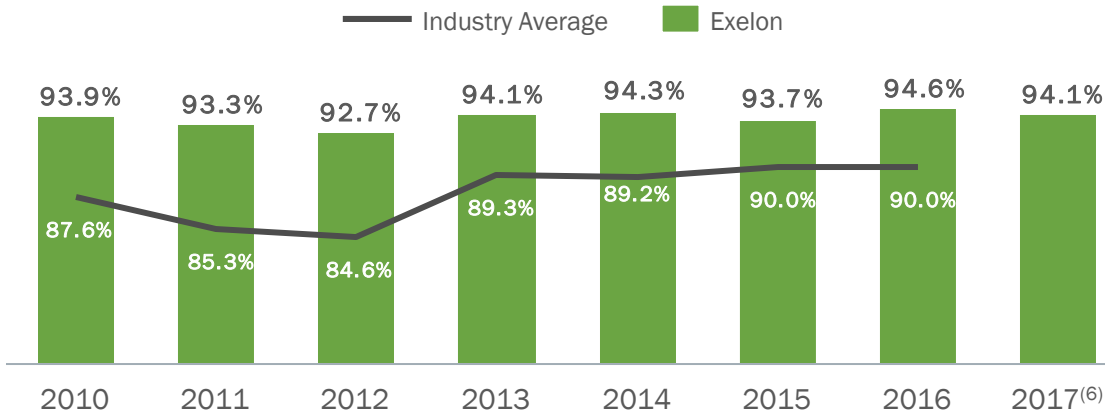
ExGen O&M (\$M)	2017	2018	2019	2020	2017-2020 CAGR
Q4 2016 O&M	\$4,850	\$4,725	\$4,725	\$4,775	- 0.5%
EGTP & TMI	(\$0)	(\$50)	(\$125)	(\$225)	-
Q4 '16 O&M, Net of EGTP & TMI	\$4,850	\$4,675	\$4,600	\$4,550	-2.1%
Cost Savings	(\$0)	(\$75)	(\$150)	(\$250)	-
Q3 2017 O&M	\$4,850	\$4,600	\$4,450	\$4,300	-3.9%

# Historical Nuclear Capital Investment

## Nuclear Non-Fuel Capital Expenditures<sup>(1)</sup> (\$M)



## Nuclear Capacity Factor<sup>(5)</sup>



Significant historical investments have mitigated asset management issues and prepared sites for license extensions already received, reducing future capital needs. In addition, internal cost initiatives have found more cost efficient solutions to large CapEx spend, such as leveraging reverse engineering replacements rather than large system wide modifications, resulting in baseline CAGR of -0.8%, even with net addition of 2 sites.

- (1) Reflects accrual capital expenditures with CENG at 50% ownership. Assumes Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. All numbers rounded to \$25M.  
 (2) Baseline includes ownership share of Salem all years. CENG is included at ownership share starting in 2014 (full year)  
 (3) FitzPatrick included starting in 2017 (9 months only)  
 (4) Growth represents capital that increases the capacity of the units (e.g., turbine upgrades, power uprates), and capital that extends the license of a site (e.g., License Renewals)  
 (5) Includes CENG beginning in April 2014 and FitzPatrick beginning in April of 2017, excludes Salem and Fort Calhoun  
 (6) 2017 industry average excluding Exelon was not available at time of publication

# Exelon Utilities' Distribution Rate Case Schedule

	12/17	1/18	2/18	3/18	4/18	5/18	6/18
<b>ComEd Electric Distribution Formula Rate</b>	Commission Order Received Dec 6				2018 Formula Rate Update Filing April		
<b>Delmarva – MD Electric Distribution Rates</b>	Settlement Filed Dec 18		Commission Order Expected Feb 9				
<b>Delmarva – DE Electric Distribution Rates</b>			Intervenor Direct Testimony Feb 21		Rebuttal Testimony Apr 6	Evidentiary Hearings May 15-17	Initial Briefs June 20 Reply Briefs June 29
<b>Delmarva – DE Gas Distribution Rates</b>				Intervenor Direct Testimony Mar 13		Rebuttal Testimony May 8	
<b>Pepco Electric Distribution Rates - DC</b>	Case Filed Dec 19						
<b>Pepco Electric Distribution Rates - MD</b>		Case Filed Jan 2			Intervenor Direct Testimony Apr 13	Rebuttal Testimony May 11	Evidentiary Hearings June 4-13

Note: Based on current schedules of Illinois Commerce Commission, Maryland Public Service Commission, and Delaware Public Service Commission and are subject to change

# 2017 Exelon Recognition and Partnerships

## Sustainability



### Dow Jones Sustainability Index

Exelon named to Dow Jones Sustainability Index for 12th consecutive year



### Newsweek Magazine's Green Rankings

Newsweek Magazine's Green Rankings recognized our leadership in sustainability, where we ranked third among utilities, No. 12 in the U.S. 500 and 24th among the Global 500



### Carbon Reduction

A recent U.S. Environmental Protection Agency report noted Exelon's generation fleet had the lowest rate of emissions among the 20 largest public or privately held energy producers. Fortune also recognized Exelon as the second-lowest carbon emitter of all Fortune 100 companies



### Land for People Award

Received the Trust for Public Land's national "Land for People Award" in recognition of Exelon's deep support of environmental stewardship, creating new parks and promoting conservation

## Corporate & Foundation Giving



### \$52.1 million

Last year, Exelon and its employees set all-time records, committing more than \$52.1 million to non-profit organizations and volunteering more than 210,000 hours



### Civic 50

Exelon was named for the first time to the Civic 50, recognizing the most community-minded companies by Points of Light, the world's largest organization dedicated to volunteer service

## Corporate Recognition



### 2017 Laurie D. Zelon Pro Bono Award

For exemplary pro bono service and leadership



### Kids in Need of Defense Innovation Award

Exelon's legal department and the Baltimore chapter of Organization of Latinos at Exelon (OLE) for their work with unaccompanied minors from Central America

## Diversity & Inclusion



### HeForShe

Exelon joined U.N. Women's HeForShe campaign, which is focused on gender equality. Pledge includes a \$3 million commitment to develop new STEM programs for girls and young women and improving the retention of women at Exelon by 2020



### Billion Dollar Roundtable

Exelon became the first energy company to join the Billion Dollar Roundtable, an organization that promotes supplier diversity for corporations achieving \$1 billion or more in annual direct spending with minority and women-owned businesses



### CEO Action for Diversity & Inclusion

Exelon joined 150 leading companies for the CEO Action for Diversity & Inclusion™, the largest CEO-driven commitment aimed at taking action to cultivate a workplace where diverse perspectives and experiences are welcomed and respected

## Workforce



### DiversityInc Top 50

DiversityInc. named Exelon as one of the Top 50 companies for excellence in diversity.



### Indeed.com "50 Best Places to Work"

Indeed.com ranked Exelon No. 18 on its "50 Best Places to Work."



**Human Rights Campaign "Best Places to Work"** For the third consecutive year, HRC's Corporate Equality Index gave Exelon a perfect rating on its best places to work for LGBTQ



### 2017 U.S. Veterans Magazine's "Best of the Best"

Most veteran-friendly companies



### Historically Black Engineering Schools

Top Supporter recognition for five consecutive years



# **Exelon Generation Disclosures**

**Data as of December 31, 2017**

**These disclosures were presented on February 7, 2018  
and are not being updated at this time**

# 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

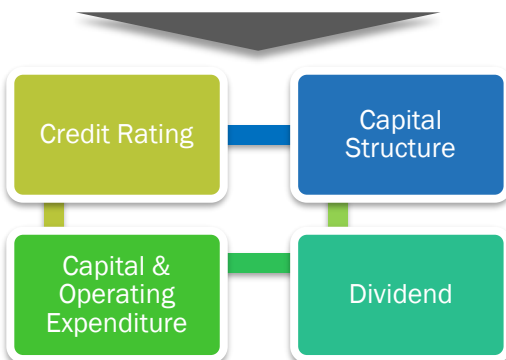
- Ensure stability in near-term cash flows and earnings
- Disciplined approach to hedging
- Tenor aligns with customer preferences and market liquidity
- Multiple channels to market that allow us to maximize margins
- Large open position in outer years to benefit from price upside

## Bull / Bear Program

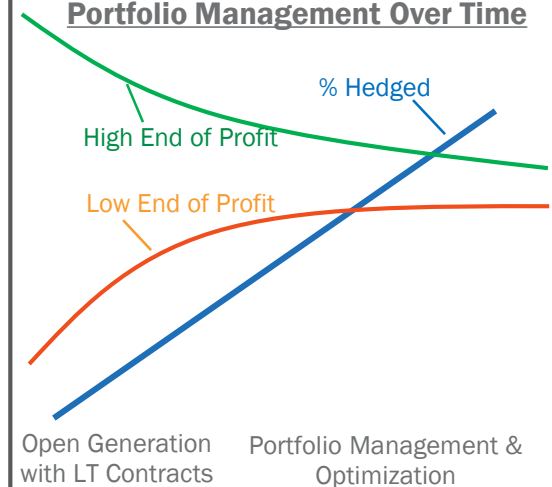
- Ability to exercise fundamental market views to create value within the ratable framework
- Modified timing of hedges versus purely ratable
- Cross-commodity hedging (heat rate positions, options, etc.)
- Delivery locations, regional and zonal spread relationships

## Align Hedging & Financials

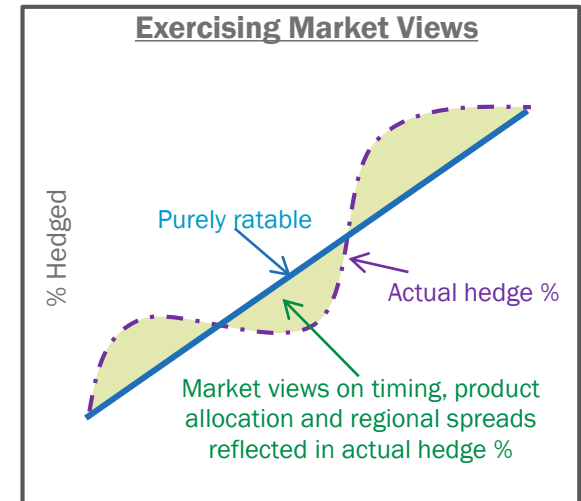
### Establishing Minimum Hedge Targets



## Portfolio Management Over Time



## Exercising Market Views



**Protect Balance Sheet**

**Ensure Earnings Stability**

**Create Value**

# Components of Gross Margin Categories

## Gross margin linked to power production and sales

### Open Gross Margin

- Generation Gross Margin at current market prices, including ancillary revenues, nuclear fuel amortization and fossils fuels expense
- Power Purchase Agreement (PPA) Costs and Revenues
- Provided at a consolidated level for all regions (includes hedged gross margin for South, West and Canada<sup>(1)</sup>)

### Capacity and ZEC Revenues

- Expected capacity revenues for generation of electricity
- Expected revenues from Zero Emissions Credits (ZEC)

### MtM of Hedges<sup>(2)</sup>

- Mark-to-Market (MtM) of power, capacity and ancillary hedges, including cross commodity, retail and wholesale load transactions
- Provided directly at a consolidated level for five major regions. Provided indirectly for each of the five major regions via Effective Realized Energy Price (EREP), reference price, hedge %, expected generation.

### “Power” New Business

- Retail, Wholesale planned electric sales
- Portfolio Management new business
- Mid marketing new business

Margins move from new business to MtM of hedges over the course of the year as sales are executed<sup>(5)</sup>

## Gross margin from other business activities

### “Non Power” Executed

- Retail, Wholesale executed gas sales
- Energy Efficiency<sup>(4)</sup>
- BGE Home<sup>(4)</sup>
- Distributed Solar

### “Non Power” New Business

- Retail, Wholesale planned gas sales
- Energy Efficiency<sup>(4)</sup>
- BGE Home<sup>(4)</sup>
- Distributed Solar
- Portfolio Management / origination fuels new business
- Proprietary trading<sup>(3)</sup>

Margins move from “Non power new business” to “Non power executed” over the course of the year

(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>	2018	2019	2020
Open Gross Margin (including South, West & Canada hedged GM) <sup>(2,5)</sup>	\$4,350	\$3,900	\$3,750
Capacity and ZEC Revenues <sup>(2,5,6)</sup>	\$2,300	\$2,000	\$1,850
Mark-to-Market of Hedges <sup>(2,3)</sup>	\$350	\$400	\$250
Power New Business / To Go	\$550	\$750	\$900
Non-Power Margins Executed	\$200	\$100	\$100
Non-Power New Business / To Go	\$300	\$400	\$400
<b>Total Gross Margin*<sup>(4,5)</sup></b>	<b>\$8,050</b>	<b>\$7,550</b>	<b>\$7,250</b>

Reference Prices <sup>(4)</sup>	2018	2019	2020
Henry Hub Natural Gas (\$/MMBtu)	\$2.83	\$2.81	\$2.82
Midwest: NiHub ATC prices (\$/MWh)	\$27.93	\$26.94	\$26.91
Mid-Atlantic: PJM-W ATC prices (\$/MWh)	\$33.51	\$30.72	\$30.12
ERCOT-N ATC Spark Spread (\$/MWh) <i>HSC Gas, 7.2HR, \$2.50 VOM</i>	\$6.21	\$5.85	\$5.30
New York: NY Zone A (\$/MWh)	\$29.14	\$26.15	\$25.48
New England: Mass Hub ATC Spark Spread (\$/MWh) <i>ALQN Gas, 7.5HR, \$0.50 VOM</i>	\$5.84	\$5.10	\$5.63

(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 December 31, 2017, market conditions

(5) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for removal of Handley Generating Station.

(6) 2018 includes \$150M of IL ZEC revenues associated with 2017 production

# ExGen Disclosures

Generation and Hedges	2018	2019	2020
<u>Exp. Gen (GWh)<sup>(1)</sup></u>	<b>201,500</b>	<b>201,200</b>	<b>191,400</b>
Midwest	95,900	97,200	96,700
Mid-Atlantic <sup>(2,6)</sup>	59,600	54,200	48,600
ERCOT	24,200	24,500	22,000
New York <sup>(2,6)</sup>	15,400	16,600	15,500
New England	6,400	8,700	8,600
<u>% of Expected Generation Hedged<sup>(3)</sup></u>	<b>85%-88%</b>	<b>55%-58%</b>	<b>26%-29%</b>
Midwest	82%-85%	51%-54%	22%-25%
Mid-Atlantic <sup>(2,6)</sup>	88%-91%	65%-68%	33%-36%
ERCOT	81%-84%	54%-57%	26%-29%
New York <sup>(2,6)</sup>	94%-97%	57%-60%	26%-29%
New England	92%-95%	35%-38%	38%-41%
<u>Effective Realized Energy Price (\$/MWh)<sup>(4)</sup></u>			
Midwest	\$29.50	\$29.50	\$31.00
Mid-Atlantic <sup>(2,6)</sup>	\$36.00	\$37.50	\$38.50
ERCOT <sup>(5)</sup>	\$4.50	\$3.50	\$2.00
New York <sup>(2,6)</sup>	\$36.00	\$32.00	\$30.00
New England <sup>(5)</sup>	\$1.00	\$5.00	\$9.00

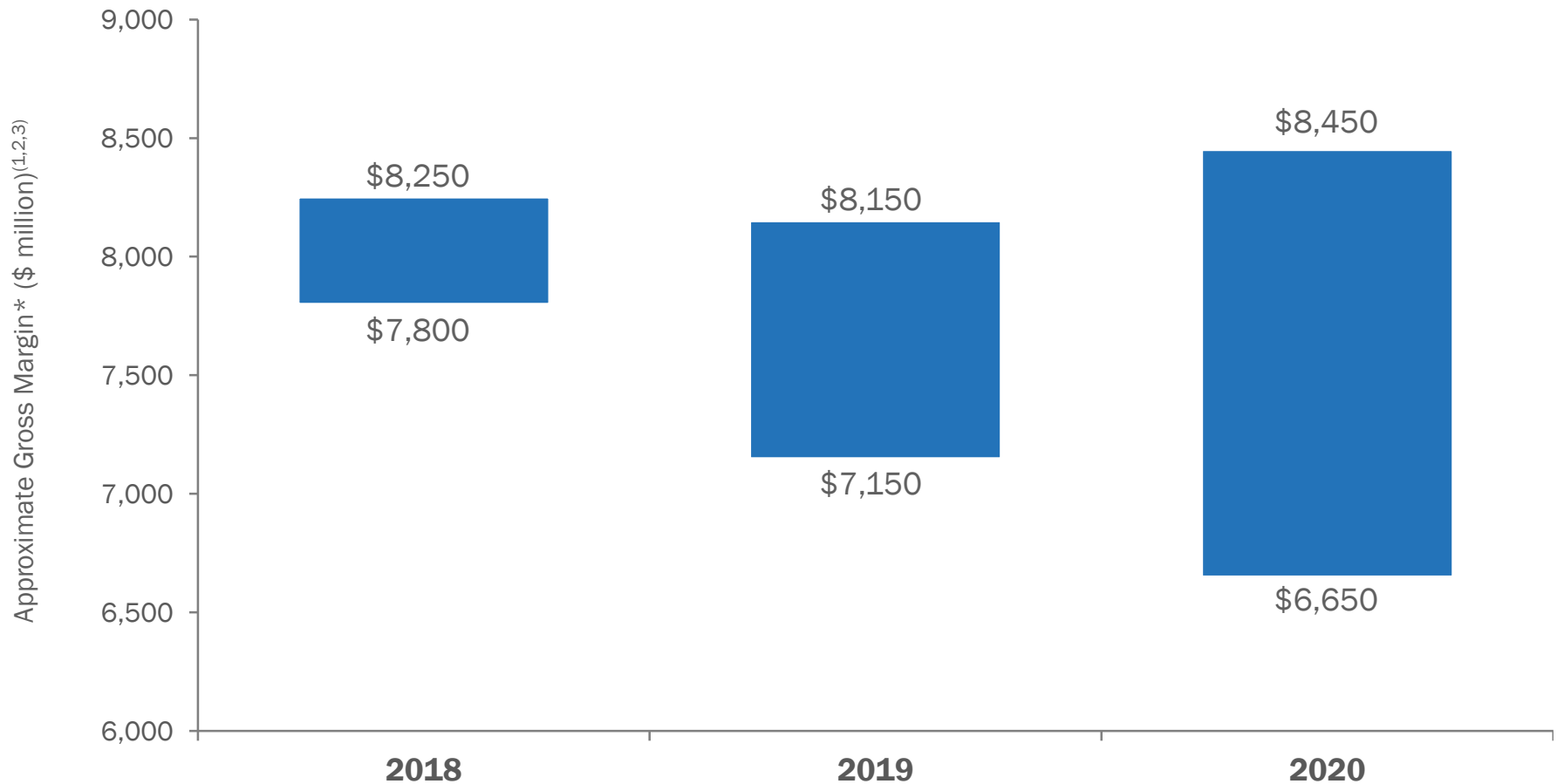
- (1) Expected generation is the volume of energy that best represents our commodity position in energy markets from owned or contracted for capacity based upon a simulated dispatch model that makes assumptions regarding future market conditions, which are calibrated to market quotes for power, fuel, load following products, and options. Expected generation assumes 14 refueling outages in 2018, 11 in 2019, and 14 in 2020 at Exelon-operated nuclear plants and Salem. Expected generation assumes capacity factors of 93.4%, 94.9% and 93.9% in 2018, 2019, and 2020, respectively at Exelon-operated nuclear plants, at ownership. These estimates of expected generation in 2019 and 2020 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 Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.

# ExGen Hedged Gross Margin\* Sensitivities

Gross Margin* Sensitivities (with existing hedges) <sup>(1)</sup>	2018	2019	2020
Henry Hub Natural Gas (\$/MMBtu)			
+ \$1/MMBtu	\$190	\$410	\$645
- \$1/MMBtu	\$(190)	\$(400)	\$(615)
NiHub ATC Energy Price			
+ \$5/MWh	\$75	\$210	\$345
- \$5/MWh	\$(70)	\$(210)	\$(340)
PJM-W ATC Energy Price			
+ \$5/MWh	\$30	\$100	\$165
- \$5/MWh	\$(15)	\$(90)	\$(160)
NYPP Zone A ATC Energy Price			
+ \$5/MWh	-	\$30	\$55
- \$5/MWh	-	\$(35)	\$(55)
Nuclear Capacity Factor			
+/- 1%	+/- \$40	+/- \$35	+/- \$35

(1) Based on December 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 price 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

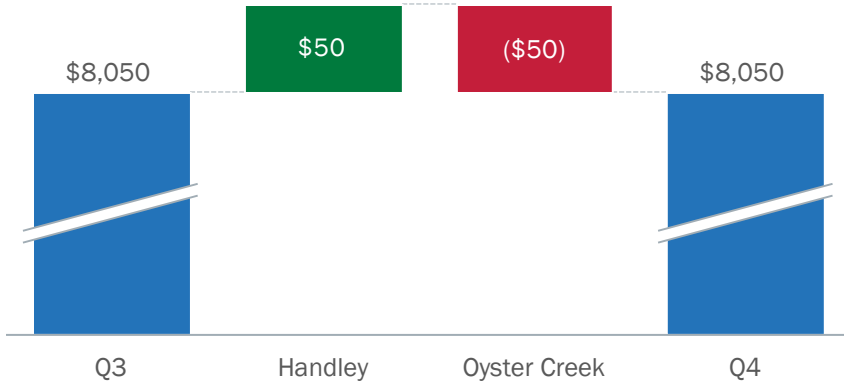
# ExGen Hedged Gross Margin\* Upside/Risk



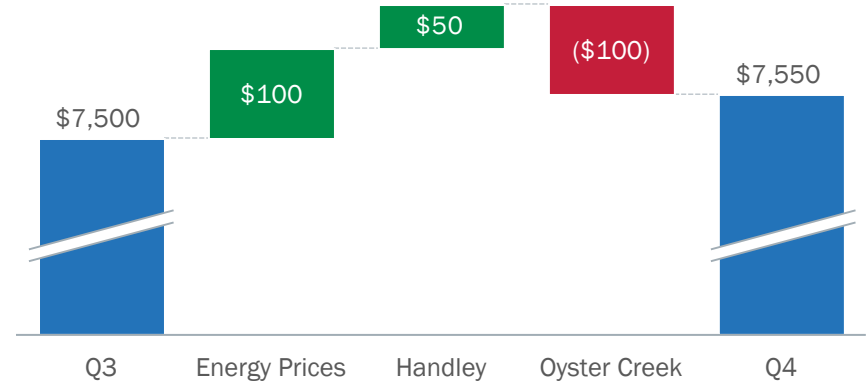
- (1) Represents an approximate range of expected gross margin, taking into account hedges in place, between the 5th and 95th percent confidence levels assuming all unhedged supply is sold into the spot market; approximate gross margin ranges are based upon an internal simulation model and are subject to change based upon market inputs, future transactions and potential modeling changes; these ranges of approximate gross margin in 2019 and 2020 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 December 31, 2017.
- (2) Gross Margin Upside/Risk based on commodity exposure which includes open generation and all committed transactions.
- (3) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.

# ExGen Forward Total Gross Margin\* Walk: Q4 2017 vs. Q3 2017

## FY 2018 (\$M)<sup>(1,3,4,5)</sup>



## FY 2019 (\$M)<sup>(1,3,4)</sup>



## FY 2020 versus FY 2019 (\$M)<sup>(1,3,4)</sup>



## Key Takeaways

- In 2018, Total Gross Margin is flat compared to September 30, 2017, reflecting a \$50M increase from retention of Handley Generating Station, and \$50M decrease from the early retirement of Oyster Creek
  - Strong quarter executing on \$150M of power new business
- In 2019, total gross margin is up \$50M, reflecting \$100M increase on higher power prices and strengthening ERCOT spark spreads plus \$50M from additional generation from Handley, partially offset by the early retirement of Oyster Creek
- Relative to 2019, 2020 Total Gross Margin is lower by \$300M:
  - \$150M lower primarily driven by Open Gross Margin related to TMI retirement
  - \$150M lower Capacity revenues from lower PJM and NE capacity prices

(1) Gross margin categories rounded to nearest \$50M

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

(3) Based on December 31, 2017, market conditions

(4) Reflects Oyster Creek and TMI retirements in October 2018 and September 2019, respectively. EGTP removal impacts full year 2018, 2019, and 2020 and is adjusted for retaining Handley Generating Station.

(5) 2018 includes \$150M of IL ZEC revenues associated with 2017 production



# Illustrative Example of Modeling Exelon Generation 2019 Gross Margin\*

ZECJ-FIN-21

PUBLIC

Row	Item	Midwest	Mid-Atlantic	ERCOT	New York	New England	South, West & Canada
(A)	Start with fleet-wide open gross margin	 \$3.9 billion 					
(B)	Capacity and ZEC	 \$2 billion 					
(C)	Expected Generation (TWh)	97.2	54.2	24.5	16.6	8.7	
(D)	Hedge % (assuming mid-point of range)	52.5%	66.5%	55.5%	58.5%	36.5%	
(E=C*D)	Hedged Volume (TWh)	51.0	36.0	13.6	9.7	3.2	
(F)	Effective Realized Energy Price (\$/MWh)	\$29.50	\$37.50	\$3.50	\$32.00	\$5.00	
(G)	Reference Price (\$/MWh)	\$26.94	\$30.72	\$5.85	\$26.15	\$5.10	
(H=F-G)	Difference (\$/MWh)	\$2.56	\$6.78	(\$2.35)	\$5.85	(\$0.10)	
(I=E*H)	Mark-to-Market value of hedges (\$ million) <sup>(1)</sup>	\$130	\$245	(\$30)	\$55	\$0	
(J=A+B+I)	Hedged Gross Margin (\$ million)	\$6,300					
(K)	Power New Business / To Go (\$ million)	\$750					
(L)	Non-Power Margins Executed (\$ million)	\$100					
(M)	Non-Power New Business / To Go (\$ million)	\$400					
(N=J+K+L+M)	Total Gross Margin*	\$7,550 million					

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

# Additional ExGen Modeling Data

Total Gross Margin Reconciliation (in \$M) <sup>(1)</sup>	2018	2019	2020
Revenue Net of Purchased Power and Fuel Expense <sup>*(2,3)</sup>	\$8,500	\$8,025	\$7,700
Non-cash amortization of intangible assets, net, related to commodity contracts recorded at fair value at merger date	-	-	-
Other Revenues <sup>(4)</sup>	\$(200)	\$(175)	\$(200)
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses	\$(250)	\$(300)	\$(250)
<b>Total Gross Margin* (Non-GAAP)</b>	<b>\$8,050</b>	<b>\$7,550</b>	<b>\$7,250</b>

Key ExGen Modeling Inputs (in \$M) <sup>(1,5)</sup>	2018
Other <sup>(6)</sup>	\$150
Adjusted O&M*	\$(4,550)
Taxes Other Than Income (TOTI) <sup>(7)</sup>	\$(375)
Depreciation & Amortization <sup>(8)</sup>	\$(1,125)
Interest Expense	\$(400)
<b>Effective Tax Rate</b>	<b>22.0%</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 primarily 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) ExGen amounts for O&M, TOTI, Depreciation & Amortization; excludes EDF's equity ownership share of the CENG Joint Venture

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

(7) TOTI excludes gross receipts tax of \$150M

(8) 2019 Depreciation & Amortization is flat to 2018 and 2020 is favorable \$50M due to nuclear plant retirements

# **Appendix**

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

# 2017 GAAP EPS Reconciliation

<b><u>Twelve Months Ended December 31, 2017</u></b>	<b><u>ExGen</u></b>	<b><u>ComEd</u></b>	<b><u>PECO</u></b>	<b><u>BGE</u></b>	<b><u>PHI</u></b>	<b><u>Other</u></b>	<b><u>Exelon</u></b>
<b>2017 GAAP Earnings (Loss) Per Share</b>	<b>\$2.84</b>	<b>\$0.60</b>	<b>\$0.46</b>	<b>\$0.32</b>	<b>\$0.38</b>	<b>(\$0.63)</b>	<b>\$3.97</b>
Mark-to-market impact of economic hedging activities	0.11	-	-	-	-	-	0.11
Unrealized gains related to NDT fund investments	(0.34)	-	-	-	-	-	(0.34)
Amortization of commodity contract intangibles	0.04	-	-	-	-	-	0.04
Merger and integration costs	0.05	-	-	-	(0.01)	-	0.04
Merger commitments	(0.02)	-	-	-	(0.06)	(0.06)	(0.14)
Long-lived asset impairments	0.32	-	-	-	0.02	-	0.34
Plant retirements and divestitures	0.22	-	-	-	-	-	0.22
Reassessment of state deferred income taxes	(1.96)	-	(0.01)	0.01	0.04	0.56	(1.37)
Cost management program	0.03	-	-	0.01	-	-	0.04
Like-kind exchange tax position	-	0.02	-	-	-	(0.05)	(0.03)
Tax settlements	(0.01)	-	-	-	-	-	(0.01)
Bargain purchase gain	(0.25)	-	-	-	-	-	(0.25)
Gain on deconsolidation of business	(0.14)	-	-	-	-	-	(0.14)
Vacation policy change	(0.03)	-	-	-	(0.01)	-	(0.03)
Change in Environmental Remediation Liabilities	0.03	-	-	-	-	-	0.03
Noncontrolling interests	0.12	-	-	-	-	-	0.12
<b>2017 Adjusted (non-GAAP) Operating Earnings (Loss) Per Share</b>	<b>\$1.03</b>	<b>\$0.62</b>	<b>\$0.45</b>	<b>\$0.33</b>	<b>\$0.36</b>	<b>(\$0.19)</b>	<b>\$2.60</b>

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

# Projected GAAP to Operating Adjustments

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- **Exelon's projected 2018 adjusted (non-GAAP) operating earnings excludes the earnings effects of the following:**
  - Mark-to-market adjustments from economic hedging activities
  - Unrealized gains and losses 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 and FitzPatrick acquisition dates
  - Certain merger and integration costs associated with the PHI and FitzPatrick acquisitions
  - Certain costs related to plant retirements
  - Costs incurred related to a cost management program
  - Generation's noncontrolling interest, primarily related to CENG exclusion items
  - Other unusual items

# GAAP to Non-GAAP Reconciliations

YE 2018 Exelon FFO Calculation (\$M) <sup>(1,2)</sup>		YE 2018 Exelon Adjusted Debt Calculation (\$M) <sup>(1,2)</sup>	
GAAP Operating Income	\$3,450	Long-Term Debt (including current maturities)	\$33,075
Depreciation & Amortization	\$3,850	Short-Term Debt	\$1,125
EBITDA	\$7,300	+ PPA and Operating Lease Imputed Debt <sup>(5)</sup>	\$1,025
+/- Non-operating activities and nonrecurring items <sup>(3)</sup>	\$350	+ Pension/OPEB Imputed Debt <sup>(6)</sup>	\$4,000
- Interest Expense	(\$1,400)	- Off-Credit Treatment of Debt <sup>(7)</sup>	(\$1,875)
+ Current Income Tax (Expense)/Benefit	\$100	- Surplus Cash Adjustment <sup>(8)</sup>	(\$1,075)
+ Nuclear Fuel Amortization	\$1,075	+/- Other S&P Adjustments <sup>(4)</sup>	(\$250)
+/- Other S&P Adjustments <sup>(4)</sup>	\$275	<b>= Adjusted Debt (b)</b>	<b>\$36,025</b>
<b>= FFO (a)</b>	<b>\$7,700</b>		

YE 2018 Exelon FFO/Debt <sup>(1,2)</sup>		
FFO (a)	=	21%
Adjusted Debt (b)		

- (1) All amounts rounded to the nearest \$25M and may not add due to rounding  
(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) Reflects other adjustments as prescribed by S&P  
(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments  
(6) Reflects after-tax underfunded pension/OPEB  
(7) Reflects non-recourse project debt  
(8) Reflects 75% of excess cash applied against balance of LTD

# GAAP to Non-GAAP Reconciliations

YE 2018 ExGen FFO Calculation (\$M) <sup>(1,2)</sup>		YE 2018 ExGen Adjusted Debt Calculation (\$M) <sup>(1,2)</sup>	
GAAP Operating Income	\$1,025	Long-Term Debt (including current maturities)	\$8,850
Depreciation & Amortization	<u>\$1,800</u>	Short-Term Debt	\$0
EBITDA	\$2,825	+ PPA and Operating Lease Imputed Debt <sup>(5)</sup>	\$700
+/- Non-operating activities and nonrecurring items <sup>(3)</sup>	\$350	+ Pension/OPEB Imputed Debt <sup>(6)</sup>	\$1,700
- Interest Expense	(\$400)	- Off-Credit Treatment of Debt <sup>(7)</sup>	(\$1,875)
+ Current Income Tax (Expense)/Benefit	(\$225)	- Surplus Cash Adjustment <sup>(8)</sup>	(\$700)
+ Nuclear Fuel Amortization	\$1,075	+/- Other S&P Adjustments <sup>(4)</sup>	<u>\$275</u>
+/- Other S&P Adjustments <sup>(4)</sup>	<u>\$75</u>	<b>= Adjusted Debt (b)</b>	<b>\$8,950</b>
<b>= FFO (a)</b>	<b>\$3,700</b>		

YE 2018 ExGen FFO/Debt <sup>(1,2)</sup>	
FFO (a)	
Adjusted Debt (b)	
	= 41%

(1) All amounts rounded to the nearest \$25M and may not add due to rounding

(2) Calculated using S&P Methodology

(3) Reflects impact of operating adjustments on GAAP EBITDA

(4) Reflects other adjustments as prescribed by S&P

(5) Reflects present value of net capacity purchases and present value of minimum future operating lease payments

(6) Reflects after-tax underfunded pension/OPEB

(7) Reflects non-recourse project debt

(8) Reflects 75% of excess cash applied against balance of LTD

# GAAP to Non-GAAP Reconciliations

## YE 2018 ExGen Net Debt Calculation (\$M)<sup>(1,2)</sup>

Long-Term Debt (including current maturities)	\$8,850
Short-Term Debt	\$0
- Surplus Cash Adjustment	(\$950)
<b>= Net Debt (a)</b>	<b>\$7,900</b>

## YE 2018 ExGen Operating EBITDA Calculation (\$M)<sup>(1)</sup>

GAAP Operating Income	\$950
Depreciation & Amortization	<u>\$1,700</u>
EBITDA	\$2,650
+/- Non-operating activities and nonrecurring items <sup>(2)</sup>	\$525
<b>= Operating EBITDA (b)</b>	<b>\$3,175</b>

## YE 2018 Book Debt / EBITDA

Net Debt (a)		
	=	2.5x
Operating EBITDA (b)		

## YE 2018 ExGen Net Debt Calculation (\$M)<sup>(1,2)</sup>

Long-Term Debt (including current maturities)	\$8,850
Short-Term Debt	\$0
- Surplus Cash Adjustment	(\$950)
- Nonrecourse Debt	(\$2,075)
<b>= Net Debt (a)</b>	<b>\$5,825</b>

## YE 2018 ExGen Operating EBITDA Calculation (\$M)<sup>(1)</sup>

GAAP Operating Income	\$950
Depreciation & Amortization	<u>\$1,700</u>
EBITDA	\$2,650
+/- Non-operating activities and nonrecurring items <sup>(2)</sup>	\$525
- EBITDA from projects financed by nonrecourse debt	(\$275)
<b>= Operating EBITDA (b)</b>	<b>\$2,900</b>

## YE 2018 Recourse Debt / EBITDA

Net Debt (a)		
	=	2.0x
Operating EBITDA (b)		

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

(2) Reflects impact of operating adjustments on GAAP EBITDA



# GAAP to Non-GAAP Reconciliations

Q4 2017 Operating ROE Reconciliation (\$M) <sup>(1)</sup>	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP) <sup>(1)</sup>	\$77	\$121	\$205	\$1,308	\$1,711
Operating Exclusions	(\$20)	(\$13)	(\$20)	\$28	(\$24)
Adjusted Operating Earnings <sup>(1)</sup>	\$58	\$108	\$185	\$1,336	\$1,687
Average Equity	\$1,038	\$1,330	\$2,417	\$13,003	\$17,787
<b>Operating ROE (Adjusted Operating Earnings/Average Equity)</b>	<b>5.6%</b>	<b>8.1%</b>	<b>7.7%</b>	<b>10.3%</b>	<b>9.5%</b>

Q4 2016 Operating ROE Reconciliation <sup>(1)</sup>	ACE	Delmarva	Pepco	Legacy EXC	Consolidated EU
Net Income (GAAP) <sup>(1)</sup>	(\$42)	(\$9)	\$42	\$1,102	\$1,103
Operating exclusions	\$99	\$89	\$127	\$146	\$461
Adjusted Operating Earnings <sup>(1)</sup>	\$57	\$80	\$170	\$1,258	\$1,564
Average Equity	\$1,017	\$1,282	\$2,270	\$11,951	\$16,523
<b>Operating ROE (Adjusted Operating Earnings/Average Equity)</b>	<b>5.6%</b>	<b>6.3%</b>	<b>7.5%</b>	<b>10.5%</b>	<b>9.5%</b>

Note: Amounts may not sum due to rounding

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

# GAAP to Non-GAAP Reconciliations

2018 Adjusted Cash from Ops Calculation (\$M) <sup>(1)</sup>	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flows provided by operating activities (GAAP)	\$1,625	\$600	\$625	\$1,125	\$4,125	\$275	\$8,375
Other cash from investing activities	-	-	-	-	(\$275)	-	(\$275)
Intercompany receivable adjustment	-	-	-	-	-	-	-
Counterparty collateral activity	-	-	-	-	-	-	-
<b>Adjusted Cash Flow from Operations</b>	<b>\$1,625</b>	<b>\$600</b>	<b>\$625</b>	<b>\$1,125</b>	<b>\$3,875</b>	<b>\$275</b>	<b>\$8,100</b>

2018 Cash From Financing Calculation (\$M) <sup>(1)</sup>	ComEd	PECO	BGE	PHI	ExGen	Other	Exelon
Net cash flow provided by financing activities (GAAP)	\$750	(\$25)	\$400	\$350	(\$950)	(\$225)	\$300
Dividends paid on common stock	\$450	\$300	\$200	\$300	\$750	(\$675)	\$1,325
Intercompany receivable adjustment	-	-	-	-	-	-	-
<b>Financing Cash Flow</b>	<b>\$1,200</b>	<b>\$275</b>	<b>\$600</b>	<b>\$650</b>	<b>(\$200)</b>	<b>(\$900)</b>	<b>\$1,625</b>

Exelon Total Cash Flow Reconciliation <sup>(1)</sup>	2018
<b>GAAP Beginning Cash Balance</b>	<b>\$900</b>
Adjustment for Cash Collateral Posted	<u>\$500</u>
Adjusted Beginning Cash Balance <sup>(3)</sup>	\$1,400
Net Change in Cash (GAAP) <sup>(2)</sup>	<u>\$575</u>
Adjusted Ending Cash Balance <sup>(3)</sup>	\$1,975
Adjustment for Cash Collateral Posted	<u>(\$525)</u>
<b>GAAP Ending Cash Balance</b>	<b>\$1,475</b>

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

(2) Represents the GAAP measure of net change in cash, which is the sum of cash flow from operations, cash from investing activities, and cash from financing activities. Figures reflect cash capital expenditures and CENG fleet at 100%.

(3) Adjusted Beginning and Ending cash balances reflect GAAP Beginning and End Cash Balances excluding counterparty collateral activity

# GAAP to Non-GAAP Reconciliations

ExGen Adjusted O&M Reconciliation (\$M) <sup>(1)</sup>	2018	2019	2020	2021
<b>GAAP O&amp;M</b>	<b>\$5,225</b>	<b>\$5,000</b>	<b>\$4,925</b>	<b>\$4,950</b>
Decommissioning <sup>(2)</sup>	-	-	-	-
TMI Retirement	-	-	-	-
Oyster Creek Retirement	(25)	-	-	-
Direct cost of sales incurred to generate revenues for certain Constellation and Power businesses <sup>(3)</sup>	(250)	(300)	(250)	(250)
O&M for managed plants that are partially owned	(400)	(400)	(425)	(425)
Other	-	-	25	25
<b>Adjusted O&amp;M (Non-GAAP)</b>	<b>\$4,550</b>	<b>\$4,300</b>	<b>\$4,275</b>	<b>\$4,300</b>

2018-2021 ExGen Available Cash Flow and Uses of Cash Calculation (\$M) <sup>(1)</sup>	
Cash from Operations (GAAP)	\$15,975
Other Cash from Investing and Financing Activities	(\$1,200)
Baseline Capital Expenditures <sup>(4)</sup>	(\$3,675)
Nuclear Fuel Capital Expenditures	(\$3,450)
<b>Free Cash Flow before Growth CapEx and Dividend</b>	<b>\$7,625</b>

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

(2) Reflects earnings neutral O&M

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

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