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March 26, 2021

Via E-Mail

Gladys Brown Dutrieuille, Chairman
David M. Sweet, Vice Chairman
John F. Coleman, Jr., Commissioner
Ralph V. Yanora, Commissioner
Pennsylvania Public Utility Commission
400 North Street
Harrisburg, PA 17120

Re: Notification Regarding the Transfer of Exelon Generation Company, LLC

Dear Commissioners:

On February 24, 2021, Exelon Corporation (“Exelon”) announced that it intends to transfer 100% ownership of its subsidiary, Exelon Generation, LLC (“Exelon Generation”) to a newly-created subsidiary that will then be spun-off, becoming Exelon Generation’s new ultimate parent company. Exelon Generation operates Exelon’s existing generation business, including its generation plants, wholesale energy marketing operations and a competitive retail sales business. As a result of this transaction (the “Generation Spin Transaction”), Exelon Generation and its subsidiaries will no longer be owned by Exelon. We are writing to provide the Pennsylvania Public Utility Commission (the “Commission”) additional information regarding the transaction, which is expected to close in the first quarter of 2022.¹

The Generation Spin Transaction will have no impact on the ownership or control of Exelon or the ownership or control of PECO Energy Company (“PECO”), Exelon’s Pennsylvania utility providing electric and natural gas service. Exelon will continue to be the sole owner of Exelon Energy Delivery Company, LLC (“EEDC”) and, through EEDC, indirectly the sole owner of PECO and all other existing Exelon transmission and distribution utilities operating in Delaware, the District of Columbia, Illinois, Maryland, and New Jersey. There will be no transfer of assets between Exelon Generation and PECO as part of the Generation Spin Transaction.

Subsequent to the Generation Spin Transaction, Exelon will no longer own both merchant generation businesses and utility businesses. Instead, Exelon will be the nation’s largest transmission and distribution utility company, with more than 16,400 employees delivering electricity and natural gas to more than 10 million customers and generating 2020 revenue of \$33 billion.

¹ A copy of the original announcement and other details of the transaction are available at <https://www.exeloncorp.com/separationfacts>.

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The Generation Spin Transaction will have no impact on PECO's service, rates, governance, employment levels, or day-to-day operations. In accordance with prior merger commitments approved by the Commission in the original merger of PECO and Unicom through which Exelon was created,² PECO will remain insulated from business risks associated with any Exelon non-utility businesses after Exelon no longer owns its existing generation, wholesale energy marketing and competitive retail businesses. A chart showing the current ownership of PECO and Exelon's other utilities, which will be unchanged as a result of the Generation Spin Transaction, is attached as Attachment A.

PECO is a "public utility" and an "electric distribution company" as defined in the Public Utility Code ("Code"), and is subject to the Commission's jurisdiction and regulatory authority.³ The Commission's approval is required for a public utility to transfer used or useful property or to merge with another entity,⁴ or to enter into agreements involving the exchange of goods or services with an affiliate.⁵ Commission approval is also required prior to transactions involving a "change in control" of a Pennsylvania utility or its parent.⁶ As noted above, there will be no change in ownership or control of Exelon or PECO, PECO is not merging with any other entity, and no utility property will be transferred. PECO is also not entering into any agreements involving the exchange of goods or services with an affiliate as part of the Generation Spin Transaction. As a result, Exelon and PECO understand that Commission approval is not required to complete the Generation Spin Transaction.

Pursuant to the authority conferred by the Electricity Generation Customer Choice and Competition Act,⁷ the Commission no longer regulates the electric generation function other than through its limited jurisdiction over entities that engage in retail sales to customers in Pennsylvania as licensed electric generation suppliers. Under the Code, Exelon Generation is not regulated as a public utility in Pennsylvania and is not subject to the "change in control" requirements described above. In short, Exelon Generation is being spun off and Exelon will cease being a company that owns both merchant generation businesses and utilities.

If the Commission has any questions or needs any further information, please let me know. Due to the ongoing COVID-19 pandemic, PECO's office personnel are working remotely. Accordingly, PECO will not have its usual access to photocopying and U.S. mail, among other

² See Order, *Re: Application of PECO Energy Company, Pursuant to Chapters 11, 19, 21, 22, and 28 of the Public Utility Code, for Approval of (1) a Plan of Corporate Restructuring, including the Creation of Holding Company, and (2) the Merger of the Newly Formed Holding Company and Unicom Corporation* (Order entered March 2, 2000).

³ 66 Pa. C.S. § 102.

⁴ *Id.* § 1102(a)(3).

⁵ *Id.* § 2102.

⁶ *Id.* § 1102(a)(3); see 52 Pa. Code. § 69.901 (Utility Stock Transfer under 66 Pa.C.S. 1102(a)(3) – Statement of Policy).

⁷ 66 Pa. C.S. §§ 2801 *et seq.*

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services. PECO requests that all communications with PECO be transmitted by email.

Very truly yours,

A handwritten signature in black ink, appearing to read "R. Webster", followed by a long horizontal flourish.

Richard G. Webster, Jr.
Vice President
Regulatory Policy & Strategy

Attachment

cc: Rosemary Chiavetta, Secretary (e-mail only)
Office of Consumer Advocate (e-mail only)
Office of Small Business Advocate (e-mail only)

Attachment A
Exelon Organizational Chart – Utilities

