

Political Activities Report

Guided by fundamental strategic principles and a long-term view of value drivers, Exelon identifies public policy priorities and advocates policies that Exelon believes will support Exelon's efforts to be the best group of electric generation and electric and gas delivery companies in the United States—providing superior value for our customers, employees, investors and the communities we serve.

Exelon's Strategic Principles:

- Well-functioning competitive markets are the foundation of Exelon's current and future value.
- While we are growing a diverse generation portfolio, we are fundamentally a nuclear company; protecting the value of our nuclear units is a high priority.
- We favor the lowest-cost clean energy options.
- The cost of environmental externalities should be properly reflected in markets.
- The industry needs energy policy clarity to make prudent investment decisions.

In general, Exelon's public policy positions and advocacy are developed and directed by the company's executive leadership team. In addition, Exelon utilizes a corporate strategy group, which coordinates input from various Exelon business units and from corporate finance to help inform and guide the executive leadership team's decision making. Exelon's executive leadership consults with the board of directors and receives guidance from the board on major policy initiatives and strategic policy alternatives. These various inputs into Exelon's public policy positions are guided by a number of strategic factors and an evaluation of the reputational impact of policy positions.

Once public policy priorities are identified, the company develops advocacy and communications plans to support those policies, recognizing the political realities we confront. Successful advocacy of public policies involves lobbying and other outreach activities to educate state and federal legislative leaders and the general public about environmental, energy policy, tax and other issues that affect our industry. Exelon engages in these activities directly and through industry organizations that engage in public policy advocacy.

Exelon advocates policies that highlight the value of Exelon's clean, zero-emissions nuclear generation fleet, especially in today's economic climate with depressed electricity demand and abundant, low-cost natural gas. Thus, Exelon supports a comprehensive national energy policy that promotes expanding cleaner energy and sustainable jobs at the lowest possible cost. Exelon advocates market-based approaches for valuing electricity and addressing environmental concerns.

Exelon believes the environmental costs of electricity production must be properly reflected in the markets. Exelon therefore advocates reliance upon market-based national approaches to address air pollution and mitigate the risk of climate change at the least cost to consumers and the economy.

These fundamental strategic principles guide Exelon's policy positions regarding global climate change, competitive markets, investment in new generation, and Clean Air Act implementation standards.

Exelon has been a vigorous proponent of climate change legislation and enhanced clean air regulation because reduction of greenhouse gases and air pollutants are important public policy goals that will advance the health and well-being of the population. These goals will also enhance the value of the company's nuclear fleet. In that context it has been useful to collaborate on occasion with environmental organizations in order to maximize chances for enactment of legislation or regulation that Exelon supports.

Exelon is a member of various industry groups that engage generally in activities focused on the advancement of the industry and lobbying or advocacy initiatives on various specific industry issues. Sometimes the positions these organizations take on issues may not be perfectly aligned with the public policy goals identified by Exelon. As part of its public policy advocacy efforts, Exelon forms alliances with other companies and industry groups in strategic ways to advance common causes that more directly support Exelon's public policy goals. For example, Exelon is a member of the Edison Electric Institute, the Electric Power Supply Association, the PJM Power Providers Group (P3), the Clean Energy Group, the Utility Water Act Group, the COMPETE Coalition and the U.S. Climate Action Partnership.

Through these alliances and other efforts, Exelon advocacy helped to extend dividend tax rates and to preserve the end-user exemption in derivatives regulation under the Dodd-Frank financial reform bill. Exelon also currently supports, among other things, (1) the formulation of new air regulations that will facilitate the transition to a modern, cleaner generation fleet, and encourage the nation's oldest, dirtiest coal plants to clean up or retire and (2) federal water regulations that use a cost-benefit test and consider site-specific circumstances in determining best technology available for cooling water intake structures.