Constellation Energy Services, Inc.

Officers and Directors

Name	Title	Business Location
Joseph Nigro	Director	(1)
David C. Ellsworth	Director, Chief Operating Officer	(1)
Mark P. Huston	Director, President, Chief Executive Officer	(1)
Bryan Wright	Chief Financial Officer	(1)
Thomas Terry	Vice President Taxes	(2)
Bruce G. Wilson	Secretary	(2)
Stacie M. Frank	Treasurer	(2)
Denis Eischen	Assistant Vice President Taxes	(2)
Robert Kleczynski	Assistant Vice President Taxes	(2)
Alexander Stavrou	Assistant Vice President Taxes	(1)
Nina L. Jezic	Assistant Secretary	(3)
Lawrence Bachman	Assistant Secretary	(2)
Paul R. Bonney	Assistant Secretary	(1)
Scott N. Peters	Assistant Secretary	(2)
Kathleen Abbot	Assistant Treasurer	(2)
Kevin Garrido	Assistant Treasurer	(2)

(1) 100 Constellation Way, Baltimore MD 21202
(2) 10 South Dearborn Street, Chicago IL 60603
(3) 1221 Lamar Street, Suite 750, Houston, TX 77010

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Sec. 180.1006
Wis. Stats.

State of Wisconsin
DEPARTMENT OF FINANCIAL INSTITUTIONS
Division of Corporate & Consumer Services

ARTICLES OF AMENDMENT – STOCK, FOR-PROFIT CORPORATION

A. The present corporate name (prior to any change effected by this amendment) is:

Integrys Energy Services, Inc.

(Enter Corporate Name)

Text of Amendment (*Refer to the existing articles of incorporation and the instructions on the reverse of this form. Determine those items to be changed and set forth the number identifying the paragraph in the articles of incorporation being changed and how the amended paragraph is to read.*)

RESOLVED, THAT the articles of incorporation be amended as follows:

Resolved, that Article 1 of the articles of incorporation be amended to read:

The name of the corporation is:

Constellation Energy Services, Inc.

This name change shall be effective April 1, 2015

STATE OF WISCONSIN
FILED
MAR - 3 2015
DEPARTMENT OF
FINANCIAL INSTITUTIONS

FILING FEE - $40.00 See instructions, suggestions and procedures on following pages.

DFI/CORP/4(R02/14) Use of this form is voluntary.

1348FW

B. Amendment(s) adopted on November 1, 2014

(Indicate the method of adoption by checking (X) the appropriate choice below.)

☐ In accordance with sec. 180.1002, Wis. Stats. (By the Board of Directors)

OR

☒ In accordance with sec. 180.1003, Wis. Stats. (By the Board of Directors and Shareholders)

OR

☐ In accordance with sec. 180.1005, Wis. Stats. (By Incorporators or Board of Directors, before issuance of shares)

C. Executed on 2/25/2015 (Date) _______ (Signature)

Title: ☐ President ☐ Secretary

or other officer title Assistant Secretary

Lawrence Bachman (Printed name)

STATE OF WISCONSIN FILED MAR - 3 2015 DEPARTMENT OF FINANCIAL INSTITUTIONS

This document was drafted by the document was not executed in Wisconsin

(Name the individual who drafted the document)

INSTRUCTIONS (Ref. sec. 180.1006 Wis. Stats. for document content)

Submit one original to Dept. of Financial Institutions, P O Box 7846, Madison WI, 53707-7846, together with a **FILING FEE of $40.00** payable to the department. Filing fee is **non-refundable.** (If sent by Express or Priority U.S. mail, address to 201 W. Washington Ave., Suite 300, Madison WI, 53703). The original must include an original manual signature, per sec. 180.0120(3)(c), Wis. Stats. **NOTICE:** This form may be used to accomplish a filing required or permitted by statute to be made with the department. Information requested may be used for secondary purposes. If you have any questions, please contact the Division of Corporate & Consumer Services at 608-261-7577. Hearing-impaired may call 711 for TTY.

For Office

State of Wisconsin

Department of Financial Institutions

Endorsement

ARTICLES OF AMENDMENT - STOCK, FOR-PROFIT CORPORATION - Ch. 180

INTEGRYS ENERGY SERVICES, INC.

Received Date: 3/2/2015 **Filed Date: 3/3/2015**

Filing Fee: $40.00

Expedited Fee: $25.00 Entity ID#: W035184

Total Fee: $65.00

NAME CHANGE

EFFECTIVE DATE: APRIL 1, 2015

Financial Fitness

Constellation Energy Services, Inc. does not maintain separate public financial statements, so we are providing financial statements of our parent company. As of November 1, 2014, our ultimate parent became Exelon Corporation, but previously it was Integrys Energy Group, Inc.; therefore, we are providing information from both companies.

Integrys Energy Group's most recent annual reports are attached, and can also be found at

http://ir.integrysgroup.com/GenPage.aspx?IID=4057067&GKP=1073745249.

Please find the requested information from the 2013 Annual Report on pages 30-33.

Exelon Corporation's most recent annual reports can be found at

http://www.exeloncorp.com/performance/investors/financialreports.aspx

Attached are the most recent credit reports for Exelon Generation Company, LLC from Moody's and Standard and Poor's.

MOODY'S
INVESTORS SERVICE

Credit Opinion: Exelon Generation Company, LLC

Global Credit Research - 09 Feb 2015

Chicago, Illinois, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa2
Sr Unsec Bank Credit Facility	Baa2
Senior Unsecured	Baa2
Pref. Shelf	(P)Ba1
Commercial Paper	P-2
Parent: Exelon Corporation	
Outlook	Stable
Issuer Rating	Baa2
Sr Unsec Bank Credit Facility	Baa2
Senior Unsecured	Baa2
Subordinate Shelf	(P)Baa3
Pref. Shelf	(P)Ba1
Commercial Paper	P-2

Contacts

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Key Indicators

[1]**Exelon Generation Company, LLC**

	9/30/2014(L)	12/31/2013	12/31/2012	12/31/2011	12/31/2010
(CFO Pre-W/C + Interest) / Interest	8.6x	8.4x	9.5x	15.7x	13.7x
(CFO Pre-W/C) / Net Debt	43.4%	46.9%	41.8%	95.2%	71.5%
RCF / Net Debt	32.7%	46.7%	34.4%	91.1%	50.7%
(CFO Pre-W/C) / Debt	37.4%	40.2%	38.8%	85.7%	65.6%
RCF / Debt	28.2%	40.0%	31.9%	82.0%	46.6%

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Source: Moody's Financial Metrics

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Safe, reliable performance of 19GW nuclear fleet is most critical rating driver

Maintaining a strong balance sheet with robust financial ratios and ample sources of liquidity

Retail marketing business is high risk, and needs constant, proactive corporate governance oversight

Need to recycle capital and slowly diversify asset platform away from nuclear poses longer term risks

Corporate Profile

Exelon Generation Company, LLC (ExGen; Baa2, stable) is one of the largest unregulated utilities in our rated universe, as measured by assets. ExGen owns approximately 32 GW of generating capacity which is well positioned for potential carbon dioxide regulations, including 19 GW of nuclear capacity, 8 GW of natural gas capacity, 2 GW of hydro capacity and 1GW of other, mostly wind and solar renewable capacity. That said, ExGen also has 2 GW of oil-fired capacity, and a small exploration & production business. In addition to unregulated electric power generation, ExGen owns one of the largest national retail energy supply business, serving over 1 million customers with about 150 terawatt-hours (TWH's) of electric load. ExGen is regulated by the Federal Energy Regulatory Commission (FERC) and by the Nuclear Regulatory Commission (NRC). At September 30, 2014, ExGen had total assets of $45.4 billion. ExGen is a wholly-owned subsidiary of Exelon Corporation (Exelon; Baa2, stable).

SUMMARY RATING RATIONALE

ExGen's Baa2 senior unsecured rating reflects its conservative balance sheet, ample sources of liquidity and strong financial profile. Combined, ExGen's financial profile helps mitigate the risks associated with its unregulated power generation business and its volatile, low-margin retail marketing business. ExGen's financial strengths are evident with it roughly 2.0x ratio of debt to EBITDA and 30% ratio of retained cash flow to debt. While these ratios could be indicative of a higher rating, we see a slow and steady deterioration to the financial profile, due to a sustained period of low power prices. We also see a heightened amount of political and regulatory intervention circling ExGen's key markets, although the intervention appears to contain positive credit implications at this time. ExGen's Baa2 rating can withstand a modest decline to its financial profile given its strong asset base, especially its nuclear generation fleet, which remains among the most reliable sources of supply in most wholesale markets. That said, the nuclear fleet is exposed to certain event risks, including regulatory pronouncements from the NRC.

DETAILED RATING CONSIDERATIONS

Safe, reliable performance of 19GW nuclear fleet is most critical rating driver

As the largest owner and operator of nuclear generation in the US, Exelon has a strong competitive position and continues to demonstrate an outstanding record as a nuclear operator. ExGen's large generation fleet brings unique characteristics with respect to reliability, carbon-friendliness, and economic contributions to regional communities. Unlike other sources of electric generation, nuclear reactors generate electricity at capacity factors in the low to mid-90% range for about 18-24 months before they need to be refueled. Compared to wind and solar renewable generation, nuclear reactors tend to concentrate higher MW-capacities on a smaller footprint. For these reasons, we think ExGen's reactors have long term staying power, even when current market conditions makes them appear less economically viable.

That said, the unregulated power sector remains challenged, impacted by a sustained period of low natural gas and power prices; tepid economic growth which affects the demand for electricity; and increasing operating costs, including pension obligations. ExGen's nuclear fleet suffers from high fixed costs, and we see several key markets, such as in Illinois and New York, looking at various forms of market intervention (in the form of changing, revising or amending the existing market structure) which will help some of ExGen's reactors over the near-term.

We think ExGen's nuclear fleet can generate about 151 TWH's of electricity every year, over the next few years, and that the fleet's overall cash operating costs reside somewhere in the low to mid-$30 per MWh range. We see a steady investment in nuclear fuel, around $1.0 billion per year, and increasing regulatory focus on long-term decommissioning liabilities. As a result of these factors, we think ExGen will look to maintain operations for all of its reactors over the long-term horizon, because there is a material concentration and exposure to the reactor fleet.

Maintaining a strong balance sheet with robust financial ratios and ample sources of liquidity

We think ExGen's exposure and concentration to its reactor fleet is directly tied to its conservative financial policies, which produce strong financial profiles. For the latest twelve months ended September 2014, ExGen generated approximately $3.0 billion in cash flow (down from $3.2 billion for the twelve months ended September 2013), invested approximately $2.7 billion (down from $2.9 billion) and made dividend payments of roughly $0.9

billion (up from $0.8 billion).

Prospectively, we think ExGen will produce at least $3.0 billion of cash flow per year, over the next few years. We see ExGen's upstream dividend requirements falling, as Exelon's regulated utilities grow their earnings and in 2015, Baltimore Gas & Electric Company (BGE: A3 stable) can start making upstream dividend payments again. We also think ExGen's capital expenditures should decline, from roughly $3.3 billion in 2015 to almost $3.0 billion in 2016 to slightly over $2.0 billion in 2017. This means ExGen will be rapidly moving into a robust positive free cash flow position, a material credit positive.

These cash flows support approximately $10 billion in debt as of September 30, 2014, which includes about $800 million in under-funded pensions and roughly $400 million of operating lease adjustments. We think debt is rising for ExGen, partly due to the fall in discount rates, which should increase its underfunding pension balance. Accounting changes, with respect to purchased power agreements or other contractual arrangements, could also increase debt balances, and negatively impact ExGen's financial ratios. For now, we continue to incorporate a view that ExGen's financial policies are aimed at maintaining a strong balance sheet, where debt to book capitalization stays near the low to mid-30% range and the ratios of debt to revenue remains well below 1.0x and debt to EBITDA remains near 2.0x.

Retail marketing business is high risk, and needs constant, proactive corporate governance oversight

As an unregulated wholesale energy company whose gross margin can be materially impacted by changes in commodity prices, ExGen's commercial strategies remain an important rating factor. To that end, ExGen continues to manage its ratable hedging program over a 36 month cycle with targets of 90% or more of expected generation hedged in the first year, 70-90% in the second year, and less than 50% in the third year.

ExGen continues to view its retail marketing operations as a core business associated with its unregulated generation assets. Along these lines, in November 2014, ExGen acquired Integrys Energy Group, Inc's (A3 stable) retail marketing business, Integrys Energy Services, Inc. (unrated) for $60 million plus adjusted net working capital at the time of closing of $265 million. Integrys' retail energy business served approximately 1.2 million commercial, industrial, public sector and residential customers in 22 US states and Washington, DC. Prior to the acquisition, Exelon's retail energy business provides energy products and services to approximately 100,000 businesses and public sector customers and about 1 million residential customers in the US.

Because many other companies in the market are unhappy with the margins available in retail marketing, and do not see retail marketing as a core business, the sector will continue to see consolidation. These dynamics are a credit positive for Exelon, because we think its retail business has the scale, scope and capital backing to operate through a prolonged market trough. Still, we see retail as a high risk business.

Need to recycle capital and slowly diversify asset platform away from nuclear poses longer term risks

ExGen continues to look for ways to recycle its capital and slowly diversify its asset platform away from its nuclear fleet. Although ExGen's capital expenditures are projected to fall towards the $2.2 billion range in 2017, from $3.3 billion in 2015, these investments exclude potential growth opportunities, which are likely to arise given the challenges facing the unregulated power sector. We see ExGen as well positioned to take advantage of those opportunities, should they arise, because it has a strong balance sheet and a strategic asset platform. ExGen divested several non-core assets in 2014, in part to help its parent generate proceeds to finance the acquisition of a regulated utility holding company, PHI. In addition, ExGen has raised over $3.0 billion in asset or project financings, which helps it recycle capital at attractive rates. We think these activities will continue in 2015 and 2016.

Liquidity

Overall, we believe ExGen's liquidity profile is adequate. As of September 30, 2014, ExGen's principal liquidity arrangements included $1.3 billion in cash and $5.3 in syndicated revolvers. In May 2014, these facilities along with the credit facilities of two of Exelon's regulated subsidiaries were extended to May 2019. As of September 30, 2014 ExGen had no commercial paper outstanding, but had $557 million of letters of credit outstanding, leaving about $4.7 billion available at the syndicated revolving facility.

The core syndicated credit facilities are primarily used to provide liquidity support and for the issuance of letters of credit. While the credit agreements do not contain any rating triggers that would affect borrowing access to the commitments and do not require material adverse change (MAC) representation for borrowings or the issuance of LOCs, there is a financial covenant for each entity, all of which were compliant.

We see cash flow from operations remaining above $3.0 billion and a decline in capital expenditures beginning in 2016 as mentioned above. Exgen's financial metrics will remain stable with slight improvements particularly in the retained cash flow to debt metric as Baltimore Gas and Electric begins to make upstream contributions to Exelon Corp. ExGen's next scheduled debt maturity is a $700 million 6.2% senior unsecured note due in October 2017.

Structural Considerations

Over the past few years, when evaluating ExGen's credit profile, we included the holding company debt of its parent, Exelon, into our analysis. Prospectively, this practice will become less important because Exelon expects to retire its approximately $800 million of its holding company debt and refinancing $550 million directly at ExGen. Along these lines, on 8 January, ExGen raised $750 million in 2.95% senior unsecured notes that refinanced $550 million of 4.55% senior unsecured notes at its parent, Exelon. That said, Exelon will be materially increasing its tolerance for holding company debt with its acquisition of Pepco Holdings, Inc. (PHI: Baa3 stable), which we think will close in the 3Q of 2015. Although Exelon will raise a material amount of new holding company debt associated with the PHI acquisition, we are less likely to apply that debt directly to ExGen.

Rating Outlook

ExGen's stable rating outlook reflects the strong financial profile of the company, where the ratio of cash flow to debt will remain above 30% over the next few years. The stable outlook also reflects the challenges that ExGen's large, unregulated generation fleet faces with a sustained period of low natural gas prices that translate into low power prices. We still see structural uplift in ExGen's markets and with respect to its generation fleet, especially its nuclear fleet. The stable outlook incorporates a view that ExGen will be successful in attaining some form of market intervention which helps its nuclear reactors remain on-line for an extended period of time. The stable outlook also reflects the continued application of a conservative set of sophisticated hedging strategies, which are fundamentally designed to insulate the company's financial profile from severe swings in natural gas and power-related commodity prices.

What Could Change the Rating - Up

ExGen's ratings could be upgraded to the Baa1 level if the company reduced its overall risk profile. This could include revising its business mix and reducing its exposure to higher risk businesses, where revenue transparency is low and cash flow volatility is high. Ratings could also be upgraded by improving the financial profile, where the ratio of cash flow to debt rose to above the 40% range for a sustained period of time or begins to produce a steady stream of positive free cash flow.

What Could Change the Rating - Down

Today, ExGen's rating is strongly-positioned in the mid-Baa rating category because its hedging strategy enhances the reliability of its near-term cash flows, which are strong at the 30% range. However, ratings could be downgraded if weaker than expected financials surfaced, where the ratio of cash flow to debt fell into mid to high 20% range for a sustained period of time, or if there was a material change to corporate finance policies, especially with respect to the dividend and capital expenditures, which indicated a steady rise in leverage or decline in the ratio of retained cash flow to debt into the mid-teen's range.

Other Considerations

Moody's evaluates ExGen's financial performance relative to the Unregulated Utility and Power Company methodology and, as depicted below, ExGen's indicated rating under the grid based on historical results and based on projected (next 12-18 months) is A3.

Rating Factors

Exelon Generation Company, LLC

Unregulated Utilities and Unregulated Power Companies Industry Grid [1][2]	**Current LTM 9/30/2014**		[3]**Moody's 12-18 Month Forward ViewAs of 2/2/2015**	
Factor 1 : Scale (10%)	**Measure**	**Score**	**Measure**	**Score**
a) Scale (USD Billion)	A	A	A	A
Factor 2 : Business Profile (40%)				

a) Market Diversification	Baa	Baa	Baa	Baa
b) Hedging and Integration Impact on Cash Flow Predictability	Baa	Baa	Baa	Baa
c) Market Framework & Positioning	Baa	Baa	Baa	Baa
d) Capital Requirements and Operational Performance	Baa	Baa	Baa	Baa
e) Business Mix Impact on Cash Flow Predictability		NA	Baa	Baa
Factor 3 : Financial Policy (10%)				
a) Financial Policy	A	A	A	A
Factor 4 : Leverage and Coverage (40%)				
a) (CFO Pre-W/C + Interest) / Interest (3 Year Avg)	9.3x	A	8.3x	A
b) (CFO Pre-W/C) / Net Debt (3 Year Avg)		NA	43.9%	A
c) RCF / Net Debt (3 Year Avg)		NA	32.7%	A
b) (CFO Pre-W/C) / Debt (3 Year Avg)	38.4%	A	41.7%	A
c) RCF / Debt (3 Year Avg)	32.9%	A	31.1%	A
Rating:				
a) Indicated Rating from Grid		A3		A3
b) Actual Rating Assigned		Baa2		Baa2

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 9/30/2014(L); Source: Moody's Financial Metrics [3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on http://www.moodys.com for the most updated credit rating action information and rating history.

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Summary:

Exelon Generation Co. LLC

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Table Of Contents

Summary:

Exelon Generation Co. LLC

***(Editor's Note:** This summary analysis, originally published Sept. 22, 2014, is being republished to correct an error in our published assumptions.)*

Business Risk: SATISFACTORY

Vulnerable — Excellent

Financial Risk: INTERMEDIATE

Highly leveraged — Minimal

Anchor	Modifiers	Group/Gov't
bbb	bbb	bbb

CORPORATE CREDIT RATING

BBB/Stable/A-2

Rationale

Business Risk: Satisfactory	Financial Risk: Intermediate
• Low-cost base-load generation with a strong operating track record • Large production volumes from the Marcellus and Utica shale gas regions and changing prices at the TETCO pricing hub that carry significant downside potential for a generation portfolio that is largely nuclear (83% of total generation) • A mild summer, declining market heat rates and gas basis differentials that have weakened the economics of the company's generation plants despite an improving power outlook through the first half 2014 • Capacity prices that have languished because of lackluster electric demand, growing energy efficiency, and increased penetration of demand response initiatives	• Persistence of a backward-dated EBITDA profile, although the curve is not as steep • A significantly hedged cash flow profile through 2015, and increasingly into 2016 as hedges are regularly added • A strong liquidity position

Outlook: Stable

The outlook on the ratings is stable. However, Standard & Poor's Ratings Services believes that higher natural gas production from the shale regions and the protracted implementation of environmental rules related to coal plant retirements can significantly weaken the company's financial performance. Should the commodity pricing environment weaken even more, the company might have to address a decline in its operating earnings profile with a commensurate reduction in capital spending and debt. If the proposed merger between parent Exelon Corp. and PEPCO Holdings Inc. (PHI) closes, we expect the pro forma consolidated company to maintain adjusted funds from operations (FFO) to debt in a band of about 21% to 23% and debt to EBITDA of about 3.4x to 3.5x. On a stand-alone basis, we expect Exelon and Exelon Generation Co. LLC to maintain consolidated FFO to debt of at least 23% and 27%, respectively, which are the minimum levels to maintain current ratings.

Downside scenario

We could lower ExGen's ratings in the absence of the PHI acquisition if Exelon's adjusted consolidated FFO to debt declined below 22%. This could happen if ExGen faced increasing competition in its markets in Pennsylvania and Illinois, which would threaten customer retention in its retail business. Gross margins could also come under pressure if power prices decline further because of declining natural gas prices or lower market heat rates caused by a secular drop in demand related to increasing energy efficiency.

Negative ratings momentum post-acquisition could occur due to a decline in commodity prices that would affect ExGen's cash flows, as well as from a prolonged regulatory approval process that eventually resulted in substantially higher rebates and concessions that were required to consummate the deal. We could lower the company's ratings post-acquisition if the adjusted consolidated FFO to debt ratios declined below 18% to 19%.

We could lower the stand-alone credit profile of ExGen if the company's adjusted FFO to debt were consistently below 23% to 25%. A change in ExGen's stand-alone credit profile (SACP) might not result in an immediate change in its issuer ratings if Exelon's utility businesses were able to shore up the group credit profile. However, given that ExGen still accounts for about 60% of consolidated cash flow, a lower SACP would weigh negatively on the entire group profile.

Upside scenario

An upgrade absent the acquisition, which we do not consider likely, could occur if natural gas prices stabilized and power prices responded favorably to coal plant retirements, resulting in consolidated FFO to debt levels of more than 28% on a sustained basis. This would reflect a stand-alone FFO to debt level at ExGen of more than 35%. Such a scenario could stem from an improved economy and higher electricity prices, as well as from a robust increase in the rate base of Exelon's regulated utility subsidiaries. We could consider an upgrade if the company, post-acquisition, reported adjusted consolidated FFO to debt levels stronger than about 24% and debt to EBITDA below about 3.5x. We think this is unlikely before 2016.

Standard & Poor's Base-Case Scenario

Assumptions

- All regulatory approvals for the merger are received by June 2015.
- $1 billion (net of taxes) of gross proceeds from asset sales are used to fund the acquisition.
- Mandatory converts are given 100% equity credit per our criteria.
- Merger synergies build up to a gross run rate of about $135 million annually by 2018 (net $250 million over the initial five years), plus rebates/concessions of about $100 million for ratepayers.
- PHI is ring-fenced in a manner that meets our criteria. This is important to our consideration of any ratings separation between PHI and Exelon.

Assumptions for Exelon's current stand-alone operations include the following:

- Henry Hub gas prices are between $4.15 per megawatt-hour (MWh) and $4.25 per MWh through 2016; PJM West hub power prices range between $35 and $37 per MWh in 2016; and Northern Illinois hub hover between $30 per MWh in 2014 and $31 per MWh by 2016.
- Nuclear capacity factors perform consistently between 93.3% and 93.7% through 2017 (each 1% fleet decline results in a $45 million hit to EBITDA).
- Growth rates at the utilities are consistent with management's assumptions.
- Pensions/other post-employment benefits (OPEB) are based on a Dec. 31, 2013, actuarial valuation by Towers (a third-party firm).

Key Metrics

	2013E	2014E	2015E
FFO/debt (%)	35	32-35	30
Debt/EBITDA (x)	4.0	3.5	3.2-3.5

E--Estimate. FFO--Funds from operations.

Business Risk: Satisfactory

Standard & Poor's rating on ExGen reflects the consolidated creditworthiness of its diversified energy parent Exelon, whose business risk profile we view as "strong." A significant contribution to this consolidated assessment is the business risk profile of ExGen, which we view as "satisfactory." As of June 30, 2014, ExGen had about $7.56 billion of on-balance-sheet debt, including nonrecourse debt. We also impute about $900 million of debt relating to pensions and other postemployment benefits (OPEB), $300 million relating to leases, and about $1.4 billion for debt associated with power purchase agreements. Exelon (excluding Baltimore Gas & Electric Co. [BGE]) had about $18.7 billion of on-balance-sheet debt, including nonrecourse debt. We also impute as much as $4 billion (excluding BGE imputed debt), which consists mostly of about $2.1 billion related to pensions and OPEB, about $460 million for operating leases, and about $1.4 billion for power purchase agreements. This is offset by about $1.6 billions of off-balance-sheet credit for nonrecourse project financing.

We expect ExGen's unregulated operations to constitute about 60% of the consolidated enterprise in terms of cash flow and capital spending in 2014. ExGen generates a significant portion of earnings from its retail operations. Through retail and wholesale channels, ExGen now provides about 150 to 165 terawatt-hours, or about 4.75% to 5% of total U.S. power demand. The company's generation units are well positioned to grow where capacity available for competitive supply has room to grow. We expect these incremental revenue streams to make the consolidated Exelon somewhat more resilient to commodity prices. Exelon's 2012 combination with Constellation Energy Group Inc. provides regional diversification of generating capacity and a better balance between generation and load positions across multiple regions. In most locations, ExGen has adequate intermediate and peaking capacity for managing load-shaping (matching resources with energy needs) risks. However, we believe the company still needs to buy and sell generation in the market to manage its portfolio needs, which exposes it to commodity risk. Moreover, ExGen has a significant open position in the Midwest to merchant markets, and a somewhat tight position in Texas and New England, where it has some risk of finding itself short when loads are high, in our opinion.

ExGen's cash flow is sensitive to commodity prices because almost 82% of the business's generation is nuclear, all of which is affected by low natural gas prices. Given that base-load generation is price-taking by nature, we expect ExGen's adjusted FFO to debt to remain volatile relative to peers. For instance, all else being equal, we estimate gross margins in 2016 will be lower by about $500 million for every $5 per MWh (round-the-clock) decline in power prices, about $370 million for every $1 per million cubic feet (Mcf) decline in natural gas prices, and about $100 million for every $1 per MWh decline in retail margins.

We view ExGen's ratable hedging strategy favorably because it ensures that a high percentage of the company's near-term generation remains locked in. Hedging not only protects unregulated generation cash flows from steep price declines, but also provides the company time to adjust its cost structure or its capital structure if prices remain depressed. For instance, as forward prices rose in the first half of 2014, Exelon hedged aggressively and reduced its commodity exposure by moving its hedging from the lower end to the higher end of its ratable hedging targets for 2015 and 2016.

However, hedging activities insulate, but do not isolate, power merchants from commodity price effects. Current hedges show the significant value of Exelon's hedging program. Even though these hedges insulate ExGen, they also, perversely, show the sensitivity of ExGen's margins to the prospect of a continued shale gas production onslaught. The decline in mark-to-market value through 2014 demonstrates the limit to which Exelon can hedge-- price-taking plants can hedge, but only at the prices the market will bear. Also, the merchant generation margins at ExGen will face a decline as high-priced hedges expire, which is evident in the drop in wholesale hedged gross margins. Still, forward prices do show a contango (i.e., future prices are above expected future spot prices) as reflected in the increase in

ExGen's open EBITDA from higher natural gas forward prices compared with year-end 2013. In addition, although retail competition has increased, and ExGen has lowered its growth estimates, we believe retail contributions can mitigate the wholesale decline, given the potential for cost savings, volumes gained from the Constellation merger, and acquisitions.

Excluding the PHI merger, ExGen's contribution to Exelon's cash flow declines to about 60% under our projected base case because of the decline in unregulated cash flow when commodity prices fall. However, despite lower power prices, we view the business risk profile of Exelon as strong. We expect financial measures to remain flat or to decline through 2015. However, the corporate credit ratings reflect our expectation that 2014 and 2015 will be the trough years. Based on the present forward price curve, cash flow measures are adequate for the rated level in these years, especially after parent Exelon announced significantly reduced dividend payouts and ExGen deferred or eliminated some planned capital spending. Still, despite the improvement in free operating cash flow, as a result of the decline in future gross margins we view Exelon's cash flow adequacy ratio as having "significant" financial risk.

We view Exelon's management strategy as an important determinant of the company's current "strong" assessment. In recent years, Exelon has implemented a strategy of internal growth through reinvesting in existing businesses and investing in new technologies. There is also a bias toward longer-term contracted businesses. Management's business strategy appears to be three-pronged: cost and productivity enhancements that include strategies like divestments and asset retirements; enlarging alternative energy investments through renewables development projects (mostly wind and solar); and over the next few or several years investing in new technologies such as the smart grid. While the utilities primarily focus on growing rate base and earning a reasonable return, they are also playing a role in competitive markets by investing extensively in transmission-related infrastructure. Given uncertain unregulated markets, management's focus has shifted into growing the regulated businesses. In June 2013, Exelon cancelled the LaSalle and Limerick nuclear extended power uprates and instead shifted capital into growth and maintenance capital at the utilities. In November 2013, the company announced plans to invest $15 billion in the regulated platform over five years. These investments now constitute about 55% of the overall capital in the five-year plan.

Financial Risk: Intermediate

Because of the decline in commodity prices, we expect ExGen's FFO to debt ratio to hover around 35% in 2014. Although ExGen's cash flows are relatively more volatile compared with peers because of the larger base-load generation, the low variable cost (and highly depreciated nature) of its nuclear plants means that natural gas prices must decline and stay below $2.75 per Mcf before its FFO to debt falls below 20%, a level well below the current price of about $4.00.

Exelon's dividend payout is now in line with peers (about 55% to 60%). However, capital spending requirements remain significant between 2014 and 2016 at about $9 billion for the regulated companies and about $6.8 billion for ExGen. Although utility capital spending tends to be funded in rate base, unregulated generation will have to fund its own capital requirements and recover them through market prices. Importantly, because of announced cuts, consolidated cash flow from operations will largely cover capital spending and dividends, resulting in modest external financing needs. Still, incrementally lower gas prices would hurt ExGen's debt protection measures more than the new debt financing levels, or operating and maintenance cost increases, in ExGen's forecast through 2015.

On a stand-alone basis, under our consolidated base case (we assume lower gas prices and market heat rates that result in power prices roughly 10% lower than the current forward contracts), we expect Exelon's FFO to total debt to hover around 27% to 29% through 2015. At ExGen, we expect free operating cash flow to debt to remain positive even in 2014 and 2015 when we expect financial measures to trough. Importantly, we expect to see negative discretionary cash flow (i.e., net of dividends) improve meaningfully. The FFO to total debt ratiois consistent with Standard & Poor's 'BBB' rating guideposts for a financial risk profile we assess as "significant," especially since a meaningful amount of capital spending is discretionary (ExGen has lowered capital spending estimates in 2014 by more than $2.3 billion since its July 2012 estimates).

If the PHI acquisition is successful, under our base case we expect the consolidated ratio of adjusted FFO to total debt to fall to about 21% in 2015, then improve to about 24% by 2016. Importantly, we expect free operating cash flow to debt to remain mostly positive throughout 2015-2017, although discretionary cash flow becomes meaningfully negative in 2015. Debt to EBITDA increases to 3.6x in 2015. These ratios are appropriate for Standard & Poor's 'BBB' guideposts for a "significant" financial risk profile on the medial volatility table. Nevertheless, we believe there are risks that cash flow may eventually end up less than expected because merger synergies and /or savings take longer to accrue, power prices trend lower than expected due to higher natural gas production from shale plays, or because there is a delay in retiring coal plant.

Also, because we give credit for nuclear fuel amortization in adjusted FFO, we expect subsidiary ExGen to remain operating cash flow positive (i.e., after capital spending that include nuclear fuel costs). Through the forecast period, ExGen remains cash flow positive after accounting for capital spending.

Moreover, on a stand-alone basis, the utilities' dividends can fund a significant portion of the external dividend (we estimate that utility dividends provide between 80% and 90% of external dividend in 2015-2017). Post-acquisition, assuming Exelon's utility target of 70% payout ratios, the utility contributions would be able to cover the entire external dividend. However, we expect ExGen to continue to contribute to the external dividend, though less than the majority as it did before the dividend cut.

Liquidity: Strong

The short-term rating on Exelon and affiliates is 'A-2'. Standard & Poor's views liquidity across the Exelon group of companies as "strong" in light of the debt maturity schedule and available credit facilities. We estimate that sources of cash will exceed the companies' uses by at least 1.5x during the next 12 months. We expect sources minus uses for Exelon and ExGen to remain positive even if EBITDA declines by 30%. Exelon has sufficient alternative liquidity sources to cover current liquidity needs, including ongoing capital requirements, moderate capital spending, and upcoming debt maturities. Ironically, declining power prices are favorable from a liquidity perspective because cash is being posted to ExGen on its forward hedges.

The next large maturity is in 2015 for Exelon ($800 million). In addition, because of Exelon's solid relationships with banks and high conversion of FFO to discretionary cash flow, we believe the company can absorb low-probability, high-impact shocks.

As of June 30, 2014, Exelon, ExGen, ComEd, PECO, and BGE had revolving credit facilities of $500 million, $5.3 billion, $1 billion, $600 million, and $600 million, respectively. These facilities expire in August 2018 (ComEd's expires in March 2019). ExGen has an additional $500 million in bilateral lines that mature in Oct. 2014 and January 2015. The facilities were largely available as of June 30, 2014, except for $498 million and $70 million of commercial paper outstanding at ComEd and BGE, respectively. ExGen's 2014 maturities were repaid earlier in the year.

Exelon has a $7.2 billion bridge facility to provide flexibility for the timing of permanent financing related to the PHI acquisition. There are no change-of-control provisions in PHI's or its subsidiaries' public debt. We have assumed that change-of-control provisions in the bank facilities of PHI are resolved without issues by closing (either through waivers or refinancing). Eventually, management expects to be able to reduce or resize PHI's liquidity and support the company through Exelon's facility.

Principal Liquidity Sources	Principal Liquidity Uses
• Consolidated 2014 FFO of $5.75 billion to $6 billion • Available revolving credit facilities of about $6.3 billion • $7.2 billion acquisition bridge loan that will be replaced by permanent financing	• $6.9 billion of cash payment for acquiring all of PHI's shares • Working capital • Dividend payments of about $1 billion annually • Capital spending and maintenance and environmental costs of $5 billion to $5.5 billion annually through 2015

Ratings Score Snapshot

Corporate Credit Rating

BBB/Stable/A-2

Business risk: Satisfactory

- **Country risk:** Very low
- **Industry risk:** Moderately high
- **Competitive position:** Satisfactory

Financial risk: Intermediate

- **Cash flow/Leverage:** Intermediate

Anchor: bbb

Modifiers

- **Diversification/Portfolio effect:** Neutral
- **Capital structure:** Neutral

- **Financial policy:** Neutral
- **Liquidity:** Strong
- **Management and governance:** Strong
- **Comparable rating analysis:** Neutral

Stand-alone credit profile : bbb

- **Group credit profile:** bbb
- **Entity status within group:** Core

Related Criteria And Research

Related Criteria

- Methodology and Assumptions: Liquidity Descriptors For Global Corporate Issuers, Jan 2, 2014.
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Group Rating Methodology, Nov. 19, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Criteria – Corporates: Key Credit Factors For The Unregulated Power and Gas Industry, March 28, 2014

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	**Intermediate**	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	**bbb/bbb-**	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Exelon Retail Energy Entities
Post April 1st 2015 Name Changes