Constellation.

July 19, 2017

Pennsylvania Public Utility Commission
Attn: Rosemary Chiavetta, Secretary
Commonwealth Keystone Building
2nd Floor, Room-N201
400 North Street
Harrisburg, PA 17120

RE: Petition of Constellation NewEnergy, Inc. to Renew its' Request to Modify its Security Requirement
Docket Number A-110036

Dear Ms. Chiavetta:

Enclosed for filing with the Pennsylvania Public Utilities Commission ("Commission") is the Petition of Constellation NewEnergy, Inc. ("CNE") to Renew its Request to Modify its Security Requirement ("Petition") in Docket No. A-110036. The Petition is filed in accordance with the Commission's final order entered on July 24, 2014 in Docket No. M-2013-2393141. Enclosed is the requested filing fee associated with the Petition for $350.

We kindly request Appendix A to remain confidential as CNE considers our revenue and volume information highly proprietary. Our revenue and volume information by state is not published; thus, the disclosure of such to competitors, or potential competitors, would be detrimental to CNE. Therefore, we have filed one confidential and one redacted copy of Appendix A.

Please do not hesitate to contact me with any questions regarding this information. My telephone number is 312-681-1855 and email address is amy.klaviter@constellation.com.

Sincerely,

Amy Klaviter

Amy Klaviter
Analyst, Legal Compliance
On behalf of Constellation NewEnergy, Inc.

Enclosures

RECEIVED
JUL 19 2017
PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Constellation NewEnergy, Inc. To Renew its Request to Modify its Security Requirement	: : :	Docket No. A-110036

PETITION OF CONSTELLATION NEWENERGY, INC.
TO RENEW ITS REQUEST TO MODIFY ITS SECURITY REQUIREMENT

COMES NOW, Constellation NewEnergy, Inc. ("CNE"), by and through its undersigned employee, files the instant Petition to Renew its Request to Modify its Security Requirement and, in support therefore, avers as follows:

1. CNE is a licensed electric generation supplier ("EGS") in the Commonwealth of Pennsylvania.

2. CNE has been a licensed EGS for more than two years. CNE, originally NEV East, LLC, was licensed in 1999 in Docket No. A-110036 and has maintained its license in good standing since that time.

3. CNE is compliant with its current bonding requirements.

4. By Final Order entered July 24, 2014, the Pennsylvania Public Utilities Commission ("Commission") held that an EGS, following its first year of operations, may petition to have its bonding requirement reduced from 10% to 5% of the EGS's last 12 months of revenue or $250,000, whichever is greater. *Public Utility Commission Bonding/Security Requirements for Electric Generation Suppliers: Acceptable Security Instruments,* Docket No. M-2013-2393141 (Order entered July 24, 2014) ("Bond Reduction Order").

5. By Secretarial Letter issued April 8, 2016, the Commission stated that annual documentation of an EGS' eligibility for a bond reduction must be provided at least ninety days prior to the current security's expiration date.

6. CNE has a parental guarantee in place that has no expiration date. Since the Secretarial letter was issued on November 1, 2016, Stephen Jakab suggested we file 90

days prior to November 1, 2017. This filing is submitted 90 days prior to November 1, 2017 .

7. Though this Petition, CNE seeks to continue its' reduced bonding requirement of 5% of its last 12 months of revenue.

8. As required by the Secretarial Letter, CNE's gross revenue, prepaid gross receipts taxes, AEPS compliance data, and Department of Revenue documents are provided in Appendix A (CONFIDENTIAL), which is attached hereto and incorporated by reference.

9. CNE proposes to utilize a parental guarantee from Exelon Generating Company, LLC. Appendix B includes the current long-term bond ratings from two approved rating agencies, an organization chart, location of SEC filings and a letter from the Chief Financial Officer.

10. As directed by the Bond Reduction Order, CNE anticipates working with the Commission's Bureau of Technical Utilities Services ("TUS") to process this Petition and welcomes TUS' input and guidance for this reduction.

11. After coordination with TUS and upon approval of the reduction and other changes, if any, CNE will make a compliance filing with the new guarantee reflecting the reduced amount.

WHEREFORE, Constellation NewEnergy, Inc. respectfully requests that this Honorable Commission, in accord with the Bond Reduction Order in Docket No. M-2013-2393141, grant the instant Petition and approve the continuation of the reduction to the bonding requirements of Constellation NewEnergy, Inc.

Respectfully submitted

Amy Klaviter
Analyst, Legal Compliance
Constellation NewEnergy, Inc.
20 N. Wacker Drive, Suite 2100
Chicago, IL 60606
Telephone: 312-681-1855
E-mail: amy.klaviter@constellation.com

Dated: July 19, 2017

Klaviter, Amy:(BSC)

From: Customer Service <customerservice@pennaeps.com>
Sent: Monday, June 26, 2017 2:19 PM
To: Klaviter, Amy:(BSC)
Subject: Re: email stating AEPS compliance
Attachments: Exelon Generation Co., LLC(Constellation Energy Srv.-WPSES).pdf

Hi Amy,

I am attaching the compliance letter from the 2016 energy year. The 2017 energy year closed on May 31st and EGS/EDC have until June 30th to make their Q4 entries. Obligation letters will be sent on July 15th and you will have until August 31st to settle your obligations. On September 1st, we will issue 2017 energy year compliance complete letters. We aren't able to issue 2017 RY letters until this date. If you need additional information, please feel free to contact us.

Best,
Lisa

Pennsylvania AEPS Administrator
Email | PennAEPS website
[illegible]

On Mon, Jun 26, 2017 at 2:13 PM, Klaviter, Amy:(BSC) <Amy.Klaviter@constellation.com> wrote:

Hello,

Constellation NewEnergy, Inc. will be filing its' renewal petition with the Pennsylvania Public Utility Commission (PA PUC) to reduce its' security level. The PA PUC requests us to file an email from the AEPS coordinating stating compliance in the petition. Can you please provide an email stating Constellation NewEnergy, Inc.'s compliance?

Thank you,

Amy

Amy Klaviter

Analyst, Legal Compliance

PENNSYLVANIA ALTERNATIVE ENERGY CREDIT PROGRAM

Via Email to *Exelon Generation Co., LLC (NEV)*
laura.duklewski@constellation.com

3 May 2017

Dear Pennsylvania Electric Supplier:

This letter is to inform you that **Exelon Generation Co., LLC (NEV)** has met both the initial and adjusted non-solar Tier I AEC retirement requirements for energy year 2016, as well as the solar Tier I and Tier II requirements.

If you have any questions regarding this letter please contact InClime, the Pennsylvania AEPS Administrator, at customerservice@pennaeps.com or by phone at 877-333-0573.

Best,

Pennsylvania AEPS Administration Team

Bureau of Compliance
P O Box 280946
Harrisburg, PA 17128-0946
www revenue pa gov

pennsylvania
DEPARTMENT OF REVENUE

Thursday, June 15, 2017

David Ellsworth,

Attention: Amy Klaviter

20 N. Wacker Drive

Suite 2100

Chicago, IL 60606

312 681 1855

Fax: 312 681 1855

RE: Constellation NewEnergy Inc

10 S Dearborn St Fl 51

Chicago, IL 60603

Federal EIN:	
Social Security Number:	N/A
Business Partner Number:	1000193090

Dear Requester,

I am writing to confirm that the above-referenced tax accounts of Constellation NewEnergy Inc are current. All returns have been filed with payment as of Thursday, June 15, 2017. This confirmation is not intended to represent a "Bulk Sale Clearance" under the provision of section 1403 of the fiscal code. This letter does confirm that the account above is in good standing.

Sincerely,

PA Department of Revenue,
Bureau of Compliance,
Business License Clearance Division

Hearing Impaired and/or Speaking Needs
Call TT# 800-447-3020

A-110036

Appendix A

Constellation NewEnergy, Inc.

Gross Revenue for Most Recent 12 Months

June-16
July-16
August-16
September-16
October-16
November-16
December-16
January-17
February-17
March-17
April-17
May-17

$ [redacted]

Prepaid Gross Receipts Taxes for Calendar Year 2017

$[redacted]

AEPS compliance data for Reporting Year 2016 (June 1, 2016 through May 31, 2017)

[redacted] MWh

Appendix B

Constellation NewEnergy, Inc.

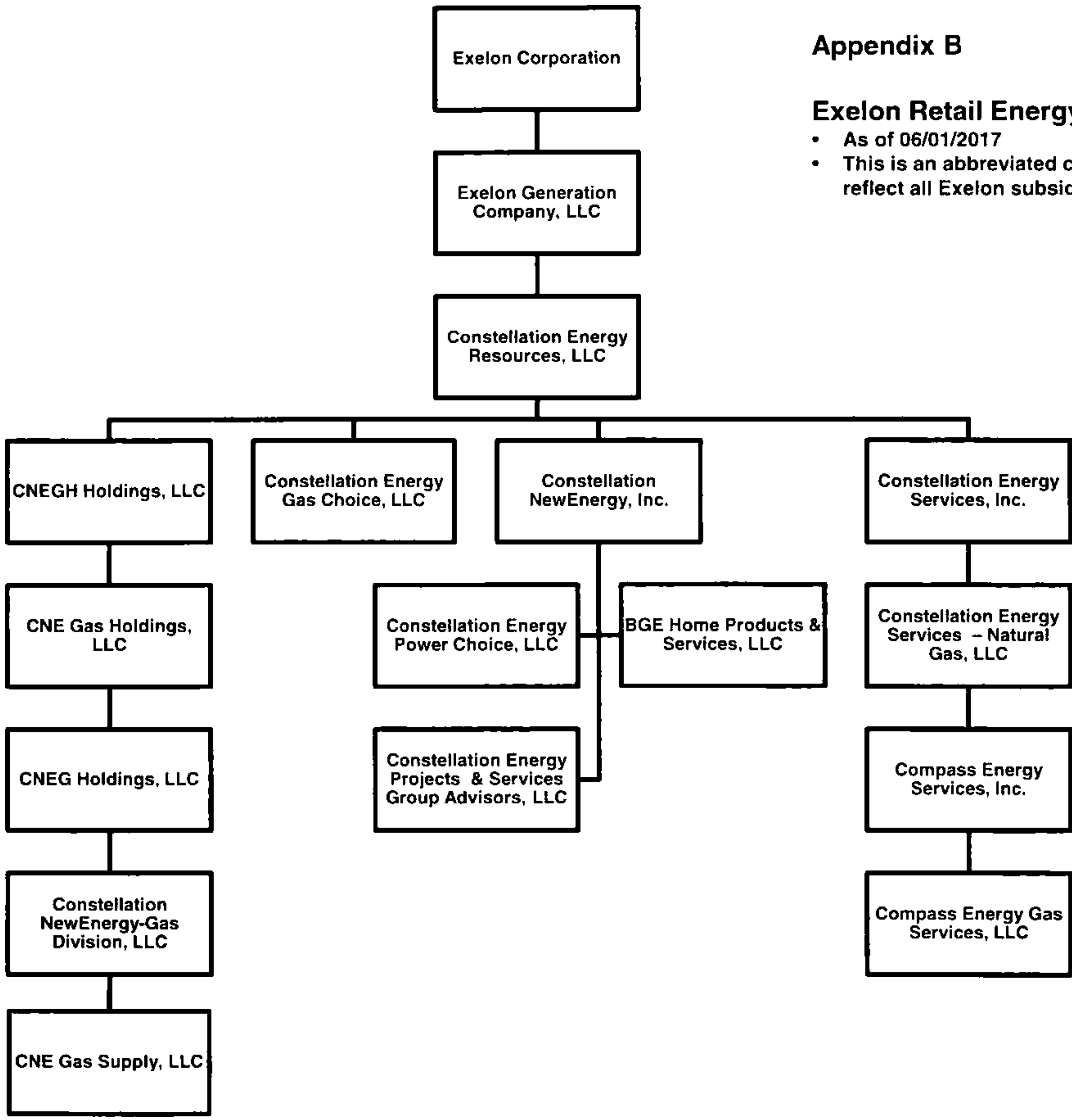
Exelon Corporation ("Exelon") is the ultimate parent company of Constellation Energy Power Choice, LLC. Exelon's SEC published audited financial statements can be found at the following link:
http://www.exeloncorp.com/investor-relations/reports-and-sec-filings

The audited financial statements can also be viewed on the SEC website at the following link:
http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0001109357&owner=exclude&count=40&hidefilings=0

Appendix B

Exelon Retail Energy Entities

- As of 06/01/2017
- This is an abbreviated chart and does not reflect all Exelon subsidiaries.



MOODY'S INVESTORS SERVICE

CREDIT OPINION
7 March 2017

Update

Rate this Research

Exelon Generation Company, LLC

Unregulated merchant power company subsidiary of Exelon

Summary Rating Rationale

Exelon Generation Company, LLC's (ExGen's, Baa2 stable) ratings reflect the favorable cash cost position of its nuclear fleet in a volatile, commodity-driven merchant power generation business. ExGen's ratio of cash flow to debt was weak in 2015 and 2016 but we see improvement in 2017 and 2018 due to a combination of cost reductions and an increase in nuclear generation subsidies. Further improvement could occur in 2019 and 2020 with the company's plan to reduce $3 billion of debt by 2020, the majority of which will occur in 2020.

ExGen's parent, Exelon Corporation (Exelon, Baa2 stable), views ExGen as an integral part of its business and has repeatedly declared its commitment to support and maintain ExGen's investment grade rating. However, ExGen's ratings reflect its stand-alone credit profile with no uplift related to parent support. In addition, Exelon will continue to rely on ExGen for upstream dividend payments over the next few years to meet its holding company interest expense and shareholder dividend requirements.

RATINGS

Exelon Generation Company, LLC

Domicile	Chicago, Illinois, United States
Long Term Rating	Baa2
Type	LT Issuer Rating
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Exhibit 1
Historical trend of CFO pre-WC to Debt and (CFO pre-WC - Nuclear Fuel) to Debt

Source: Moody's Investors Service

Contacts

Toby Shea 212-553-1779
VP-Sr Credit Officer
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Peter Giannuzzi 212-553-2917
Associate Analyst
peter.giannuzzi@moodys.com

Jim Hempstead 212-553-4318
MD-Utilities
james.hempstead@moodys.com

Credit Strengths

» Competitive cost of generation in favorable locations

» Improving cash flow outlook with cost cuts and nuclear subsidy

» Falling debt balance projected to occur in 2019 and 2020

Credit Challenges

» Deteriorating market conditions due to competition from natural gas generation

» Weakening cash flow leverage in 2015 and 2016

» Heavily concentrated in nuclear generation

Rating Outlook

ExGen's rating outlook is stable. Despite our expectation that the power markets will deteriorate further, we project ExGen's cash flow to debt metrics to improve enough for us to maintain the rating thanks to cost controls and state subsidies.

Factors that Could Lead to an Upgrade

ExGen's ratings could improve if leverage is substantially reduced, to the point where CFO Pre-WC to debt increases to above the 40% range for a sustained period of time, or the low 30% range when accounting for nuclear fuel as a cash expense.

Factors that Could Lead to a Downgrade

Failure to maintain CFO Pre-WC to debt in the low 30% range for 2017, or low 20% range on a nuclear fuel adjusted basis, could result in downward pressure for the rating.

Given its concentration in nuclear generation, development of industrywide safety or operational issues could negatively affect ExGen's ratings.

Key Indicators

Exhibit 2

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

Detailed Rating Considerations

Strong Nuclear Generation Assets in a Deteriorating Market Environment

ExGen is the dominant nuclear operator in the competitive generation sector in the US, accounting for about 50% of the market share in merchant nuclear generating capacity. The company owns 14 nuclear power plants with a total of 19.5 GW of generating capacity, giving them a significant amount of scale and diversity. ExGen also has a reputation as a competent nuclear operator with a proven track record of operating nuclear power plants safely and efficiently. Nonetheless, ExGen reliance on its nuclear fleet leaves them vulnerable to any potential industrywide issues related to safety or operation.

On a relative basis, ExGen's larger, multi-unit, nuclear plants are more competitive than large coal plants and inefficient gas plants but less competitive than efficient gas plants. Both large coal plants and inefficient gas plants have a higher cost of production on a cash basis (including fuel, operating expenses and maintenance capital expenditure) than large nuclear plants. Efficient gas plants have similar cash cost of production compared to nuclear plants when running base load but efficient gas plants are considered to be more competitive because it can avoid running in off-peak hours when the gross margin is negative.

ExGen's nuclear plants are located in the Mid-Atlantic states and Illinois. The current dominant driver affecting this market is low natural gas prices, which is a result of technological advancements in the drilling of the Marcellus shale. The low gas prices in the region have made it very cheap to generate power using gas-fired power plants. Wholesale power prices have declined significantly in the region as a result, and could decline further as developers build more gas plants. As a result of the low power prices, many coal plants and smaller nuclear plants have been forced to close as they are no longer profitable. The larger nuclear plants, which comprise most of ExGen's fleet, have also suffered in terms of profitability, but are still safe from early closure risk.

Nevertheless, ExGen owns four smaller nuclear plants, which are not economic in the current market environment. ExGen is in the process of acquiring a fifth one (Fitzpatrick) from Entergy Corporation (Baa3, rating under review for upgrade). ExGen has been actively seeking subsidies for these smaller plants, and in 2016, both New York and Illinois agreed to provide an annual subsidy of roughly $525 million. These subsidies, known as zero emission credits, are under legal challenges from non-nuclear generators. A successful challenge, with all else equal, could negatively affect ExGen's forecast future cash flow to debt in the order of 200 basis points.

Retail and Non-Nuclear Generation, Supplemental to Nuclear

In addition to nuclear generation, ExGen also owns about 10.5 GW of gas plants, 3.5 GW of renewable generation and the largest energy retail operation in the US. These non-nuclear businesses are sizeable on their own. We believe that they meaningfully contribute to Ex-Gen's free cash flows but are likely to be less than 25% of the total.

ExGen's retail operation enhances ExGen's business model because of the significant synergistic value associated with matching generation with retail load, both in terms of collateral savings and enhanced ability to hedge basis and variable load risk. More important, it allows ExGen to take advantage of its large generation asset base and, in our estimate, earn an additional $1/MWh to $2/MWh of free cash flow.

ExGen's renewable portfolio generates stable cash flow from long-term sales agreements. With that being said, they provide limited cash flow to ExGen due to the fact that they are heavily leveraged with non-recourse, amortizing debt. The renewable portfolio allows ExGen to maintain a presence in the renewable space, but going forward we expect ExGen to find ways to minimize its capital commitment through various financial strategies.

ExGen has a sizeable gas portfolio with 10.5 GW of existing generating capacity and 2 GW under construction. A large share of the portfolio is in Texas which we view to be a distressed market. In New England, most of its exposure is related to the Mystic River plant. The utilization rate (around 20% according to SPGMI) for Mystic River unit 8 and 9 is running significantly below the norm associated with efficient gas plants in New England. On a relative basis, ExGen's gas assets in PJM may be lucrative. Even though these plants are used as peaking units, most of them are gas turbine technology (as opposed to steam turbines), which have low operating costs.

Cash Flow Leverage Projected to Improve

For the past two years, ExGen's cash flow leverage, as measured by CFO Pre-WC todebt, has weakened, falling from 37% in 2014 to 31% in 2015 and to 28% in 2016. The declining CFO in 2016 was attributable to, among other things, a falling commodity price environment and additional commercial paper issued to fund back taxes associated with an adverse IRS tax ruling in 2016.

We expect ExGen's CFO Pre-WC to debt to improve to the low-30% range in 2017 and 2018, due to a combination of nuclear subsidies and operating cost reductions. ExGen's CFO Pre-WC to debt is projected to improve in 2019 and 2020, as the bulk of its $3 billion debt reduction plan will not take place until 2019 and 2020.

Our standard CFO Pre-WC to debt calculation reflects the GAAP accounting treatment for nuclear fuel, which is capitalized and then depreciated over time. To ensure comparability with other generators who do not capitalize their fuel cost, we also calculate ExGen's nuclear fuel cost as if they are a cash expense. Using this approach, ExGen CFO Pre-WC to debt would be lowered to 28% in 2014, 22% in 2015 and 18% in 2016. Our CFO Pre-WC to debt projection would be in the mid-20% range in 2017 and 2018.

Based on the company's stress disclosure provided in the fourth quarter earnings presentation, we estimate that a $1/MMBtu fall in gas prices or a $5/MWh drop in power prices would hurt CFO Pre-WC to debt by about 20 basis points in 2017 and 200 basis points in 2018. The two standard deviation stress scenario resulted in a decline of about 160 basis point in 2018.

If we deconsolidate ExGen's non-recourse entities, ExGen's cash flow leverage improves significantly. CFO Pre-WC to debt on an average is projected to improve by 500 basis points in 2017 and 2018. We note that our standard financial adjustment currently do not deconsolidate non-recourse entities from our cash flow leverage calculations. However, given that ExGen has abandoned failed non-recourse projects before, and is likely to do it again with its ExGen Texas Power (Caa1 negative) subsidiary, the recourse-only credit metrics may be instructive for a complete appreciation of ExGen's financial profile.

Liquidity Analysis

ExGen has a heavy demand for liquidity due to being a large volume user of commodity forwards and futures for its hedging strategy. Based on modeled results, we believe that the company has adequately demonstrated that it has sufficient liquidity to handle severe credit and market events.

The company's main source of liquidity is $5.8 billion of revolving credit facility and bilateral credit facilities, which expire in May 2021. Under the terms of the credit agreement ExGen must maintain an interest coverage ratio of 3 to 1 to remain in compliance. As of 31 December 2016 ExGen's was in compliance with the financial covenant. ExGen's cash holding is not an important source of liquidity as it only had about $290 million of unrestricted cash at year end 2016.

ExGen's liquidity demands are mostly from trade collaterals. Most of the $1.5 billion usage under the credit facilities at year end 2016 are used to issue letters of credit to support trade collaterals.

ExGen also had about $620 million of commercial paper outstanding at the end of 2016 but we anticipate ExGen to refinance it into long-term debt in the near future. The next scheduled debt maturity is in October 2017 when $700 million in senior unsecured notes is due, which we expect ExGen to retire with cash on hand.

ExGen's capital expenditure program also creates a significant demand for liquidity. According to Exelon's fourth quarter earnings call, the company forecast capital expenditure (base plus committed growth) to be about $1.9 billion in 2017. We, however, expect that the company will be able to fund these capital expenditures using cash flow from operations.

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 19.5 GW of nuclear capacity, 10.5 GW of natural gas capacity, 2 GW of hydro capacity and 1GW of other, mostly wind and solar renewable capacity. 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).

Rating Methodology and Scorecard Factors

Exhibit 3

[1]All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial
[2]As of 12/31/2016; 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
Source: Moody's Investors Service

Ratings

Exhibit 4

Category	Moody's Rating
EXELON GENERATION COMPANY, LLC	
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

Source: Moody's Investors Service

REPORT NUMBER 1061229

Moody's
INVESTORS SERVICE

Appendix B

S&P Global
Ratings

RatingsDirect®

Summary:

Exelon Generation Co. LLC

Primary Credit Analyst:
Michael T Ferguson, CFA, CPA, New York (1) 212-438-7670; michael.ferguson@spglobal.com

Secondary Contact:
Aneesh Prabhu, CFA, FRM, New York (1) 212-438-1285; aneesh.prabhu@spglobal.com

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S&P Global Ratings Base-Case Scenario

Business Risk

Financial Risk

Liquidity

Ratings Score Snapshot

Related Criteria And Research

Appendix B

Summary:

Exelon Generation Co. LLC

Business Risk: SATISFACTORY

Vulnerable Excellent

Financial Risk: INTERMEDIATE

Highly leveraged Minimal

	Anchor	Modifiers	Group/Gov't	CORPORATE CREDIT RATING
	bbb	**bbb**	**bbb**	**BBB/Stable/A-2**

Rationale

Business Risk: Satisfactory

- U.S. power producer Exelon Generation Co. LLC's (ExGen) low-cost base-load generation has a strong operating track record, but it remains subject to considerable energy margin variability, driven by unpredictable commodity prices, demand growth, and weather patterns.
- Large natural gas production volumes have collapsed natural gas and power prices, carrying significant downside potential for a portfolio of power plants that is largely nuclear (generally more than 70% of total generation).
- Several consecutive mild summers, declining market heat rates, and gas regional pricing differentials have weakened the expected economics of the company's generation plants over the next 24 months despite a stronger fundamental long-term outlook.
- Capacity prices could continue to languish because of lackluster electric demand, growing energy efficiency, and increased penetration of demand response initiatives in key markets. However, this could to a limited degree reverse in coming auctions as capacity performance schemes proliferate.
- Exelon still operates a large number of nuclear plants; this puts the company in a good position as carbon regulation and capacity performance incentives loom.

Financial Risk: Intermediate

- The backward-dated EBITDA profile persists, although the curve is not as steep as it is for certain competitors owing to a proactive hedging strategy and participation in robust capacity markets.
- As usual, cash flow on the generation side is significantly hedged during the next two years, plus hedges are regularly added; 2018 is now hedged to around 40%, despite ongoing weakness in forward power pricing.
- The company's liquidity position, on a standalone basis, remains strong, especially since it can defer capital spending needs.
- Dividend policy is relatively aggressive, but this is supported by a steady stream of dividends from utility subsidiaries.
- Although capital spending needs have been substantial at certain periods in the past, we expect that they'll be more in line with industry norms because this company is already well-suited for upcoming environmental regulations.

Outlook: Stable

The outlook on ExGen is stable. However, we believe that higher-than-expected production from shale gas regions and a delay in environmental rules related to plant retirements could weaken the company's financial performance during the next few years. If commodity prices weaken further, the company might have to address a decline in its earnings profile with commensurate reductions in capital spending and debt. We expect ExGen and its parent Exelon Corp. to maintain funds from operations (FFO) to debt of around 33% and 21%, though we note that the rating is driven by the consolidated credit metrics.

Downside scenario

Negative ratings momentum could occur due to a decline in commodity prices that would affect ExGen's (and as a result, Exelon's) cash flows. We could lower the company's ratings post-acquisition if the adjusted consolidated FFO to debt ratios were to consistently decline.

We could lower the stand-alone credit profile (SACP) of ExGen if the generating company's adjusted FFO-to-debt ratio was consistently below 23%. A change in ExGen's SACP would likely not result in an immediate change to its issuer ratings if Exelon's growing utility segment were able to sustain the group's credit profile, and this aspect has grown over time. However, given that ExGen will still account for over 40% of the consolidated cash flow even after the Pepco Holdings LLC (PH LLC) acquisition, a lower SACP would weigh negatively on the entire group profile.

Upside scenario

An upgrade 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 24% on a sustained basis. This would likely reflect a stand-alone FFO to debt level at ExGen of more than approximately 35% consistently. 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. A stronger PJM capacity market, stemming from a capacity performance scheme, could contribute also. We believe an upgrade is unlikely before 2017, and, at any rate, an improved SACP for ExGen would not result in a higher rating without the group credit profile improving due to higher credit quality at the regulated utilities.

S&P Global Ratings Base-Case Scenario

Assumptions

- Henry Hub gas prices are $2.50 per million Btu (mmBtu) in 2016 and $2.75/mmBtu in 2017; PJM Interconnection West hub power prices are between $29 and $35 per megawatt hour (MWh) in 2016; Northern Illinois hub hovers around $30/MWh through 2017.
- Nuclear capacity factors are consistently at about 93%-94% through 2017.
- Quad Cities and Clinton Nuclear facilities close as expected during the next few years; we do not yet include the benefits of a possible acquisition of the FitzPatrick asset.
- Dividend policy remains in line with industry standards.
- Only current hedges are assumed.
- Spark spreads remain depressed in Texas, with an average of about $6/MWh during 2016 and 2017
- Total ExGen generation of about 195 gigawatts per hour in 2016, ticking up only modestly in subsequent years.

Key Metrics

	2016E	2017E
FFO/debt (%)	31-34	31-34
Debt/EBITDA (x)	2.1-2.5	2.1-2.5
FOCF to Debt (%)	1.5-2.5	1.5-2.5

E--Estimate. FFO--Funds from operations. Note: These measures represent stand-alone credit measures for ExGen.

Business Risk: Satisfactory

The rating on ExGen reflects our view of the consolidated creditworthiness of the company's diversified energy parent Exelon, whose business risk profile we view as strong due to the presence of several large utility subsidiaries.

A significant contribution to this consolidated assessment is the business risk profile of ExGen, which we view as satisfactory on a stand-alone basis. As of March 31, 2016, ExGen had nearly $12 billion of total adjusted debt after considering the effects of power purchase agreements, post-retirement benefit obligations, cash netting, and deconsolidation.

ExGen's unregulated operations now constitute less than 50% of the consolidated enterprise in terms of cash flow and capital spending during 2016 upon the closing of the Pepco acquisition (as well as weakness in cash flows from some nuclear assets). ExGen generates a significant portion of earnings from its retail operations. Through retail and wholesale channels, ExGen provided nearly 195 terrawatt-hours of load in 2015, or nearly 5% of total U.S. power demand, and enjoys significant regional diversity, participating in the PJM Interconnection in the Mid-Atlantic, New England, and Texas markets; we expect a similar figure in 2016, though this could be offset beyond 2018 with nuclear retirements. 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. In most locations, ExGen has adequate intermediate and peaking capacity for managing load-shaping risks. However, we believe the company will still need to buy and sell generation in the market to manage its portfolio needs, which exposes it to considerable commodity risk. Moreover, ExGen has a significant open position in the Midwest to merchant markets, and a somewhat tighter position in Texas and New England, where it has some risk of finding itself short when loads and power prices are high.

ExGen's cash flow is sensitive to commodity prices because more than 70% of the business's generation, including purchased power, is nuclear; unlike gas-fired assets, which have a lower cost structure if gas prices drag power prices down, its nuclear plants face winnowing margins based on lower market heat rates, especially if capacity prices are low. Given that base-load generation is price-taking by nature, we expect ExGen's adjusted FFO to debt to remain volatile relative to its peers. For instance, we estimate gross margins in 2017 will be lower by about more than $100 million for every $5 per MWh (round-the-clock) decline in power prices, and nearly $300 million for every $1 per million Btu decline in 2017 natural gas prices. Near-term figures are not quite as volatile due to more thorough hedging and better visibility into pricing.

Current hedges demonstrate the significant value of Exelon's hedging program. Even though these hedges insulate ExGen, they also show the sensitivity of ExGen's margins to the prospect of continued shale gas production. The merchant generation margins at ExGen could decrease as higher-priced hedges expire, which is evident in the drop in wholesale hedged gross margins. Still, forward prices do show a modest contango (future prices are above expected future spot prices). In addition, 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, growth in retail volumes, and acquisitions.

Financial Risk: Intermediate

Because of the decline in commodity prices, we expect ExGen's standalone FFO to debt ratio to hover near 32% in 2016. Although ExGen's cash flows are relatively more volatile compared with peers because of the larger base-load generation and exposure to energy pricing, the low variable cost (and highly depreciated nature) of its nuclear plants means that natural gas prices must persistently stay below the current S&P Global Ratings assumption of $2.50 per million Btu before its FFO to debt falls to a level that would lead to lower standalone credit quality.

Capital spending requirements remain significant between 2016 and 2017 at over $3 billion for ExGen. Although utility capital spending tends to be funded through rate-base additions, unregulated generation must recover the funding of its own capital requirements through capacity market prices (and energy margins, in Texas). Consolidated cash flow from operations will largely cover capital spending and dividends, resulting in only modest external financing needs. Still, incrementally lower gas prices would hurt ExGen's debt protection measures more than increases in debt financing or in operating and maintenance costs, through 2016.

At ExGen, we expect free operating cash flow to debt to remain positive even in 2016 and 2017 when we expect financial measures to trough due to lower gas prices. Because of the lower commodity prices, we expect ExGen's standalone FFO-to-debt ratio to remain about 32% in 2016. Although the company's cash flows are relatively more volatile than those of its peers because of the larger proportion of base-load generation and significant fixed costs, the low variable cost (and highly depreciated nature) of its nuclear plants means that natural gas prices must consistently stay below the current assumed level of $2.50 per million Btu before its consolidated FFO to debt falls below 20%.

Liquidity: Strong

The short-term rating on Exelon and affiliates is 'A-2'. We view liquidity across the Exelon group of companies as strong in light of the debt maturity schedule and available credit facilities. 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 as it settles its forward hedges.

As of March 31, 2016, 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 generally expire in 2019. The facilities were largely available at that time, except for $1.2 billion of commercial paper and certain letters of credit outstanding at various entities.

Principal Liquidity Sources

- FFO exceeding $7 billion in 2016.
- Credit facility availability of about $7.7 billion.
- Cash on hand of about $1 billion on March 31, 2016.

Principal Liquidity Uses

- Dividend payments of almost $1.1 billion annually.
- Capital spending and maintenance and environmental costs of over $6 billion during the next 12 months.
- Debt maturities of $1.9 billion over the next 12 months.
- Nonseasonal working capital inflows of about $325 million.

ExGen's standalone liquidity is also strong; its sources of cash, including cash on hand, cash flow, and revolving credit facility capacity exceed uses--including amortization and capital spending--by more than 1.5x during the next 24 months. However, under our criteria, its liquidity profile is governed by that of the parent (also considered strong), because we view it as a core subsidiary.

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 (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Strong (no impact)
- **Management and governance:** Strong (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : bbb

- **Group credit profile:** bbb
- **Entity status within group:** Core (no impact)

Related Criteria And Research

Related Criteria

- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria – Corporates: Key Credit Factors For The Unregulated Power and Gas Industry, March 28, 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

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-

Appendix B

June 30, 2017

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
400 North Street
Harrisburg, PA 17120

Dear Ms. Chiavetta:

I am the Senior Vice President and Chief Financial Officer of Exelon Generation Company, LLC, a limited liability company, hereinafter referred to as "guarantor." This letter is in support of the guarantee for the guarantor's subsidiary, Constellation NewEnergy, Inc. of 1310 Point Street, Baltimore MD 21231.

I possess the requisite authority to bind the guarantor to the guarantee being provided, to acknowledge that the attached corporate guarantee is an ongoing, continuing and binding obligation of the guarantor, and to certify the contents of this letter.

The attached guarantee is being made pursuant to the guarantor's processes and procedures for issuing a parent guarantee. This process includes the performance of a risk analysis and review by the guarantor's legal and treasury departments.

Through this letter, I, on behalf of the guarantor, certify that as of the date of this letter, the guarantor has the following long-term bond ratings: BBB by Standard & Poors, and Baa2 by Moody's Investors' Services, and BBB by Fitch IBCA.

Through this letter, I, on behalf of the guarantor, certify that Exelon Generation Company, LLC maintains an investment grade long-term bond rating from at least two of the following rating agencies – Standard & Poors, Moody's Investors' Services, and Fitch IBCA – where investment grade long-term bond rating is defined as:

Standard & Poors	BBB- or higher
Moody's Investors' Services	Baa3 or higher
Fitch IBCA	BBB- or higher

Please note that Exelon Generation Company, LLC is no longer rated by Duff and Phelps Credit Rating Company. Through this letter, I, on behalf of the guarantor, certify that I will notify the Pennsylvania Public Utility Commission within 10 calendar days anytime that the guarantor's long-term bond rating from any of the rating agencies listed above falls below investment grade or if the guarantor is named as debtor in a voluntary or involuntary proceeding under Title 11 (Bankruptcy), U.S. Code.

I hereby certify that all representations contained in this letter and in the attached parent guarantee are, to the best of my knowledge, true, complete and accurate. This letter and attached parent guarantee constitute a binding and continuing obligation of the guarantor, Exelon Generation Company, LLC, and are enforceable in accordance with the laws of the state of Pennsylvania and the terms of the guarantee.

Exelon Generation Company, LLC

By: Bryan C. Wright

Name: Bryan Wright

Title: Cheif Financial Officer

Date: 6/30/2017

Notary:

MELISSA A KERCHNER
My Commission Expires
NOTARY PUBLIC
04-06-2018
HARFORD COUNTY, MD

Melissa A. Kerchner
6/30/17

RECEIVED

JUL 19 2017

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

VERIFICATION

I, Amy Klaviter, Analyst, Legal Compliance for Constellation NewEnergy, Inc., hereby state that the facts set forth above are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that they statements herein are made subject to penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Dated: July 19, 2017

Amy Klaviter

CERTIFICATE OF SERVICE

On this the 19th day of July 2017, I certify that a true and correct copy of the request to modify its security requirement within the Commonwealth of Pennsylvania as an Electric Generation Supplier and all **NON-CONFIDENTIAL** attachments have been served, as either a hardcopy or a searchable PDF version on a cd-rom, upon the following:

Office of Consumer Advocate
5th Floor, Forum Place
555 Walnut Street
Harrisburg, PA 17120

Office of the Small Business Advocate
Commerce Building, Suite 202
300 North Second Street
Harrisburg, PA 17101

Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2 West
Harrisburg, PA 17120

Duquesne Light Company
Regulatory Affairs
411 Seventh Avenue, MD 16-4
Pittsburgh, PA 15219

PPL
Office of General Counsel
Attn: Kimberly A. Klock
Two North Ninth Street (GENTW3)
Allentown, PA 18101-1179

Corning Natural Gas Holding Corporation
Vice President – Energy Supply
330 West William Street
Corning, NY 14830

Office of the Attorney General
Bureau of Consumer Protection
Strawberry Square, 14th Floor
Harrisburg, PA 17120

Commonwealth of Pennsylvania
Department of Revenue
Bureau of Compliance
Harrisburg, PA 17128-0946

West Penn Power d/b/a Allegheny Power
Legal Department
800 Cabin Hill Drive
Greensburg, PA 15601-1689

First Energy
Legal Department
2800 Pottsville Pike
Reading, PA 19612

PECO Energy Company
Manager Energy Acquisition
2301 Market Street
Philadelphia, PA 19101-8699

RECEIVED
JUL 19 2017
PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Amy Klaviter

ORIGIN ID:CHIA (312) 681-1830
CRYSTAL BROWN

20 N WACKER DRIVE
SUITE 2100
CHICAGO, IL 60606
UNITED STATES US

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ACTWGT: 0.50 LB
CAD: 107541832/INET3920

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TO **SECRETARY**
PA PUBLICUTILITIES COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET
HARRISBURG PA 17120
(717) 772-7777 REF: CNE PA SECURITY
INV
PO DEPT

549J1/00C2/1D4C

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