Constellation

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

July 31, 2018

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
Senior Analyst, Legal Compliance
On behalf of Constellation NewEnergy, Inc.

Enclosures

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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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, 2018.

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
Senior 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 31, 2018

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VERIFICATION

I, Amy Klaviter, Senior 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 31, 2018

Amy Klaviter

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Appendix A

Constellation NewEnergy, Inc.

Gross Revenue for Most Recent 12 Months

Jul-17	[redacted]
Aug-17	[redacted]
Sep-17	[redacted]
Oct-17	[redacted]
Nov-17	[redacted]
Dec-17	[redacted]
Jan-18	[redacted]
Feb-18	[redacted]
Mar-18	[redacted]
Apr-18	[redacted]
May-18	[redacted]
Jun-18	[redacted]
$	[redacted]

Prepaid Gross Receipts Taxes for Calendar Year 2018

$[redacted]

AEPS compliance data for Reporting Year 2017 (June 1, 2017 through May 31, 2018)

[redacted] MWh

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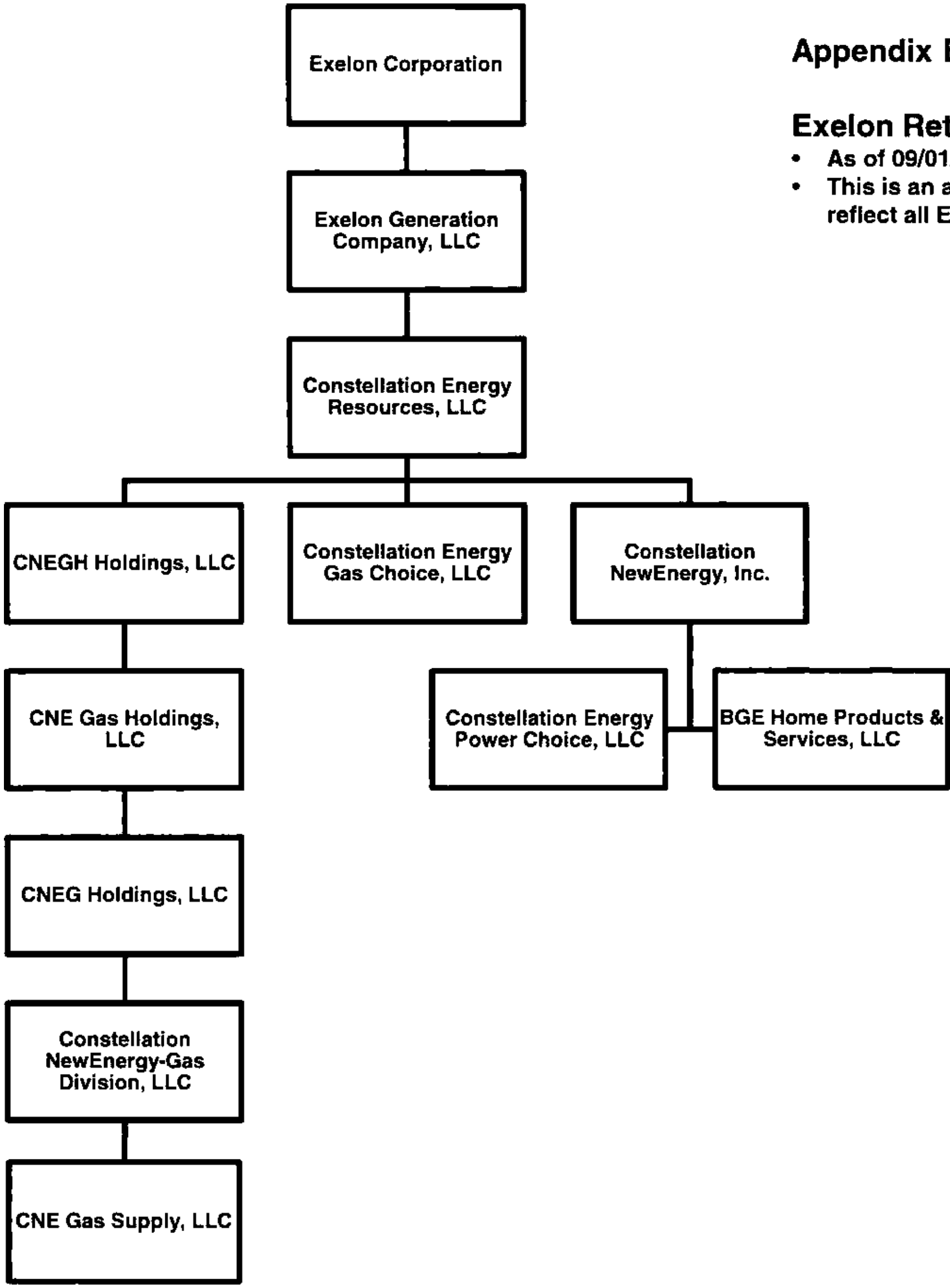
Appendix B

Constellation NewEnergy, Inc.

Exelon Corporation ("Exelon") is the ultimate parent company of Constellation NewEnergy, Inc. 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 09/01/2017
- This is an abbreviated chart and does not reflect all Exelon subsidiaries.

Appendix B

S&P Global
Ratings

RatingsDirect®

Research Update:

Exelon Generation Co. LLC 'BBB' Ratings Affirmed; Outlook Stable

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

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

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Research Update:

Exelon Generation Co. LLC 'BBB' Ratings Affirmed; Outlook Stable

Overview

- We believe that, despite a weakening business risk profile, unregulated supply company Exelon Generation Co. LLC (ExGen) is still "core" to parent Exelon Corp. and draws support from the parent. We still view ExGen's business risk profile as satisfactory.
- Yet, there is increasing pressure on ExGen's stand-alone credit profile (SACP). In order to maintain its SACP, ExGen will have to maintain adjusted funds from operation (FFO) to debt above 35% and adjusted debt to EBITDA below 2.75x. Given the backwardated cash flow profile, maintaining the SACP will involve significant deleveraging through 2020.
- We have revised ExGen's liquidity assessment to adequate from strong. This change does not affect the SACP.
- We are affirming our 'BBB' corporate credit rating on ExGen. We are also affirming our issue-level ratings on the company's debt.
- The outlook on our corporate credit rating on ExGen is stable, based on its core group status to parent Exelon Corp.

Rating Action

On July 27, 2017, S&P Global Ratings affirmed its 'BBB' corporate credit rating on U.S. merchant power generator Exelon Generation Co. LLC. The outlook is stable. We also affirmed all issue-specific ratings, including the 'BBB' unsecured rating, on the company. The 'A-2' short-term rating on the company is unchanged.

Rationale

The ratings affirmation 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. Our core group status assessment means that we view ExGen is an important subsidiary in the Exelon group of companies and that parent Exelon will support it during times of potential stress. As a result, we equate the corporate credit ratings on ExGen to those of Exelon Corp.

Business Risk

As of March 31, 2017, ExGen had about $11 billion of total adjusted debt after considering the effects of leases, power purchase agreements, postretirement benefit obligations, cash netting, and deconsolidation of project financed assets.

ExGen's unregulated operations now constitute about 40% of the consolidated enterprise (Exelon--less Baltimore Gas & Electric Co. [BGE]) in terms of cash flow and capital spending but expected to decline to 30% by 2020. The reduction will be due to an increase in regulated growth as well as weakness in cash flows from the unregulated business. ExGen's SACP has weakened over the past 24 months and is increasingly influenced by depressed energy and capacity markets and the absence of pricing signals that adequately compensate base-load generation. We note that, compared with its peers, ExGen's cash flow is relatively more sensitive to commodity prices because about 70% of the business' generation output, including purchased power, is nuclear. Unlike gas-fired assets, which have a lower cost structure, its nuclear plants face winnowing margins based on lower market heat rates and weak energy price formations. Specifically, ExGen's business risk profile is being influenced by combination of factors including:

- Renewable proliferation. These assets dispatch to the grid during low demand period, forcing base-load generation to back down and often generating negative price signals. Renewables also have the potential for shaving off peaks and reducing scarcity pricing periods, which are essential for base-load assets like nuclear (as also energy only markets like Electric Reliability Council of Texas [ERCOT])
- Declining natural gas prices. Low gas prices affect marginal costs of production, adversely affecting price-taking base-load generation the most. Declining fuel prices also affect capacity prices negatively if energy margin offsets are high.
- Energy efficiency and behind-the-meter distributed generation-reduce, or slow down demand growth that cause reserve margins to widens, negatively influencing market heat rates, which affect power prices.

We now consider ExGen's ability to influence market design as an inherent part of its business strategy and an area in which the company has been successful to date. As a consequence of commodity price decline and renewable penetration, an increasing number of ExGen's nuclear plants have reported negative cash flow. Even as cash flows weakened, the company has argued for statutory relief for its beleaguered units citing environmental, fuel diversity and reliability concerns. There has also been a shift in regulator awareness of the distressed nature of the nuclear industry and their willingness to act is reflected in the approval of zero emission credits (ZEC) revenues for ExGen's nuclear plants in Illinois and New York (Clinton, Quad Cities, Fitzpatrick, Ginna, and Nine Mile Point). ExGen has started collecting ZEC revenues in New York (the utilities have started collecting them in Illinois pending formal supply procurements contracts) that would see ExGen's revenues shored up by about $550 million in 2018, all else equal.

Legal action in these two states to challenge the ZEC revenues could still be successful and remains a key variable that could potentially adversely affect credit quality. However, we note the recent rulings at the district court levels in both New York and Illinois as increasing the likelihood of an eventual approval. Also, we expect the focus on nuclear support to quiet down for now after the latest success in Illinois and New York. We do not think any developments are likely in New Jersey or Pennsylvania until next year where ExGen owns 1.6 gigawatts (GW) and 4.5 GW, respectively.

ExGen generates a significant portion of earnings from its retail operations. Through retail and wholesale channels, ExGen provided nearly 205 terawatt-hours of load in 2016, or nearly 5% of total U.S. power demand, and enjoys significant regional diversity, participating in the Pennsylvania-Jersey-Maryland (PJM) Interconnection in the Mid-Atlantic, New England, and Texas markets. We expect a similar figure in 2017, but this could be reduced beyond 2018 with nuclear retirements. In an environment where wholesale generation is under constant onslaught, it is increasingly imperative for merchant companies to find a home for their self-generation. ExGen has increasingly done so using its retail power business. Even as retail contracts are typically of one and a half to two years duration on the residential side and about two and a half years for commercial customers (i.e. have recontracting risks), they have become vital to the stability and predictability of cash flows. Exelon has been able to expand its retail business and improved its load-to-generation mix. Total retail and wholesale (auction markets, bilateral contracts) load served has grown by 16.4% over past three years with a significant thrust on residential customers.

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 Mid-Atlantic and New England, where it has some risk of finding itself short when loads and power prices are high.

Current hedged levels (of expected generation), at about 98%, 62%, and 32%, for 2017, 2018, and 2019, respectively, mitigate near-term exposure to commodity markets and demonstrate the significant value of ExGen's hedging program (2017 mark-to-market values of hedges is $1.6 billion as of 03/31/2017). 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). Still, retail provides potential for further growth. We believe retail contributions can mitigate the wholesale decline, given the potential for cost savings, growth in retail volumes, and acquisitions.

Financial Risk

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 2019 will be lower by about $260 million for

Appendix B

every $5 per megawatt hour (round-the-clock) decline in power prices and nearly $500 million for every $1 per million Btu decline in 2019 natural gas prices. However, the full impact of this is muted by Exelon's ratable hedging strategy.

Because of the decline in commodity prices, we expect ExGen's stand-alone FFO to debt ratio to hover near 32% in 2017, which we view as low for its 'bbb' SACP. Yet, even as 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, natural gas prices must consistently stay below the current assumed level of $3.00 per million Btu before ExGen's adjusted FFO to debt falls below 20%. While these stress ratio levels are low, they exhibit the low variable cost (and highly depreciated nature) of its nuclear plants.

Further, we expect 2018/2019 financial ratios to improve from a combination of factors. In these years, ExGen will see the full benefit of ZEC revenues; these are a cash flow benefit from the Three-Mile Island operating cost reversal and the application of renewable joint venture (JV) proceeds toward debt reduction. In 2020, while the company has more market exposure, the potential decline in EBITDA from backwardated margins is offset by our expectation of $2.5 billion net deleveraging through 2020.

We think that ExGen's primary credit driver in coming years is its ability to maintain cash flows in 2020 and beyond. Given the advancing renewable proliferation and distributed generation/energy efficiency gains, there is a real concern that power prices in the outer forward curve could cause a significant decline in ExGen's earnings. As a result, we expect the company's long-term plan to incorporate significant deleveraging through the next 4-years. In discussions with ExGen we see the company targeting adjusted debt to EBITDA levels of below 2.25x and adjusted FFO to debt levels of above 35%. By our estimates, these levels would roughly incorporate a net deleveraging of about $2.5 billion through 2020. We think cash flows over the next four years (assuming ZEC revenues are approved) would allow this level of debt reduction.

Despite the growth capital spending to complete the ERCOT combined cycle gas turbines, we expect free operating cash flow (FOCF) to debt to remain positive in 2017 even as financial measures trough due to lower gas prices. We expect FFO to debt levels to improve in 2018 and 2019 as the company lowers its capital spending and capital allocation moves decisively to deleveraging efforts. We expect the company to have minimal growth-oriented capital spending.

Liquidity

Under our criteria, ExGen's liquidity profile is governed by that of the parent, because we view it as a core subsidiary.

The short-term rating on Exelon Corp. and its affiliates is 'A-2'. We have revised our liquidity assessment across the Exelon group of companies to adequate from strong based on the debt maturity schedule and available credit facilities.

We expect parent Exelon Corp to cover its liquidity needs for the next 12 months even if EBITDA declines by 10%. We expect the company's consolidated liquidity sources over the next 12 months will exceed its uses by more than 1.1x. Under our stress scenario, we do not expect that Exelon Corp would require access to the capital markets to meet its liquidity needs. The company also benefits from stable cash flow generation, the ability to absorb high impact but low probability events with limited need for refinancing, sound bank relationships, solid standing in credit markets, and generally prudent risk management further supporting our overall assessment of its liquidity as adequate.

Parent Exelon Corp has a consolidated credit facility of $9.525 billion (BGE--$600 million, Commonwealth Edison Co.--$1 billion, Peco Energy Co.--$600 million, ExGen--$5.825 billion, Potomac Electric Power Co.--$300 million, Delmarva Power & Light Co.--$300 million, Atlantic City Electric Co.--$300 million, and Exelon Corp--$600 million) as of March 31, 2017. Exelon Corp has approximately $1.41 billion of commercial paper outstanding as of March 31, 2017.

We have revised ExGen's liquidity assessment to adequate from strong. This has no impact on the SACP. For ExGen on a stand-alone basis, while sources to uses exceed 1.5x, they do not support an EBITDA decline of 30%. However, we expect the sources to exceed uses even if the EBITDA declines by 15%. While there are no significant debt maturities before 2020 (nominal maturities in 2017 and 2019), ExGen has sufficient revolver availability under its $5.3 billion revolver (excluding $525 million bilateral facility) to meet debt repayment obligations. About $3.7 billion of the facility was available as of March 2017 ($580 million commercial paper outstanding and $1.37 billion letters of credits posted). Ironically, declining power prices are favorable from a liquidity perspective because cash is being posted to ExGen as it settles its forward hedges.

Principle liquidity sources:
- FFO of approximately $3.3 billion-$3.4 billion;
- Revolver availability of approximately $3.7 billion;
- Sales proceeds (ExGen renewables joint venture) of approximately $400 million; and
- Cash balances, which we estimate at about $350 million-$400 million.

Principle liquidity uses:
- Long-term debt repayment of approximately $700 million and commercial paper outstanding of $579 million,
- Capital expenditure of approximately $2.5 billion $3 billion, and
- Assumed working capital changes of about approximately $450 million to $500 million and assumed $650 million of dividends to parent.

Outlook

The outlook on ExGen is stable, based on its core group status to parent Exelon Corp. The core status implies that our ratings on ExGen are supported by Exelon and the ratings are linked to those on parent Exelon. While the ratings on ExGen are predicated on parent Exelon maintaining adjusted FFO to debt levels between 17% and 21%, in order for ExGen to maintain its 'bbb' SACP, we expect it to maintain adjusted FFO to debt of about 35% and adjusted debt to EBITDA that is below 2.75x (net of nonrecourse debt). We expect ExGen's financial measures to be lower at about 32% in 2017 but expect ZEC revenues, and deleveraging from asset sales/proceeds from JVs to result in improvements to above 35% by 2018.

Downside scenario

We would lower our ratings on ExGen should parent Exelon's adjusted consolidated FFO to debt decline below 16% or its adjusted debt to EBITDA increase above 4.5x. This could happen if ExGen faces increasing competition in its retail markets, which would threaten customer retention in its retail business. Gross margins could also come under pressure if power prices continue to decline because of weak natural gas prices or lower market heat rates.

We would lower the SACP of ExGen if the company's adjusted FFO to debt were consistently below 35% or adjusted debt to EBITDA were consistently above 2.75x (roughly 3x, inclusive of nonrecourse debt). We believe ExGen's 'bbb' SACP will come under pressure from depressed capacity prices as higher-than-expected natural gas production encourages incremental gas-fired generation entry, as widening reserve margins cause implied forward market heat rates to decline (even as demand slows down), and as energy margins decline due to renewable proliferation. Given that power prices are still under pressure, we see the prospects of a lower SACP as high by 2018 unless countered by deleveraging. We expect ExGen to shed about $2.5 billion of net debt through 2020. We note that a potential change in ExGen's SACP in the near term might not result in an immediate change in our issuer credit rating if Exelon's growing utility segment were able to sustain the group's credit profile. However, given that ExGen will still account for about 30% of the consolidated cash flow, a lower SACP would weigh negatively on the entire group profile.

Upside scenario

An upgrade of Exgen would require an upgrade of Exelon Corp. This 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 21% on a sustained basis. This would reflect a stand-alone FFO to debt level at ExGen of more than 37% consistently, or adjusted debt to EBITDA of below 2x. 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, as would ZEC approval in other states like Pennsylvania and New Jersey. 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.

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: Adequate (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

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria - Corporates - Industrials: Key Credit Factors For The Unregulated Power And Gas Industry, March 28, 2014
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- Criteria - Corporates - Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013

- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Corporates - General: 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

Ratings List

Ratings Affirmed

Exelon Generation Co. LLC	
Corporate Credit Rating	BBB/Stable/A-2
Senior Unsecured	BBB
Commercial Paper	A-2

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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MOODY'S
INVESTORS SERVICE

Rating Action: Moody's affirms Exelon Generation Company, LLC's Baa2 senior unsecured rating and its P-2 commercial paper rating; rating outlook is stable

Global Credit Research - 06 Mar 2017

New York, March 06, 2017 -- Moody's Investors Service, ("Moody's") today affirmed Exelon Generation Company, LLC's (ExGen) Baa2 senior unsecured rating and its P-2 commercial paper rating. ExGen's ratings reflect the favorable cash cost position of its nuclear fleet in a highly volatile, commodity-driven merchant power generation business. The rating outlook is stable.

Outlook Actions:

..Issuer: Exelon Generation Company, LLC

....Outlook, Remains Stable

Affirmations:

..Issuer: Exelon Generation Company, LLC

.... Issuer Rating, Affirmed Baa2

....Preferred Shelf, Affirmed (P)Ba1

....Senior Unsecured Shelf, Affirmed (P)Baa2

....Senior Unsecured Bank Credit Facility Affirmed Baa2

....Senior Unsecured Commercial Paper, Affirmed P-2

....Senior Unsecured Regular Bond/Debenture, Affirmed Baa2

..Issuer: Maryland Economic Development Corporation

....Revenue Bonds, Affirmed Baa2

..Issuer: Montgomery County Industrial Dev Auth, PA

....Revenue Bonds, Affirmed Baa2

..Issuer: Pennsylvania Economic Dev. Fin. Auth.

....Revenue Bonds, Affirmed Baa2

..Issuer: Salem (County of) NJ, Pollution Ctrl Fin Auth

....Revenue Bonds, Affirmed Baa2

..Issuer: York County Industrial Development Auth., PA

....Revenue Bonds, Affirmed Baa2

RATINGS RATIONALE

"ExGen's ratio of cash flow to debt was weak in 2015 and 2016," said Toby Shea, Vice President -- Senior Credit Officer "but we see improvement in 2017 and 2018."

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 (Baa2 stable), views ExGen as an integral part of its business and has repeatedly declared its commitment to support and maintain

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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.

ExGen's business activities mainly involve the highly volatile and cyclical business of merchant power generation and retail energy supply. ExGen's generation assets have a strong cost position compared to its peers because it has a large fleet of low-cost nuclear generation facilities in good locations where the markets are designed with capacity payments and nuclear subsidy payments. The retail operation maximizes the value of its generation fleet by earning additional margin while reducing risk for both the generation and the retail operation. ExGen also owns a significant amount of gas and renewable assets, however they are not an integral part of ExGen's strategy and may be sold or acquired opportunistically.

ExGen's nuclear plants are located in the Mid-Atlantic states and Illinois. The current dominant driver affecting this market region 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. The low power prices have forced out many coal plants and smaller nuclear plants. 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.

For the past two years, ExGen's cash flow leverage, as measured by CFO Pre-WC/debt, 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/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/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/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.

Liquidity

ExGen has a heavy demand for liquidity because it is a large volume user of commodity forwards and futures for its hedging strategy. Based on modelled 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. 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 letter of credits 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 come due.

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.

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Outlook

Our outlook on ExGen 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.

Factors that Could Lead to an Upgrade

ExGen's ratings could improve with substantially reducing debt leverage, to the point where CFO Pre-WC to debt rose to above the 40% range for a sustained period of time, or low 30% range counting nuclear fuel as a cash expense.

Factors that Could Lead to an Downgrade

Failure to maintain CFO-Pre WC/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.

Despite its reputation as a competent nuclear operator, ExGen is nevertheless vulnerable to the development of industry-wide safety or operational issues.

The principal methodology used in these ratings was Unregulated Utilities and Unregulated Power Companies published in October 2014. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

Exelon Generation.

July 27, 2018

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 & Poor's, 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 & Poor's, Moody's Investors' Services, and Fitch IBCA – where investment grade long-term bond rating is defined as:

Standard & Poor's	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 <u>within 10 calendar days</u> anytime that the guarantor's long-term bond rating from <u>any</u> 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.

Exelon Generation

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 P. Wright

Name: Bryan Wright

Title: Senior Vice President & Chief Financial Officer

Date: July 27th, 2018

Notary: Helena Bernson

HELENA BERNSON
My Commission Expires
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CERTIFICATE OF SERVICE

On this the 31th day of July 2018, 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 Attorney General
Bureau of Consumer Protection
Strawberry Square, 14th Floor
Harrisburg, PA 17120

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

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

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

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

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

First Energy
Legal Department
2800 Pottsville Pike
Reading, PA 19612

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

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

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

Amy Klaviter

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