

EXELON CEO EXAMINES ELECTRICITY COSTS, RENEWABLES, AND THE FUTURE OF THE ENERGY FIELD

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Excerpts from Mr. Crane's Remarks

Where did the name Exelon come from? It was a default name in the merger agreement....The co-CEOs said, if we can't decide in 30 days, it will become this name. So we've been branded with a new name that we can't explain.

Why do people make fun of utilities? There's one thing that's a constant. Everybody is dependent on our reliable service, and from time to time, there's storms or other issues that cause reliability, and that brings on a tale of its own and a dissatisfaction. Our efficiency is always measured on the minutes of power being out versus hours or days of power being on. So there's a high expectation for our service, and we're all dependent on it. And so, you know, you'd like to get it for free instead of paying market price.

Why would you want to buy Pepco? It's not about the size. It's about creating value. We create value for the customers, all of our stakeholders, and we can also create value, at the same time, for our shareholders. What you look at in growing is being able to create synergies – synergies in savings, synergies in improved performance and operations. There's a great benefit to the consumer in that. And as I said, the shareholder gets to also benefit.

When do you think you'll get approvals from the regulators to buy Pepco? Our approval team is here. My target was Christmas, but they said that that's not going to happen. [Laughter.] So they have from the beginning said the second and third quarter of 2015.

Is it possible to build another nuclear plant in the United States in the next 10 years? There are five units under construction right now. They're in the Southeast and they're in a regulated market, which is a vertically integrated generation through-the-wires company regulated style marketplace. Where Exelon operates, as is in D.C. all the way up through the Northeast and out to the Midwest, we're in competitive markets, where power is dispatched based off of its price in a competitive fashion. So, unfortunately, the market does not support, from an economic standpoint, the development of merchant nuclear power. If you look at natural gas prices, which have dropped significantly over the past few years, onset of new technology, pulling out the natural gas, the natural gas prices today are probably \$3.75 an mmBtu. To build a nuclear plant and compete against natural gas, you'd have to have natural gas at about \$13 an mmBtu, which would totally stifle the economy. It's just not economic

What is the future of coal in the United States? There's definitely a future for many of the existing assets that have invested into the environmental retrofits to have them comply with the clean air standards. There's advancement coming on clean coal technology, although right now it's very expensive and it's more in the exploratory side. But the one thing that we have to

understand and respect, as we move to more renewables, which are definitely good – we see that as an advantage for the country and for the environment – we have to remember the standards of reliability.

During the polar vortex, it was an eye-opening event. We've had a greater dependency on natural gas and we all support the development of natural gas. There are periods of time during weather situations where the renewables just can't get the wind to run or the sun to shine. We got to a point of almost losing the grid on July 7th of last year. The nuclear plants were running straight up. The weather doesn't affect them. Many of the coal units were running, but some were very affected by the cold weather, and some of these are aging plants that are going to be shutting down in a year or two because of laws. And then you're dependent on the natural gas plants. And what happens, there is a lack of coordination today, we're working on that coordination, but there's a lack of coordination between the gas day and the electric day....

So long story short, we can't walk away from coal. There's a reliability issue to maintain the system, and we just have to work on the environmental retrofit.

How vulnerable is our grid system to terrorist attack? There's a lot of investment that's been going into automated controls, in monitoring on the transmission and distribution system.

As a sector, we work very closely with Homeland Security through the Edison Electric Institute. It's with Homeland Security, the Cyber Task Force, the FBI, the Department of Energy, and we continue to find and evaluate and make modifications to prevent cyber attacks.

We're very in tune with what the national labs are doing. We work together. All the utilities come together, public and private, in this communications of here's a vulnerability, here's the patch, here's what you have to do.

We could never stand up and profess we've got this thing fixed – forever. The only way to do that is take all the intelligence and controls off the system. Our approach right now is, first, stay in front of and understand with the government experts that are trending where the new vulnerabilities are at – and our engineers are doing the same thing – how quickly we can dispatch the technology to prevent that.

Do you believe in global warming or not? Everything we read and everything we're told, it is an imminent threat. And we think that action needs to be taken, but it needs to be a comprehensive plan that recognizes, at least for our sector, that it has to be balanced with what we can economically do to reduce our carbon footprint, along with delivering reliability for the system.

If your mother is watching on C-Span in New Hampshire, do you have a message? Hi, mom. [Laughter.]

DAVID RUBENSTEIN: Welcome, ladies and gentlemen, members and guests of The Economic Club of Washington, to this luncheon in the Atrium Hall of the Ronald Reagan Building in Washington, DC. This is our fourth event of our 28th season. I am David Rubenstein, president of the Economic Club. Our special guest today is Chris Crane, who is the president and CEO of Exelon Corporation, which is the nation's number one energy provider and the corporation that has proposed to buy Pepco.¹ Should regulatory approval go forward as expected, Exelon will eventually become the owner of Pepco.

¹ Potomac Electric Power Co., which supplies electric power to the Washington, DC, metropolitan area.

Exelon is one of the largest utilities in the United States – actually, by revenue probably is the largest. It has revenue of about, I guess, \$25 billion a year; a market cap of about \$30 billion a year. It has about eight million customers, is the largest operator of nuclear facilities in the United States, operating 23 nuclear facilities, and has about 26,000 employees. And that is before it acquires -- assuming regulatory approval occurs of the local facility here – Pepco – and that we'll talk about in a moment, but that would be a third major acquisition for those who haven't obsessed over the history of Exelon, Exelon was known as Commonwealth Edison in Chicago, and then they bought PECO, which was the Philadelphia-based utility, and then they bought the Baltimore-based utility, that was Constellation Water Gas & Electric. And so with this one, there would be an effective fourth company coming together under the brand name of Exelon.

The CEO since 2012 has been Chris Crane. He was, previous to that, president and chief operating officer. He joined the company, then known as Commonwealth Edison, in 1998 -- came in from TBA, where he was sort of a nuclear engineering expert, rose up in 2004 to become the chief nuclear officer of Exelon, and then later became the person in charge of all power generation there in 2007, and in 2008 became president and COO and then, in 2012, president and CEO. He is a native of New Hampshire; grew up in modest circumstances and has worked his way up to be the head of this company. So congratulations for your success in getting to this position.

So let me ask you first, who got paid for coming up with the name Exelon. [Laughter.] Did somebody come up with that, or was that just – how did you get that name? You had Commonwealth Edison – I can understand that, but where did Exelon come from?

CHRIS CRANE: It's a funny story. It was a default name in the merger agreement. Somebody was paid, at some point, to create the name, and it was a broadband company that PECO owned that had the name. In the merger agreement, the co-CEOs said, if we can't decide in 30 days, it will become this name. So we've been branded with a new name that we can't explain.

And we went into a restaurant a few months back and said we're with Exelon; they said, OK, go over here. And so a bunch of young engineers started to come in the room, and I'm shaking their hands – I'm feeling bad that I don't know them, and you know, I'm not sure why they're coming to our dinner, but then they figured out we were not Exxon, we were Exelon. [Laughter.] So we got a couple of resumes from the kids, and we hired one of them. [Laughter.] And it worked out well.

MR. RUBENSTEIN: Have you told Exxon to maybe change their name because it -- to avoid the confusion, or they haven't done that yet?

MR. CRANE: Yeah, I don't think Rex ² is up for that.

MR. RUBENSTEIN: OK. So, you can, with no disrespect to Senator Cardin or other Members of Congress who might be here – former Members – Senator Nichols (sp). You can make fun of lawyers and generally get away with it; you can make fun of Members of Congress or Congress

² Rex W. Tillerson, chairman, president, and CEO of Exxon Mobil Corporation.

and get away with it, and you can make fun of utilities. Why is it that people get – and they're dependent on – electricity, but they make fun of utilities. Why is that?

MR. CRANE: There's one thing that's a constant. Everybody is dependent on our reliable service, and from time to time, there's storms or other issues that cause reliability, and that brings on a tale of its own and a dissatisfaction. Our efficiency is always measured on the minutes of power being out versus hours or days of power being on. So there's a high expectation for our service, and we're all dependent on it. And so, you know, you'd like to get it for free instead of paying market price.

MR. RUBENSTEIN: Right. So, does your power ever go out? [Laughter.]

MR. CRANE: On occasion, it's gone out. We had a bad storm a couple of years ago. My daughter took to Twitter, and she pronounced that we had no power, and her father is head of the utility company, and I had to get her to take that one down right away. [Laughter.]

MR. RUBENSTEIN: But have you ever thought of getting a generator for these situations, or you don't want to do that?

MR. CRANE: You know what? We're glad to be the last one on. And so no generators. If all the neighbors' lights are off, mine need to be off, too. [Laughter.]

MR. RUBENSTEIN: All right. So Exelon is doing quite well. You managed to emerge these various companies in constellation, PECO and Commonwealth Edison. So why would you want to buy Pepco? Were you just sitting around, saying I need to get a little bigger? Or why did you – what was the attraction of Pepco?

MR. CRANE: It's not about the size. It's about creating value. We create value for the customers, all of our stakeholders, and we can also create value, at the same time, for our shareholders. What you look at in growing is being able to create synergies – synergies in savings, synergies in improved performance and operations. There's a great benefit to the consumer in that. And as I said, the shareholder gets to also benefit.

MR. RUBENSTEIN: All right, so let's suppose some investment bankers maybe came to you with the idea or your internal people or you came up with the idea, we should buy Pepco. Who called the CEO of Pepco and said, guess what, I'd like to buy you?

MR. CRANE: I called Joe.³ [Laughter.] I prefer to do the negotiating myself.

MR. RUBENSTEIN: All right. So he didn't slam down the phone and say, I want to be where I am, or how was that received?

MR. CRANE: We've gotten to know each other over the years. He's very easy to communicate with. So we said, let's go have dinner, and we sat down and I gave him the pitch. And he said, we don't need to do this, we have a pretty good plan on our own, but I can see the benefits to the

³ Joseph M. Rigby, chairman and CEO of Pepco.

customers. And the beginning of our conversation was more about enhancing reliability. As you get the scale of an operations like we're building, in sharing in resources, sharing with purchasing power, sharing with engineering standards, we could improve the reliability. Any good utility executive's number one concern has to be reliability. If you don't have reliability, customer satisfaction, you're not going to get rate recovery for your investment; you're not going to be received well in any regulatory standing.

MR. RUBENSTEIN: All right. Did anybody tell you that sometimes the power goes out here too, that Pepco has some issues? Did you know about that? [Laughter.]

MR. CRANE: I did. Yes, I did. [Laughter.] And I also knew there was a very good plan, a recovery plan, a unique one, that had been developed here in Washington, D.C., to improve that.

MR. RUBENSTEIN: So you announced this in April of this year, is that right, April of this year?

MR. CRANE: Yes.

MR. RUBENSTEIN: OK. Well, why does it take, like, a year and a half or over a year to get these approved? Who do you have to get the approval from?

MR. CRANE: So the unique thing about utilities, they're actually regulated monopolies. And the test of all of the regulators that oversee the jurisdictions that we have our franchise agreements in, that we operate in, is to ensure that any transaction that we do is to the benefit of the consumer. And it has to be a very open process. Everybody has got to have their say, and you go through a regulatory process that's balanced, but the accountability is on the regulator to ensure that this is going to improve and be to the benefit of the consumer. That takes a while. People have to have their voice. And so in this case we see all the regulatory proceedings happening or moving on what would be the expected timeline.

MR. RUBENSTEIN: To close roughly when; when do you think you'll get approvals, assuming you get them?

MR. CRANE: Well, our approval team is here. My target was Christmas, but they said that that's not going to happen. [Laughter.] So they have from the beginning said the second and third quarter of 2015.

MR. RUBENSTEIN: They said no later than Christmas of next year, though.

MR. CRANE: Well, that's what they're starting to say now. [Laughter.]

MR. RUBENSTEIN: OK. So when you buy a utility, will you keep the name Pepco? Will it be called Pepco still, or something else?

MR. CRANE: It will. As we put more utility companies into the Exelon utility family, we maintain the local brand and the local presence.

MR. RUBENSTEIN: All right. So whenever you're a local company and you are bought by somebody that's not from that area, one of the concerns occurs in the nonprofit area because people say, well, we're getting a lot of charitable contributions and philanthropic benefit from the company because they want to be well-known in their community for doing good things. What is the likelihood that you will still remember this area when you are running things from Chicago?

MR. CRANE: So we understand that to be in an area, you have to have relevance. So your service territory that you provide for has got to be local presence, as I said, and we have to continue to have relevance supporting the needs of the community. We have a long record at all the Exelon companies of doing that. We have committed in our merger proceeding, our regulatory filing, to maintain the level of philanthropic activity that has been – now is at a high, that Joe Rigby and his team have brought to a high – we'll maintain that for a minimum of 10 years as a minimum number. So we'll be continuing on with that.

MR. RUBENSTEIN: Now, before you came along, Joe was thinking of – [applause]. OK. Joe was thinking of maybe retiring at a very young age, and now you're making him stay on; is that right?

MR. CRANE: Till we get it closed.

MR. RUBENSTEIN: OK. So I want to ask you about nuclear energy because you're an expert in that. You came out of the nuclear area. Is it possible to build another nuclear power plant in the United States in the next 10 years? Is any of them going to ever be built, or not?

MR. CRANE: There are five units under construction right now. They're in the Southeast and they're in a regulated market, which is a vertically integrated generation through-the-wires company regulated style marketplace. Where Exelon operates, as is in D.C. all the way up through the Northeast and out to the Midwest, we're in competitive markets, where power is dispatched based off of its price in a competitive fashion. So, unfortunately, the market does not support, from an economic standpoint, the development of merchant nuclear power. If you look at natural gas prices, which have dropped significantly over the past few years, onset of new technology, pulling out the natural gas, the natural gas prices today are probably \$3.75 an mmBtu. To build a nuclear plant and compete against natural gas, you'd have to have natural gas at about \$13 an mmBtu, which would totally stifle the economy. It's just not economic.

MR. RUBENSTEIN: In other words, to build a nuclear power plant which would today cost \$4 billion, \$5 billion, \$6 billion-something, or more?

MR. CRANE: A dual-unit site costs \$16 billion.

MR. RUBENSTEIN: Like I said, it costs \$16 billion. [Laughter.] So \$16 billion, so you need energy at a very high price to make it work. And so therefore, we have about 103 or 105 nuclear facilities in the United States?

MR. CRANE: Right.

MR. RUBENSTEIN: And that's about what we're going to have?

MR. CRANE: Well, there will be the five that are under construction right now. We're working on securing the economic viability of the other units. We make a significant investment every year into the nuclear fleet across the country. People look at the plants as 30 years old. Over the period of the average age of a nuclear plant, every year there's hundreds of millions of dollars in the country being spent on upgrading systems, upgrading controls. So maintaining them at a high level is our focus right now, through our friends here with the Nuclear Energy Institute and the Edison Electric Institute is ensure that we have the regulatory support and the market design to keep the existing plants operating to an extended life.

MR. RUBENSTEIN: I should have mentioned you're the chairman of the Nuclear Energy Institute and the vice chairman of the Edison Electric Institute; is that right?

MR. CRANE: Yeah, and my good friends, yes. [Laughter.]

MR. RUBENSTEIN: OK. So today do you care if oil prices are \$80 a barrel, \$100 a barrel, \$120? Does it make a difference to you? And, you know, for the consumer does it – should it make a difference?

MR. CRANE: Well, definitely to the consumer. I mean, the oil price is coming down, gasoline prices are coming down, there's more liquidity that the families can have to spend and pay their bills. But it does not affect electric prices any longer. Some years back, electricity was being generated significantly by oil, and when oil would get to a certain price, the power plants would switch over to burn natural gas. So there was always a tendency to lock those two together. With the onset of massive amounts of natural gas and the depletion of electricity generated by oil, they've separated. So from an energy perspective or an energy-pricing perspective, oil really doesn't affect us.

MR. RUBENSTEIN: What about coal? Is coal something that's just in the past, or do you really think there's a future in coal, for coal in the United States?

MR. CRANE: There's definitely a future for many of the existing assets that have invested into the environmental retrofits to have them comply with the clean air standards. There's advancement coming on clean coal technology, although right now it's very expensive and it's more in the exploratory side. But the one thing that we have to understand and respect, as we move to more renewables, which are definitely good – we see that as an advantage for the country and for the environment – we have to remember the standards of reliability.

During the polar vortex, it was an eye-opening event. We've had a greater dependency on natural gas and we all support the development of natural gas. There are periods of time during weather situations where the renewables just can't get the wind to run or the sun to shine. We got to a point of almost losing the grid on July 7th of last year. The nuclear plants were running straight up. The weather doesn't affect them. Many of the coal units were running, but

some were very affected by the cold weather, and some of these are aging plants that are going to be shutting down in a year or two because of laws. And then you're dependent on the natural gas plants. And what happens, there is a lack of coordination today, we're working on that coordination, but there's a lack of coordination between the gas day and the electric day. The number one priority for the natural gas system is to maintain home heating. So that means the gas plants can't get the natural gas to operate.

So long story short, we can't walk away from coal. There's a reliability issue to maintain the system, and we just have to work on the environmental retrofit.

MR. RUBENSTEIN: But what percentage of the power that you generate comes from renewables and/or wind or solar – is there a certain percentage you can say?

MR. CRANE: For us, as Exelon, we're close to 60 percent nuclear, another 30 percent natural gas and about 10 percent hydroelectric, solar and wind.

MR. RUBENSTEIN: And do you think solar will ever be economically feasible to be a significant contributor to you or other major utilities?

MR. CRANE: I think the economics of solar is improving. It works right now only with an investment tax credit and state tax credits. We see the cost of development of the technology coming down, and someday it will be at parity.

But then you have to step back and say, how do I design a grid that can operate when the sun doesn't shine? We don't have an economic storage technology right now. We get breakthroughs on batteries and mass storage facilities, then you can build a system that's much more dependent on solar and wind. But until that breakthrough happens, you have to back up those resources with either gas, coal, or nuclear.

MR. RUBENSTEIN: So one part of your job, I assume, is dealing with regulators, legislators. Do you enjoy that part of your job? [Laughter.]

MR. CRANE: With all the regulators and legislators in the room, I do. [Laughter.]

MR. RUBENSTEIN: You do. OK. So what is the hardest thing to convince legislators or regulators about your industry?

MR. CRANE: We do not have the elevator speech on how the electric or natural gas system works. When we start talking, we get into acronyms, and we lose people right away, and I've probably done it three times in this conversation already today.

What we have to do is get everybody to understand it's an all-in-the-above technology right now, that we have to balance our capital expenditures and our resources, focus on reliability, balance that with environmental, and then continue to advance technologies.

We're in the situation right now where people really do want renewable energy. And we're a renewable energy provider, but you can get to a certain point where you saturate the

market. California – it’s been very public – the system operated in California – in a couple years they will have incented so much solar and wind in California – right now the power’s probably selling on the wholesale market here for about \$35 or \$40 a megawatt hour. In a couple years in California there will be so much solar on the system to be able to operate the system with levels of stability, they’re going to pay people \$300 a megawatt hour to consume power during the middle of the day.

What we’re trying to message without complicating it too much – there is no reason to take good resources, tax-based incentives or others, and overstimulate and subsidize certain technologies that are going to have a real economic – it’s going to put a drag on the economy. You know, I was going to say devastation, but it’s – Germany is a perfect example. We’re looking at what’s happened in Germany – the renewables poll well; everybody wants the renewables. The nuclear plants are shut down. Their carbon footprint has increased because they’ve have to create a higher dependency on coal and natural gas, and the economics of power now in Germany are preventing them from holding the competitive position they maintained in the EU.

MR. RUBENSTEIN: Now some people say that the electricity grid in the United States is antiquated. It was, you know, put together over many years. Do you think it’s subject to terrorist attack? How vulnerable do you think our grid system is?

MR. CRANE: Yeah, the grid has been invested in and evolving over the years. We would all like to put more investment and more transmission lines to move power from heavy generation pockets like the Upper Plains in the Midwest, where we have a lot of renewable energy that’s constricted. We would love to have improved policies to be able build more transmission and move power around. But there’s a lot of investment that’s been going into automated controls, in monitoring on the transmission and distribution system.

As a sector, we work very closely with Homeland Security through EEI, the electric security council. It’s with Homeland Security, the Cyber Task Force, the FBI, the Department of Energy, and we continue to find and evaluate and make modifications to prevent cyberattacks.

We’re very in tune with what the national labs are doing. We work together. All the utilities come together, public and private, in this communications of here’s a vulnerability, here’s the patch, here’s what you have to do.

We could never stand up and profess we’ve got this thing fixed – forever. The only way to do that is take all the intelligence and controls off the system. Our approach right now is, first, stay in front of and understand with the government experts that are trending where the new vulnerabilities are at – and our engineers are doing the same thing – how quickly we can dispatch the technology to prevent that.

MR. RUBENSTEIN: Now when I was growing up in Baltimore, they used to have people come and they were called meter readers. You know what that is? That’s a person who had to read your meter, and they would sort of see how much electricity you used or something. I guess we

don't have that anymore, because I don't see any people coming to my house reading my meter. But how do you know how much electricity I'm really using? How accurate is your standard?

MR. CRANE: So surprisingly, we still have a lot of meter readers in some of our companies. These are people – they go out to everybody's house and read the meter. And the number one safety issue we have in some of our companies are dog bites. But we're moving beyond that. We have a program at all of the Exelon companies, as with Pepco, to put in what's called smart meters. And with a smart meter, it's a digital meter that can be read remotely. We're putting in communications systems protocols so we can gather that information, not only to read the meter and have an accurate bill sent out on a monthly basis, but you were talking about your power being out. If one of our customers without a smart meter has their power out, we don't know it till they call us.

The technology that we need to better operate the system is coming with the smart meters. It's not just about billing. How do you dispatch trucks? A storm comes through, we'll have the data analytics to be able to tell us the extent of the outage. We'll know about the size of the crews. We can get to the damaged areas faster.

In many utilities today, when a storm goes through, you just send the scopers out, the guys in the pickup truck, and they ride up and down the street, and they write down how bad it is and the area, and then they go back and get to the board and plan how they're going to fix it. Technology is really moving us to be much more productive.

MR. RUBENSTEIN: And the dogs – are they the big problem for the meter readers or not so much?

MR. CRANE: They are. They are a problem. Meter readers are entry-level positions into the utilities. Utilities are great careers. They create generational wealth because we take people in.

And so we had two meter readers in the Rock River region out in the west side of Illinois that did an app on their iPhone, and they linked it to Google Maps, and they put information on every one of the customers. Rural area, they were riding around. Where's the meter? What side of the house? Here's how it connects to Google Maps. And then they would put in 'dog's never on the chain' [laughter] – you know, 'dog's OK.' And so they're helping each other communicate. But – another generation.

MR. RUBENSTEIN: One time I had a summer job. I was a mailman, and they give you a little can of mace in those days, and if a dog comes along, you spray it. So naturally, a dog came along, and I sprayed it, and then later a woman came up to me and said, did you spray my dog? I said yes. Here's the dog. No teeth and blind. [Laughter.] I mean – well, I said, I didn't – I didn't know. It looked like it was dangerous. I couldn't tell. OK. [Laughter.]

So global warming – do you believe in global warming or not?

MR. CRANE: I'm not a Scientologist. Everything we read and everything we're told, it is an imminent threat. And we think that action needs to be taken, but it needs to be a comprehensive

plan that recognizes, at least for our sector, that it has to be balanced with what we can economically do to reduce our carbon footprint, along with delivering reliability for the system.

MR. RUBENSTEIN: All right. So if you could move to any country in the world and have the best electricity in terms of reliability and cost effectiveness, what country do you think is the best?

MR. CRANE: United States.

MR. RUBENSTEIN: Other than the United States?

MR. CRANE: It would have to be Canada, I would think. If you look at it, we have in North America the natural resources to be able to deliver power at a lower price. Australia is probably close to that. Once you get to the European nations, it is much harder, it's mostly imported resources. And then the costs in other areas are subsidized. So if you go into China, you don't really know what the cost of power is.

MR. RUBENSTEIN: Suppose I wanted to move someplace in the United States and I wanted the most reliable power at the lowest cost but didn't want to live in an Exelon area. What state should I move to – what power providers do you most admire?

MR. CRANE: Well, for reliability, one of the companies that we benchmark off quite a bit is Nextera, Florida Power and Light. In a service area in Florida that's been afflicted by many hurricanes, they have mastered lightning protection. Every year, we benchmark all the utilities and performance around customer satisfaction, reliability, and that's one company that's usually at the top, if not at the top.

MR. RUBENSTEIN: So when you look at what you're going to do in Washington, assuming the approvals come through, are there any specific things that you have in mind to make Pepco even better?

MR. CRANE: Well, there's a very good plan that Joe and his team have pulled together over the last couple of years to support the mayor and the council on how to move forward and make that investment. The system in D.C. has been vulnerable – it's an overhead system, and it's got some years on it, like many of our cities. It's very expensive to underground cable.

Undergrounding cable can give you higher reliability, and especially in some of these congested areas, it's a unique program on how it's being funded here. Continuing that program is going to be critical to the success of the commitments that we're making in our merger agreement. We're putting money behind our commitment to say we'll improve reliability. And I believe the number that we're committing to by 2020 is 48 percent reliability improvement, if I've got the experts right here.

But if we don't make that, we should get dinged in our earnings. We're confident enough that the plan that's been laid out in putting together our resources from all of our engineering units and project management units that we can deliver on those results.

MR. RUBENSTEIN: Now, you grew up in New Hampshire, and not, as I mentioned earlier, from a wealthy family. Your father died when you were in the third grade and your mother then raised four children.

MR. CRANE: She did.

MR. RUBENSTEIN: And she's now 89 years old, living alone in New Hampshire and chopping ice whenever it gets on the sidewalk.

MR. CRANE: That's her hobby in the winter. [Laughter.]

MR. RUBENSTEIN: OK. So how did you, you know, manage to get from, you know, a very modest background – no money from your family and, you know, a single mother raising four children – to be the CEO of this company. I mean, what do you think the attributes were that enabled you to do this? Was it hard work, intelligence, luck? What would you say?

MR. CRANE: Probably not intelligence, but – [laughter]– more hard work and overcompensating for maybe the intelligence gap. But to be honest, I've been blessed to work for some good folks that allowed me to have opportunities to stretch myself and try different things. And a term that's being coined now more than it was then, you know, being able to fail forward a little bit and test myself. And that's one of the things that we're trying to bring into Exelon and all of its organizations, its companies, is how do you sponsor people; our diversity initiatives; being able to hire and promote and look more like the communities that we work in; having development programs; having people understand part of their job is production, a big part of their job is developing the people under them. So that's what I was able to get when I came up and –

MR. RUBENSTEIN: OK. So what do you do when you're relaxing? You just don't go around and look at people's meters and so forth – [laughter] – you must – you know, do you have any outside interests or –

MR. CRANE: So I relax on the golf course, which is not very relaxing if you see my game. I've got to find some way to relax better. I enjoy skiing with my son in the winter. We spend a lot of time on the slopes. And just doing mostly family stuff and then frustrating myself on the golf course from time to time.

MR. RUBENSTEIN: I've taken up miniature golf. It's much easier, less frustrating. You should try that. [Laughter.] No, it's easier. It's not as frustrating and time consuming either. [Laughter.]

So today, what would you like to see – you have a long way ahead of you to be doing this because you're relatively young for a CEO in this position. But what would you like to see your legacy to be at Exelon to make it the best respected – most respected utility in the – in the United States? Or what are your goals?

MR. CRANE: That's definitely balancing the performance of the company. First of all, to create a company that's respected and relevant in the communities that we serve. We have got to be part of improving all of our communities. We're in urban areas that need a lot of help from the corporations around them. So getting the company to perform and be respected and have relevance, to be able to provide a product at the right price with the right level of reliability, have a place that the next generation wants to come work and have the opportunities that those of us who will be retiring have had throughout our career.

MR. RUBENSTEIN: OK. So has it ever occurred to you that you have now Philadelphia, you've got Baltimore, you might have Washington, that maybe your corporate headquarters could move to Washington, D.C., the nation's capital. You could have all these things on the East Coast. Any plans to move your corporate headquarters here?

MR. CRANE: We have not talked about moving the corporate headquarters. We run a virtual headquarter right now. I'm on the East Coast more than I'm in Chicago. I think I got to Chicago five days over the summer.

It's not so much about the corporate headquarters, it's about what are we doing in developing in the communities. We'll have a significant presence not only with Pepco, but we have an office here in Washington, the Exelon office. We're building a trade floor and a state-of-the-art facility for our energy trading business in Baltimore under the Constellation brand. We'll continue to invest – over the next five years, Exelon alone in the utility side of the business will be investing \$15 billion into the communities we serve. Significant investment.

Pepco will continue on with the commitments of the capital improvement plans. The Pepco plan alone on investment in this area can have up to, the study shows, 11,000 to 14,000 jobs being created, and the investment that spins off of that, we think, is significant.

Did I dodge that question well enough?

MR. RUBENSTEIN: Well, let's see if you can dodge this one. [Laughter.] Let's suppose I'm a customer of yours, but I've lost the bill I get for the month and I pay it late. Is there a penalty for paying it late? And do you really go after people who don't pay their bills for – how many months before you really shut off the electricity?

MR. CRANE: So what's the grace period? Each jurisdiction has a little bit different rule based off of how the state or the local city or jurisdiction wants it to be run. There's a defined process in Philadelphia on 30, 60, 90 days and then we don't disconnect during very hot periods or very cold periods, but there is a disconnection that will eventually happen.

If we were to allow customers not to pay, we have to get a recovery on our investment. That spreads the cost of that individual over the rest of the customers, and so there's a parity issue that we have to deal with. We're measured and held accountable on collections, so each one of our jurisdictions looks to make sure that we have the right percentage of collections and we continue to work on it.

But the balance is all of our jurisdictions have low-income programs or if somebody's fallen on hard times and hardship, they can call our customer service center, they can have a conversation, and they're directed to a group that will help them manage through that period.

MR. RUBENSTEIN: All right. If your power goes out, what is the best way to convince somebody on the other line who's working for the utility that you need your power fixed right away? Is it to yell and scream, to say I know – I'm going to call the senator, I'm going to call the mayor? What's the best way to get their attention? [Laughter.]

MR. CRANE: We understand everybody wants their power back on right away. What we have to do is do it in the most methodical way possible. So we have to dispatch our crews that look at what damage can they fix at first that bring the majority of the customers back on faster. So we wish we could prioritize one person over the other, we have to prioritize the masses. We have identified sensitive spots – hospitals, nursing homes, places like that – that you've got to get your resources to quickly.

So yelling won't help. If you ever want to have an interesting time, come to one of our call centers during a storm and see what the poor call center representatives have to go through. It can be quite abusive. But they're trying to –

MR. RUBENSTEIN: If you go to one of the call centers, can you get your service repaired more quickly, or not really? [Laughter.] No, not that easy?

MR. CRANE: No. No.

MR. RUBENSTEIN: OK. So, well, listen, you told me your mother is a fan of C-SPAN and she might be watching you, so do you have any message to your mother?

MR. CRANE: Hi, Mom. [Laughter.]

MR. RUBENSTEIN: OK. Thank you very much for what you're doing, and thank you for a very good –

MR. CRANE: Appreciate it. Thank you.

MR. RUBENSTEIN: I have a gift for you. This is a copy of an historic map of the District of Columbia.

MR. CRANE: Thank you very much. Appreciate it.

MR. RUBENSTEIN: Thank you all. Thank you. [Applause.]



CHRISTOPHER M. CRANE

President and Chief Executive Officer
Exelon Corporation

Christopher M. Crane is president and chief executive officer of Chicago-based Exelon Corporation, the nation's number one competitive energy provider. He oversees a family of companies representing every stage of the energy value chain, with approximately 35,000 megawatts of owned generating capacity and 7.8 million electric and natural gas customers in Illinois, Maryland and Pennsylvania.

Professional History

Mr. Crane previously served as president and chief operating officer of Exelon Corporation. In that role, he oversaw one of the U.S. industry's largest portfolios of electric generating capacity, with a multi-regional reach and the nation's largest fleet of nuclear power plants. He directed a broad range of business including major acquisitions, transmission strategy, cost management initiatives, oversight of major capital programs, generation asset optimization, and generation development.

Mr. Crane has worked in the nuclear industry in progressively more responsible positions for over 30 years. He joined Exelon (then ComEd) in 1998, and was named Chief Nuclear Officer in 2004. He was a key player in the dramatic turnaround of ComEd nuclear performance, and the development of Exelon's proprietary Nuclear Management Model: a codification of industry-leading operational, safety, management, regulatory, workforce, and financial practices. The Model is the key to Exelon Nuclear's sustained excellence in production, cost, and overall effectiveness.

Mr. Crane assumed responsibility for Exelon's fossil, hydro and renewables facilities, in addition to the nuclear fleet, in 2007. He has directed a broad range of generation and business development initiatives, including new nuclear development, nuclear operating services, development of the nation's largest urban solar project, innovative decommissioning strategies, and asset optimization. He was instrumental in establishing corporate citizenship and public outreach as a plant priority. Mr. Crane was named President of Exelon Generation in 2008, with added responsibility for Power Team, Exelon's wholesale power trading and competitive retail organization.

Prior to joining Exelon, Crane served as Browns Ferry Site Vice President for Tennessee Valley Authority, and worked in new plant start-up at the Comanche Peak Nuclear Power Plant in Texas and Palo Verde Nuclear Generating Station in Arizona

Industry Leadership

Mr. Crane is an acknowledged leader in the electric utility and nuclear industries. He is vice chairman of the Edison Electric Institute and vice chairman of the Institute of Nuclear Power Operations, the industry organization promoting the highest levels of safety and reliability in nuclear plant operation. He is chairman of the Nuclear Energy Institute, the nation's nuclear industry trade association, where he has also served as chairman of the New Plant Oversight Committee, and as a member of the Nuclear Strategic Issues Advisory Committee, the Nuclear Fuel Supply Committee, and the Materials Initiative Group.

Education

Mr. Crane studied at New Hampshire Technical College, and attended Harvard Business School's Advanced Management Program. He previously held a senior reactor operator certification.