

# **Exelon Corporation (EXC) Q2 2024 Earnings Call Transcript**

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**Body**

Exelon Corporation (EXC)

Q2 2024 Earnings Conference Call

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Company Participants

Andrew Plenge – Vice President-Investor Relations

Calvin Butler – President and Chief Executive Officer

Jeanne Jones – Chief Financial Officer

Gil Quiniones – President and Chief Executive Officer-ComEd

Tyler Anthony – President and Chief Executive Officer-Pepco Holdings

Dave Velazquez – President and Chief Executive Officer-PECO

Colette Honorable – Executive Vice President-Public Policy and Chief External Affairs Officer

Conference Call Participants

Shar Pourreza – Guggenheim Partners

David Arcaro – Morgan Stanley

Steve Fleishman – Wolfe

Paul A. Zimbardo – Jefferies

Anthony Crowdell – Mizuho

Presentation

Operator

Hello, and welcome to Exelon's Second Quarter Earnings Call. My name is Gigi, and I'll be your event specialist today. All lines have been placed on mute to prevent any background noise. Please note that today's webcast is being recorded. During the presentation, we will have a question-and-answer session. [Operator Instructions]

It is now my pleasure to turn today's program over to Andrew Plenge, Vice President of Investor Relations. The floor is yours.

Andrew Plenge

Thank you, Gigi. Good morning, everyone. We're pleased to have you with us for our 2024 second quarter earnings call. Leading the call today are Calvin Butler, Exelon's President and Chief Executive Officer; and Jeanne Jones, Exelon's Chief Financial Officer. Other members of Exelon's senior management team are also with us today, and they will be available to answer your questions following our prepared remarks. Today's presentation, along with our earnings release and other financial information can be found in the Investor Relations section of Exelon's website.

We would also like to remind you that today's presentation and the associated earnings release materials contain forward-looking statements, which are subject to risks and uncertainties. You can find the cautionary statements on these risks on Slide 2 of today's presentation or in our SEC filings. In addition, today's presentation includes references to adjusted operating earnings and other non-GAAP measures. Reconciliations between these measures and the nearest equivalent GAAP measures can be found in the appendix of our presentation and in our earnings release.

It is now my pleasure to turn the call over to Calvin Butler, Exelon's President and CEO.

Calvin Butler

Thank you, Andrew, and good morning, everyone. We appreciate you joining us for the call and are pleased to be reporting a solid second quarter earnings and operational performance, keeping us on track to deliver consistent and stable performance once again. We expect to deliver within our guidance range of $2.40 to $2.50 with the goal of being at the midpoint or better, and we are reaffirming all of our long-term guidance. That includes investing $34.5 billion to grow rate base at 7.5%, resulting in annualized earnings growth of 5% to 7%.

For the quarter, we delivered $0.47 per share of adjusted operating earnings, above our expectations, driven primarily by favorable weather in our non-decoupled jurisdictions, along with timing of spend and ComEd distribution revenues. We also performed at operationally high levels, achieving top quartile or top decile reliability performance across the board. We have also continued to make progress on the regulatory front. Our revised Grid Plan process in Illinois is on track and approval by the end of the year is a top priority.

Since our last earnings call, we are through two rounds of testimony from staff and intervenors, and we have narrowed open issues with many interveners and staff. We will continue to work with parties to address open items in advance of the evidentiary hearings. We are encouraged that we've been able to reach agreements with key parties like the City of Chicago, the Building Owners and Management Association and the environmental coalition, JNGO [ph]. Each has recognized the progress made in our revised plan and its compliance with the Climate Equitable and Jobs Act, a key focus of the commission. These affirmations are good examples of what differentiates the process this year. Approval of the plan will ensure that Northern Illinois will receive the investment needed to maintain an affordable, resilient, reliable and clean grid for its customers and will support the state's success in attracting new business.

In addition, the process for our PECO rate cases remain on track for orders by the end of the year, and Pepco DC's rate case continues, where we await a final decision in its second multiyear plan upon completion of the briefing schedule on August 30. Finally, we received an order in PECO Maryland's second multiyear plan rate case filing, which adopted a one year framework, with the ability to refile for new rates while we await the outcome of a lessons learned process in the state. Now the short rate plan maintains some of the positive elements of multiyear rate making, such as a reconciliation and the ability to update rates next spring offers an opportunity to keep rates more current with cost.

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All stakeholders, including Exelon, are interested in making sure the investments we make keep us on track to meet the goals of Maryland's Climate Solutions Now Act while appropriately balancing interest across stakeholders, all stakeholders, which includes customers, policymakers and regulators. There are many ways to strike that balance and rate-making constructs are a key tool to do that. We think multiyear plans provide a great foundation offering unparalleled transparency, accountability and alignment, including a reconciliation process that allows all stakeholders to understand how we performed against the approved plan.

But alignment on an agreed-upon path forward that works for everyone is critical, particularly since the need to invest in the grid is only growing with increased electrification, diverse and sophisticated power supply and demand technologies and the increased strain on our grid caused by severe weather. The broken investment has only accelerated as the proliferation of artificial intelligence has significantly boosted data center development, as Jeanne will discuss in her remarks.

The states are simply too high to lack confidence that we are prioritizing the investments most important to our customers, multiyear plans can provide that confidence and transparency to customers and when done right, ensure alignment with all stakeholders. We are refining our regulatory strategy to follow the lead provided in the final quarter. And more important, we stand ready to engage in a lessons-learned process to ensure we can find common ground on any adjustments to address stakeholders' areas of focus. In the meantime, given the deviation from the approach used by the commission since 2021, we are taking action on the current order and seeking more clarity, as Jeanne will discuss in her remarks.

Now turning to our operational performance on Slide 5, you can see that our performance through the first half of the year remained strong. ComEd and PECO Holdings are performing at top decile levels despite ComEd experiencing four times the amount of storm activity in the second quarter versus last year.

I just want to pause and say how incredibly grateful I am for the committed employees that serve on the front lines during these increasingly challenging storm seasons.

Just in the past few weeks, our ComEd crews headed down to the Gulf region to provide mutual assistance after Hurricane Beryl, only to come back to respond to four ways of back-to-back storms in Illinois, in which there were 41 confirmed tornadoes, impacting 500,000 customers. ComEd experienced the most severe storm in its territory in more than 15 years. And yet, within two days, we had restored 80% of the impacted customers, which is a true testament to the importance of prudent grid investment and our employees' relentless dedication to our customers.

We can't thank our employees and those providing mutual assistance enough for their commitment to serving all of our customers. This operational excellence is matched on the gas side as well.

Now on the safety front, I'm pleased to report that BGE, PECO and Pepco Holdings are all now top decile, with PECO improving from second quartile into the first quartile. Our utilities continue to leverage our new safety observation platform to take action before an incident occurs with over 1,000 supervisors and safety professionals trained on our new tools. ComEd is continuing to build upon this focus with the goal of moving into the top quartile, and we look forward to sharing more on its progress on our next earnings call.

Lastly, our customer satisfaction scores remained consistent with prior quarter with ComEd and PECO in the top quartile, Pepco Holdings in the second quartile and BGE in the third quartile. Pepco Holdings and BGE have both made progress toward improving their performances, implementing actions based on the findings from their customer experience, working groups and data analytics.

ComEd actions to improve performance include: enhanced accuracy for time to restore communications, greater self-service options for new business and interconnections and customer assistance campaigns targeted at newer groups such as moderate income customers. We look forward to the second half of the year, bringing continued operational excellence and delivering industry-leading value to our customers.

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I will now turn the call over to Jeanne to cover our financial and regulatory update. Jeanne?

Jeanne Jones

Thank you, Calvin. And good morning, everyone. Today, I will cover our second quarter financial update, along with the outlook for the second half of 2024 and our progress on the rate schedule and highlight two projects that demonstrate the breadth of our opportunities associated with growing load and infrastructure demand.

Starting on Slide 6, we show our quarter-over-quarter adjusted operating earnings lock. As Calvin mentioned, Exelon earned $0.47 per share in the second quarter of 2024 versus $0.41 in the second quarter of 2023, reflecting higher results of $0.06 per share over the same period. Earnings are higher in the second quarter relative to the same period last year, driven primarily by $0.06 of higher distribution and transmission rates associated with incremental investments and completed rate cases net of associated depreciation. And $0.03 of favorable weather, partially offset by $0.03 of higher interest expense due to higher levels of debt at increased interest rates.

As Calvin mentioned, we delivered earnings results above the guidance we provided in our prior quarter call due to favorable weather conditions, early execution of our weather and storm recovery plan and timing of ComEd's distribution revenues.

Operating earnings of $1.16 per share through the first quarter of 2024 reflects 47% projected full year earnings, which is in line with how we've affirmed through the first half of 2023.

As we look ahead to next quarter, we expect a relative EPS contribution in the third quarter to be largely in line with prior year at approximately 27% of the midpoint of our projected full year earnings guidance range.

Our outlook for the second half of 2024 assumes fair and reasonable outcome for Pepco DC's multiyear plan rate case and the BGE and ComEd reconciliation, and it incorporates July weather and storm activity with the same geothermal conditions for the balance of the year.

On a full year basis, we remain on track for operating earnings of $2.40 to $2.50 per share in 2024, and we reaffirm our long-term annualized operating earnings per share guidance range of 5% to 7% and through 2027 with the expectation to be at the midpoint or better of that growth range.

Turning to Slide 7, as Calvin highlighted, there have been some important regulatory developments across our utilities that I will review, beginning with ComEd. Coming out of two rounds of staff and intervener testimony, we are encouraged by the support that ComEd revised grid plan is compliant with the requirements of the Climate and Equitable Jobs Act. And that it represents an appropriate balance between affordability and supporting the state's clean energy goals. With our proposal representing an average annual increase to the total residential customer bill of only 1.8% through 2027 relative to December's final order.

ComEd filed its Solar Parties [ph] testimony with the Illinois Commerce Commission on July 31, marking the end of rebuttal [ph] testimony and another key milestone in the procedural process. The company and parties to the case had into evidentiary hearings in mid-August, followed by the briefing process in September and a proposed ALJ order in mid-October. A final order is expected in December 2024 for rates that will go in effect by the start of 2025.

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Turning to Pennsylvania, on July 16, PECO filed its rebuttal testimony with the Pennsylvania Public Utility Commission in support of both its electric and gas distribution rate cases ahead of the hearings in early August. The cases are following the expected schedule with orders anticipated from the PAPUC before the end of 2024.

Moving on to Pepco Holdings on July 30 to DC Public Service Commission held legislative style of hearing to re-hear oral arguments from key stakeholders and Pepco DC on its pending multiyear re-plan filing. We are committed to working with DC towards their goals to meet their energy transformation aspirations, having at the commission's direction provided an extensive lessons learned from the first MYP and supplemental testimony detailing each of the benefits as well as enhancements and modifications to improve the MYP framework. Based on the latest procedural schedule, which concludes with the post-hearing brief in late August, we anticipate a final order in the fourth quarter of this year.

I'll close by providing an update on the Pepco Maryland final order we received on June 10, which adopted a one-year plan with a total revenue increase of $44.6 million and a 9.5% ROE. We appreciate the ability to file for new rates effective at the end of the one-year plan and the ability to reconcile eligible costs in excess of those approved.

And while we were disappointed not to receive rates over the full period requested, we remain committed to engaging with the Maryland Public Service Commission on its lessons learned process, which we anticipate will commence next year.

As Calvin noted, we believe strongly in the merits of the multiyear plan framework, and we embrace the opportunity to discuss ours and other stakeholders' learnings after 3.5 years operating under that construct, where we've consistently delivered above average reliability under below average rate.

In the meantime, Pepco is requesting that the commission rehear and reconsider certain aspects of their decision, including some of that Fed proposed for removal from the plant. As always, we advocate for transparency, accountability and alignment in the rate making constructs in our jurisdictions and are prepared to work with each to ensure just and equitable energy transformation for all. More details on the rate cases can be found on Slides 20 to 30 of the appendix.

On Slide 8, we highlight two projects that showcase the power of our footprint and platform to attract and meet a variety of low growth opportunities. This growth is driven by continued momentum around AI-driven data center demand, onshoring of energy intensity industries and overarching economic development, electrification and decarbonization trends.

In June, ComEd joined Compass Datacenters to launch one of the largest ever Illinois data center projects, bringing over 1,000 construction jobs to the nearly 200-acre former Sears headquarters campus. The project helps ComEd further advance economic development in the area and is a great illustration of why Northern Illinois ranks within the top five in the nation for data centers and is a top attraction for other high-density load customers.

With ComEd having 25 years of experience working with data center customers and recognized for its best nation reliability last year, companies in energy-intensive industries are drawn to the region due to strong infrastructure, ideal climate conditions, access to talent and affordable rates for all customers, supported by our ability to deploy investment in an efficient manner. This growth in high-density load, not just in data centers, but also in solar panel production, EV battery manufacturing, hydrogen production, quantum computing and other industries is one of several drivers for why our transmission spend increased by 45% in our four-year plan as discussed in the Q4 call and shown again on Slide 13 of the appendix. It also drove a significant update in new business in our refiled grid plan, with final spend eligible for full reconciliation under the multiyear plan framework.

Supporting this development ensures the economic vibrancy of our communities. As last year alone, ComEd was part of securing 15 new commercial projects that are set to add over 4,000 jobs and more than $8.6 billion of local investments.

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Shifting the focus to Maryland, BGE is playing a crucial role in transforming the Baltimore Peninsula into the city's newest and largest mixed-use community. The area which will benefit from multiple new or rebuilt substations will help to release capacity constraints and provide grid resilience to both new and existing customers. Accommodating 100 megawatts of load and supporting the connection of distributed solar and EV charging stations.

The 235-acre project will result in new and redeveloped mixed-use and residential buildings and host the new Under Armour global headquarters, playing a central role in the revitalization of South Baltimore. As the largest transmission and distribution utility in the country by customer account, we are an integral partner to areas like Baltimore City for revitalization and economic development, addressing aging infrastructure challenges, the need for new development and electrification and the capacity constraints from increased load.

At these two projects highlights, we are uniquely positioned to support our jurisdictions to meet load growth demands in an equitable manner, no matter where the load is located. We operate in six utilities across seven jurisdictions, including FERC, are a leader and operator in the sector and provide a world-class customer experience with bills and rates below national averages.

Beyond our size, scale and operational excellence, we have one Exelon platform to unify our utilities that allows us to support customers at a national level, identifying attractive locations to support incremental load in states of progressive clean energy policies. The momentum around new business in our jurisdictions continues to be very strong, a testament to the power of Exelon's platform.

I will conclude with a review of our balance sheet activity on Slide 9. As a reminder, we continue to project to have approximately 100 basis points of cushion on average for our consolidated corporate credit metrics above the downgrade thresholds of 12% specified by S&P and Moody's, demonstrating our commitment to maintaining a strong balance sheet. And while we await specific guidance on implementation of the corporate alternative minimum tax, I'll remind you that our plan incorporates the assumption that the regulations will not allow for repairs.

If implemented in a way that mitigates the cash impact, we'd expect an increase of approximately 50 basis points to our consolidated credit metrics on average over the plan, likely putting us in the higher end of our targeted 100 to 200 basis points of cushion.

From a financing perspective, we successfully raised $1.6 billion for ComEd and BGE in the second quarter, now having completed 90% of our planned long-term debt financing needs for the year. The activity to-date, along with our pre-issuance hedging program, positions us well for the balance of the year and beyond. We continue to see strong investor demand for our debt relative to the sector, which is proof of the strength of our balance sheet and our value proposition as the premier T&D utility with low-risk attributes.

There has been no change in our guidance to issue $1.6 billion of equity from 2024 to 2027 to fund our estimated $34.5 billion capital plan in a balanced manner. We continue to expect to issue approximately $150 million this year, and the balance rapidly over 2025 to 2027, approximating $475 million annually. We will update you as we make progress on that plan.

Thank you. I'll now turn the call back to Calvin for his closing remarks.

Calvin Butler

Thank you, Jeanne. I'll conclude by bringing it back to our priorities this year listed on Slide 10. As always, safely achieving industry-leading operational excellence is our first priority. Keeping customers online, no matter the weather is increasingly important. We also remain highly focused on being responsive to our customers' increasing engagement with the grid, whether it's accommodating new solar performing efficiency audits are supporting their transition to electric vehicles, reaching fair and balanced rate case outcomes that allow us to invest with the benefit of our customers is another critical focus.

As you heard from Jeanne, we have a number of proceedings we expect to conclude in the second half of the year, and we're optimistic about the clarity that will bring for the next several years of our plan. Building a reliable and modern grid requires reliable and modern rate making, and we'll continue to work with stakeholders to ensure that we are all aligned as we work to meet each state energy goals.

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Next, we are focused on executing on the financial guidance we laid out, including investing $7.4 billion of capital with a balanced funding strategy and earning a consolidated 9% to 10% return on equity allowing us to deliver in our earnings guidance range of $2.40 to $2.50 per share.

And as always, we're focused on ensuring all customers are benefiting from the generational energy transformation that's just getting underway. In late June, many of you saw that we joined a FERC proceeding to raise concerns about the way co-located customers share some of the cost of the grid that they can rely on.

Exelon and AEP may have been the first to share those concerns, but many others have now echoed similar perspectives. There's no question that co-location offers a unique opportunity for our jurisdictions to attract business in an exciting emerging industry, and we welcome supporting our customers in this work.

Serving more customers than any other utility in some of the largest, most critical cities in the country, we are a leader in investing in the energy transformation and supporting economic development. As Jeanne shared, there is no shortage of work that the energy transformation requires of the grid, regardless of where the load shows up of what sort of generation serves it.

In fact, just a week ago, PsiQuantum announced a partnership with the State of Illinois, the County and the City of Chicago to be the anchor tenant in the massive quantum computing development, the first of its kind in the nation, housing a utility-scale quantum computer in an operation center, the size of five football fields.

So we will lead in investments, but we will also lead in affordability, with rates and bills that are currently below national averages, and we're committed to continue to do so to ensure we can maintain the service our customers expect while making the necessary progress in the energy transformation.

Accordingly, you can expect us to advocate for policies that continue to support investment in a grid that we all rely on and that ensure these investments can be made as affordably and equitably as possible. We will continue to monitor the FERC ISA proceeding in which action by the commission is expected by August 3 and stand ready to help advance solutions to the benefit of all customers.

Gigi, we are now ready for any questions from the audience.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] Our first question comes from the line of Shar Pourreza from Guggenheim Partners.

Calvin Butler

Good morning, Shar.

Shar Pourreza

Good morning, Calvin. Hey, Jeanne. Good morning, Jeanne. So Calvin, just coming off sort of this blowout PJM capacity print, we've heard some of your peers yesterday kind of highlighting that they're talking to their state policymakers on solving this kind of resource adequacy issue.

I guess, what conversations are you having either in Illinois, Maryland or Pennsylvania on the backdrop at this point? And do you think we can see merchant new entry all states have to step in? Thanks.

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Calvin Butler

Thank you, Shar. And as you know, we've had this discussion in previous settings around resource adequacy, but let me assure you that we, PJM and a number of other stakeholders have been signaling concerns about resource adequacy for some time.

Policy has continued to drive a turnover in the generation stack as you know with base load replaced by renewables. And in the past, it has brought huge advances in the power requirements with AI-driven data centers.

Onshore of intensive manufacturing has further contributed to the pressures. But this, of course, poses real challenges around providing reliable, resilient and affordable power. It goes to my comments that I made is that we have to ensure that the new rate making – this rate-making systems align with the new constraints being put on the energy that's being provided for all customers.

The price signals that we saw this we clearly indicate a need for infrastructure investments in our footprint, particularly in BGE, both generation and transmission. Obviously, we're already doing that today, including the work we're doing on brand insurance retirement meant to address exactly the types of price pressures that this auction showed. We're already engaged regularly in meetings and you should be assured that we're not going to step away from this.

And it's an industry-wide issue because at the end of the day, what they're going to look to utilities is for reliable – reliability and a resilient grid. All the other stuff is fine, but if those lights don't come on, that's when they're going to turn to us, and we're focused on that each and every day. I'll now turn it to Jeanne to just see if you have any further.

Jeanne Jones

Yes. No, I think I'd just reiterate, right, it obviously signals to your point, Shar the need for more generation. We'll see what happens on the merchant side, but there's also the need for more transmission. Calvin talked about the work we're doing on the brand insurers. We're going to continue to lean in on that, we think there are some cost-effective solutions there.

But there's also an expansion of kind of what we do today in terms of things to help our customers manage their affordability. So for example, energy efficiency. We've been doing energy efficiency in ComEd in 2008, and we hit a milestone this year where we marked $9 billion in customer savings, since 2008. That's remarkable, right? That work needs to continue to expand and get smarter and better as more demand comes on the grid, and we're leaning into that.

We also hit a milestone of hitting a 1 gigawatt of distributed generation under our rebate program in Illinois this year. So we're going to continue, as you mentioned, having those discussions with our policy makers, what else can we do there, good for customers, good for investment, brings down and addresses the competing demand because we want to bring that demand, right? We want that demand to come. We just need to manage the other side of it, which we're excited to do, and we've done before, and we'll keep doing.

And then on top of that, we're going to continue to focus on what we can control, and that includes our O&M, continuing to manage that historically been at that 2%, projecting to be at that 2% when – our customers are facing power price increases went well above that and then just normal inflation. So we're doing a good job there. We'll continue to lean in there. But I think, look, it's meaningful and I think it opens up opportunities to provide solutions, and we look forward to doing that.

Calvin Butler

And Shar, if I can add on to what Jeanne just adding. The question in Jeanne's comments recognize that none of this operates in a silo. It's all connected. So when you see once a lever being pulled, you can't ignore the other pieces and which is why the ratemaking process is so critical and the transparency and the discussions have to continue and be ongoing throughout.

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Shar Pourreza

Got it. And then I think some of us have covered the space long enough to kind of remember LCAP, MCAP, 11 years ago, 12 years ago. And that obviously was struck down by the courts. Are you looking at a state mechanism to potentially own like peaking assets in rates? Is that what you're referring to?

Calvin Butler

I would tell you that we're working with our commissions on all type of scenarios that we shouldn't take anything off the table because we need to address this issue and ensure affordability and equity is at the forefront of all discussions.

Shar Pourreza

Okay. Perfect. And then just on the Susquehanna protest, just lastly here. It's obviously a focus, FERC is slated to act shortly. I guess, assuming the amendment is not set for paper hearing. How do you want FERC to resolve kind of the broader issue, kick it back to the RTO, start an NOI for an eventual [indiscernible] just any thoughts there? Appreciate it.

Calvin Butler

Yes. Let me just tell you and thank you for the question. I know this issue has gotten a lot of attention and for some reasons rightly, so we're on the cusp of major new source of load, and it's a critical emerging industry that holds a lot of promise for us in the U.S. economy. But let me add a bit of additional color on my prepared remarks, though I'm mindful that we do have an open proceeding and with FERC, and we should learn more by the end of this week, as you know.

Our protest to the Talent ISA because – it's not because we're against co-location. We stated very clearly in the initial protest that we are not. We do believe that co-location offer some benefits and allows our jurisdictions to compete successfully for this business. And as I talked about, we have clearly proven that we're an attractive partner for data centers. As evidenced by Chicago being the top five market in this area for economic development. As evidence that our participation in the accept Window 3at $850 million were received because of data center growth in Northern Virginia. For us, Shar, this is about rate design.

Users of the grid should pay their fair share. And while there may be unique opportunities to leverage land and equipment at generation plants to get data centers online quickly, they are still connected to the grid and are benefiting from a host of services that the grid provides to serve all of the load connected to it.

You should expect us to continue to remain focused on economic development and yes, affordability. We have to do that on behalf of our customers, and that's what you should expect from a world-class utility. That we can do both and really drive growth as we're doing across our jurisdictions, but not forego that for one customer over the other. That's why we're putting this in. Policy should not be determined in one-off basis, and we will continue to see what FERC says and then determine next steps.

Shar Pourreza

Got it. All right, perfect. Thank you guys. Much appreciate it. Talk to you soon.

Calvin Butler

Thank you.

Operator

Thank you. [Operator Instructions] Our next question comes from the line of David Arcaro from Morgan Stanley.

Calvin Butler

Good morning, David.

David Arcaro

Hey, good morning. Hey, thanks for taking my questions. Wondering if you could give a broad perspective on what you're seeing in terms of state support for attracting data centers. It sounds like you had some encouraging things to say. Just are you seeing any evidence of pushback in any areas or the opposite? Are there incremental signs that some of the key states, I'm thinking Illinois, Pennsylvania continue to be supportive of bringing that industry to the state.

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Calvin Butler

Yes, David, this is Calvin. What I'll do – direct to your question, we're seeing a lot of momentum. And matter of fact, in our states, they have passed legislation to provide tax benefits to attract data centers. And Mike Innocenzo, our COO, works across all of our jurisdictions with each of the CEOs to ensure from an operation standpoint, we're set up to meet the demand have expectations of those customers. Mike, do you have anything you'd like to add?

Mike Innocenzo

Yes. I think we've seen no shift. I think our states and across all of our jurisdictions continue to see the opportunities created by data centers. for jobs, economic development and continue to be very supportive, but also continue to be very engaged in the process to make sure that it's done in a thoughtful way where it's fair and equitable cross.

David Arcaro

Okay. Excellent. I appreciate that color. And then in terms of the – maybe your specific kind of pipeline of data center projects, could you give additional color on what you've been seeing in terms of that momentum? Has it been largely focused in your ComEd service territory, what are you seeing in other states at the moment?

Calvin Butler

Not to tell you what I have our CEO, and what I'm going to do is ask because I think we see the most activity right now, as you alluded to, it's happening in Illinois. I'm going to ask Gil Quiniones, he's ComEd President and CEO, to provide more color. And then for Carim, and/or David Velazquez, Tyler Anthony, if you guys have anything to add, please don't hesitate. Gil?

Gil Quiniones

Thank you, Calvin. It's been a robust market for data centers here in Illinois. We have over 5 gigawatts in what we call engineering phase where data centers have paid us to start engineering their projects. Some of them actually have made deposits so that we can order large equipment like transformers and breakers. And then behind that, we have another 13 gigawatts in what we call prospects. So they're not yet in engineering. But they are knocking on our doors, making inquiries very interested in coming to our jurisdiction. And we're one of the states where there is a specific tax extensive passed in 2019 to support the development and location of data centers in our state.

Calvin Butler

Any other CEOs have anything you'd like to add?

Unidentified Company Representative

And Maryland, Calvin, I'll just add. We remain committed to supporting data centers as they come. To date, we have seen a number of data centers that are actually up and operational, not the hyperscale that many are talking about today, but we still remain committed to helping drive that if the data centers to come to Maryland.

Calvin Butler

Yes.

Tyler Anthony

Yes. Tyler Anthony for Pepco Holdings to three utilities. I would say the same, whether it's New [ph] Jersey, Delaware, or the District of Columbia and our portion of Maryland with Carim, interest level has been significant with all the major players doing different assessments of different sites and criteria, Calvin.

Dave Velazquez

And Dave Velazquez for PECO in Pennsylvania, is beginning to see increased interest whether there are a couple of hundred to several hundred megawatts and a number of those are in engineering studies already and probably the next few months have had a few more entering engineering studies as well.

Calvin Butler

So David, what you hear from the team is that we're actively engaged in that process. And to date, we continue to ensure that from an operational and reliability standpoint, we're ready to meet the expectations of those large customers.

David Arcaro

Okay, great. Thanks for the input across the board. Very helpful.

Calvin Butler

You're welcome.

Operator

Thank you. [Operator Instructions] Our next question comes from the line of Steve Fleishman from Wolfe.

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Calvin Butler

Good morning, Steve

Steve Fleishman

Hey good morning, thanks. So just on – I guess, first on Illinois. The – you mentioned these agreements with some parties in the grid plan. Could you talk to kind of what parts of the grid plan they've been – they've kind of agreed to. And also just I guess the difference between – what we've seen is the commission kind of ignore staff and ALJs and other things, but does it make a difference if there's actually like settlements as opposed to just views – yes. Thanks.

Calvin Butler

No, Steve, thank you for the question. And as you and I spoke about it, and we've shared very publicly when we got that order in December, it's important to level set. At that point in December, we had not had a chance to engage with these new commissioners about whether expectations were. And as you laid out, we have been actively engaged with staff and others and stakeholders up to that point. And we thought we had at that about 85% to 90% agreement on what we were going to do. And then the commission came in and said, it's not what we were looking for.

So since that time, the engagement with the commission, we took their feedback and went directly to those stakeholders and said, "Hey, if this is what the commission is wanting, how can we develop a plan to achieve that with the grid plan that will be recognized and also meet the expectations of view as a stakeholder." So the difference here is that it's with commission input with staff working in alignment with the commission and these stakeholders.

Now to your point, the commission will have the final say but these agreements are key because it's done in alignment with what they told us that they want. And it's just another marker along the way to show that we're making progress. So it's much different now when you present something to the commission because they've already given input.

Gil, anything you'd like to add there?

Gil Quiniones

No, I think that – you've said it correctly that these agreements signify progress towards the specific items that the commissioners cited in their final order. So there are two areas. One area is compliance and policy issues, and these agreements basically codify alignment in those policy and compliance issues. Now the rate case really is more on investments and cost benefit, and we're narrowing our differences in that area, too, leading up to the evidentiary hearing, as Jeanne mentioned, which will be on August 14 to August 16.

Calvin Butler

And Steve, I'll end with this, is that we much have – much rather have an agreement than not agreement with them. as we proceed and go forward. So to me, that's a significant step in the process.

Steve Fleishman

Okay. Just one clarification. So I think there's – I don't know there's like 11 metrics that need to be met. So could you just maybe tie in the answer of what's agreed upon to those metrics? Like there's an agreement on the 11 metrics? Or – is it kind of more of a broad – yes.

Jeanne Jones

Yes, you're talking about the commission's point at the point of compliance, Steve?

Steve Fleishman

Yes.

Calvin Butler

Yes. So we actually created a very specific chapter in our refile grid plan to make sure that each of those areas where they cited a gap or deficiency for us to explain how we're meeting each of one of those that they've cited in the final order. On top of that, we've also engaged each of the of staff and stakeholders to make sure that what they're looking for when it comes to compliance and policy requirements are also achieved.

So we – in a way, if you read our refiled grid plan. We actually previewed the chapters with all of the stakeholders before we file it, but we rearranged it in a way so that it's easier and clearer for the commissioners to see how we address those 11 gaps or deficiencies that they have identified.

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Steve Fleishman

Okay. And I guess one other question related to the – I guess, co-location issue. Some of the other distribution utilities, including PPL itself obviously support the filing as it is. And PPL, I guess, found it in the interest of their customers, the update. So I guess I would be interested in did you pursue kind of trying to resolve this issue directly before you made this filing, to see if there was a win-win. Yes.

Calvin Butler

Yes. So for us, Steve, when we found out about the issue out in Pennsylvania. It was a matter of public policy. We didn't have anything in front of us in terms of do you have an opportunity to enter into a higher say or so forth. What our issue came down to public policy, and that's why we intervened to understand what was going on and to give FERC an opportunity to opine.

So to your point, we didn't have a specific Exelon utility contract for us to come to an agreement on. Once we've made – once we did our filing, that's when we found out other things were happening within hard jurisdictions that were taking place. And we are looking to have those discussions. And like I said, we will work with anyone to get these things done.

And my piece on this is that if we can understand and fully grasp what the costs are, and the benefits and how they're going to be allocated. We will have those discussions with anyone at any time. So for us, on the PPL was about public policy and what's taking place. When you read PPL's opinion are intervening back into the process. What they said was that this wasn't the form for Exelon, AEP discussion, although they recognize significant issues need to be addressed. And someone needs to address them. Colette, do you have anything you'd like to add there?

Colette Honorable

Thank you. Colette Honorable, I'm EVP of Public Policy and Chief External Affairs Officer. Steve, I appreciate the question. I will partly add to Calvin's comments. We are very open to working with anyone on these ratemaking issues. And this is what we are speaking about. We appreciate that PPL has a different perspective here. The reason we got involved was because of the broader policy implications. And we need to prefer to provide that guidance through policy. That will help all of us. And most importantly, it will help us understand the impacts of these sorts of transactions on all PJM customers.

And so we look forward to the dialogue and discussion will continue to remain engage at FERC with all stakeholders and most of all, our customers because as it has been demonstrated here this morning, we will continue to provide strong solutions for our large load customers, but that work has to be done in consideration of the cost impact, the affordability impacts for all customers and then ultimately, reliability.

Steve Fleishman

Okay. Thank you.

Calvin Butler

Thank you, Steve.

Operator

Thank you. Our next question comes from the line of Paul A. Zimbardo from Jefferies.

Calvin Butler

Good morning, Paul.

Jeanne Jones

Hey, Paul.

Paul A. Zimbardo

Hi. Good morning, team. And thank you for focusing so much on affordability. I want to continue that a little bit. Just after the PJM auction, if you have a rough view on what the customer bill impacts could be across the footprint, like BGE, in particular. And if you're going to kind of use this to advocate for acceleration of transmission procurement in the region?

Jeanne Jones

Hey, Paul. It's Jeanne. We are still buttoning up [ph] of all the calculations, but you can think of it in some of our jurisdictions, including BGE, it's going to be double-digit increases year-over-year. It depends on our jurisdiction in terms of the current capacity constraints in terms of other contracts that are based, but that's how we're thinking about it. It's meaningful and probably double digits in BGE in some of our other jurisdictions.

But you're absolutely right. We are going to – this just – we've already been leaning in to the affordability discussion, and I think this just accelerates the solutioning for that, which is that we need to get to a solution. Whether it's more generation, whether it's more transmission, which we see I'm ready to do and are already proactively doing that.

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And then I mentioned an expansion of the current programs that we have today that help our customers through our investments and connecting them to different resources in BGE space to help them manage their bills. So we look forward to that. And I think just reiterating right, what Calvin said, policy is important. This energy transformation we have always said from the beginning is going to be expensive. And the ones that do it affordably, we'll do it sustainably. And that's why we're focused on making sure that every dollar goes as far as they can.

Paul A. Zimbardo

Okay. Great. And I know everyone's focused on for [indiscernible]. I was hoping the related but different topic in Maryland, like Senate Bill 1, the co-location study. Just what are your legislative priorities there? And if you could give any additional context. I know there's been some strong comments filed by parties? Thanks.

Calvin Butler

Yes. Hey, this is Calvin. I would say on the Senate Bill 1, it's all about we will lean into the affordability discussion and what takes place and the impact on all the customers. So again, we think the process in which the general assembly is laid out in working with and saying we're going to have a very public process and hearing, to have all stakeholders engaged in it, is what we want. We will adhere to what the regulatory body or the general assembly lays out.

We just want all customers to have a voice in that process because otherwise we as the utility will be the ones looking back and saying, where were you at in that discussion and representing us. And that's important because if you do this, Paul, and you know this, if you do this in a vacuum, then you have to react to the things that have happened already. And it's very difficult to it's actually good policy when you're trying to recover from something that's already occurred. And that is what I think the working group in SB1 will adhere to, and we will be involved in that process with everyone else.

Paul A. Zimbardo

Great. No, thank you very much and thank you for keeping us all on the edge of our seats in the Dog Days of the summer.

Calvin Butler

You're welcome. That's right.

Jeanne Jones

Welcome back, Paul.

Paul A. Zimbardo

Thank you.

Operator

Thank you. Our next question comes from the line of Anthony Crowdell from Mizuho.

Calvin Butler

Good morning, Anthony.

Anthony Crowdell

Hey, good morning, team. Just a couple quick ones, I guess. If I could follow up on Steve's question on the FERC, the ISA proceeding, and just one is, do you have any idea if the commission wanted to hold hearings, the timing that would occur before a decision?

Colette Honorable

Hi, Anthony, it's Colette Honorable again, FERC has a number of options in terms of how to address the issues raised, quite frankly, by a number of stakeholders in that docket. As you've mentioned, one could be to set this matter for hearing should it find that there are outstanding issues of fact or law that should be resolved before ruling. Should it go to hearing. It could take a year and so that would allow for an administrative lodged to hear the various perspectives of the parties that are allowed to intervene and to consider them and make a ruling.

Anthony Crowdell

Got it. And then the filing was made in conjunction with AEP. I'm curious on how do you, or how just how did they get, or how did they sign on? Did you solicit other utilities? And some decide, AEP decided to sign on and others did not. Or I'm just curious, I understand that this is not about co-location, it's about rate design. It was actually struck me that more utilities than sign on. And I guess that's the root of my question.

Colette Honorable

Yes. I think at the end of the day, there's a timeline by which you can respond. Right. And so we responded quickly because, as we said, we're going to be a leader in investment. We're going to be a leader in affordability. And there's key questions here. Look, this demand is coming either way, right whether it's co-located or not, that's going to require investment. And our focus is making sure the investment gets done for the needs of our customers and that everyone has a fair and equitable allocation of the cost of using the grid. And I think that's the bottom line.

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Anthony Crowdell

Great. And switching gears, my last question refers to Slide 8, and you talk about all the opportunity in Illinois. I guess, given the low ROE that you received from the last rate case, would most of your investment or all your investment be focused on transmission, like, I guess, is there reluctance to maybe do distribution investment Illinois, given the lower returns that they're awarding?

Colette Honorable

Yes, some of its Ds and some of its Ts [ph]. So there's a mix there and the more high-density months. We're seeing more on the T side. And you saw that in our update on the Q4 call. We added a lot of transmission to accommodate that high-density load as it relates to the distribution. We have an obligation to serve those new customers. And so while it is a low ROE, we've got to manage that, get that work done. And at the end of the day, that demand coming in. Right. Helps from an affordability and spreading the cost of the grid.

So, the only other thing I'll mention is new business on the multiyear plan is outside of the cost, is the $1.05 [ph] cap on the distribution reconciliation. So again, we need to get that work done and hook up those customers. It's for the benefit of all of us, but it is a mix of D&T and a lot more. We see more T coming.

Anthony Crowdell

Great. Thanks for taking my questions.

Calvin Butler

Thank you, Anthony.

Jeanne Jones

Thank you, Anthony.

Operator

Thank you. At this time, I would now like to turn the conference back over to Calvin Butler for closing remarks.

Calvin Butler

Thank you, Gigi. And as always, thank you guys for your interest and participation in our earnings call. As always, we remain open to answer any questions and just get feedback with you throughout the day or follow-up to this.

So I just wanted to say how much appreciation from the team at Exelon. We appreciate your interest in the company and just engaging with us. So with that, Gigi, this concludes the call.

Operator

Thanks to all our participants for joining us today. This concludes our presentation. You may now disconnect. Have a good day

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