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Exelon Corp.

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Introduction

Exelon Corporation stands today as one of the most prominent and influential public utilities in the United States. With a footprint spanning over 48 states, the District of Columbia, and Canada, the company provides electric and gas service to approximately 10 million customers, making it the largest regulated electric utility in the nation by both revenue and customer count. From its headquarters in Chicago, Illinois, Exelon steers an organization recognized not only for its sheer size, but for its continuous commitment to operational excellence, innovation, and community impact.

The story of Exelon is in many ways a reflection of broader trends in American energy—mergers and consolidation, shifts toward cleaner sources of power, adaptation to regulatory and market changes, and the pressing challenge of decarbonization. Tracing its origins to the historic Philadelphia Electric Company and Commonwealth Edison, Exelon's lineage is rooted in the foundational era of U.S. electrification and urban growth. Its creation at the turn of the 21st century, through the alliance of two century-old entities, set the stage for a dynamic evolution shaped by bold investments, strategic pivots, and decisive leadership.

Throughout the past two decades, Exelon has navigated both triumphs and trials. Ambitious mergers—some successful and others failed—along with regulatory hurdles and heightened public scrutiny, have tested the company's resilience and adaptability. The acquisition of Constellation Energy and Pepco Holdings marked periods of transformative growth, while the 2022 spin-off of its generation business represented a strategic repositioning towards the stability and focus of regulated utility operations. Financially, Exelon has demonstrated robust performance, upholding a legacy of reliable dividends and prudent capital management, even as it accelerates major grid investments to meet the demands of a rapidly electrifying and interconnected world.

Beyond its core operations, Exelon's commitment to environmental stewardship and social responsibility has grown ever more important. The company's history with nuclear generation established it as an early leader in low-carbon electricity, and recent goals to reach net-zero emissions signal an ongoing drive to align with global climate imperatives. At the same time, Exelon's initiatives in corporate giving, workforce development, and diversity and inclusion reflect a broader sense of duty—both to its employees and to the communities it serves.

Yet, Exelon's journey has not been without controversy. Legal and ethical scandals have called for deep introspection and reform, forcing the company to confront the consequences of regulatory missteps and reaffirm its commitment to transparency and accountability. Leadership transitions and shifts in corporate governance have

further shaped its path, leaving Exelon to balance the twin imperatives of profitability and public trust.

This book endeavors to offer a comprehensive history of Exelon Corporation—chronicling its roots, examining the pivotal moments and decisions that have defined its trajectory, and assessing its current standing within the ever-evolving American energy industry. Through analysis of its strategies, challenges, and achievements, we also look to the future: exploring how Exelon aims to adapt, innovate, and lead in an era marked by both unprecedented disruption and opportunity. The story of Exelon, ultimately, is the story of a company—and an industry—in transformation.

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CHAPTER ONE: The Energy Landscape Before Exelon

Before the dawn of Exelon Corporation in October 2000, the American energy landscape was a complex tapestry woven from a century of innovation, regulation, and shifting market dynamics. From Thomas Edison's incandescent bulb sparking the initial demand for electricity in the late 19th century to the transformative wave of deregulation in the 1990s, the utility industry underwent profound changes. Understanding this pre-Exelon world is crucial to appreciating the company's genesis and its subsequent trajectory.

The story of electricity in the United States effectively begins in 1879, when Thomas Edison perfected a practical, long-lasting incandescent light bulb. This invention quickly transitioned from a novelty for the privileged few to a fundamental necessity. In 1882, Edison established the Pearl Street Station in New York City, one of the world's first central electric power plants. This direct current (DC) system initially powered only a handful of customers but laid the groundwork for centralized electricity generation and distribution.

While Edison championed DC, another visionary, Nikola Tesla, advocated for alternating current (AC). AC proved to be more efficient for transmitting power over longer distances, ultimately winning the "War of the Currents" and becoming the standard for modern power systems. The adoption of AC facilitated the expansion of electricity beyond urban centers, reaching suburbs and eventually rural areas through innovations like high-voltage transmission lines.

The early electricity market was characterized by fierce competition, often leading to inefficiencies and higher costs for consumers. However, this competitive phase soon gave way to a more consolidated model. Visionaries like Samuel Insull, a key figure in the formation of Commonwealth Edison—one of Exelon's foundational companies—recognized the potential for economies of scale in electricity generation and distribution. Insull's approach involved acquiring smaller utilities, thereby eliminating competition and leading to the concept of the "natural monopoly" in the utility sector.

This natural monopoly, where a single utility could serve a geographical area most efficiently due to the high cost of infrastructure, led to the rise of regulated utilities. State and, later, federal governments stepped in to oversee these monopolies, establishing public utility commissions to regulate rates and ensure reliable service while protecting consumers from price gouging. This regulatory framework was designed to stabilize capital costs and make electricity affordable and universally accessible.

The mid-20th century saw continued growth and consolidation within the utility industry. The demand for electricity surged as appliances like refrigerators, washing machines, and vacuum cleaners became commonplace, especially after the widespread electrification of American homes accelerated by initiatives like the Rural Electrification Act of 1936. Utilities invested heavily in large, centralized power plants, primarily relying on fossil fuels like coal and natural gas, and later, nuclear power. For decades, coal remained a dominant fuel source, accounting for approximately 50% of the nation's electricity in 1920 and maintaining that share for eighty years.

The 1970s marked a significant turning point for the utility industry. The oil crisis of 1973, coupled with rising fuel prices and environmental concerns, began to challenge the traditional vertically integrated monopoly model. Utilities, accustomed to long-term planning, found themselves caught off guard by rapid market changes and an unexpected decline in demand. This era also saw the passage of the Public Utility Regulatory Policies Act (PURPA) in 1978, which encouraged competition in electricity generation by requiring utilities to purchase power from qualified independent power producers. This legislative shift was a harbinger of the broader deregulation efforts to come.

The most dramatic shift in the American energy landscape before Exelon's formation arrived in the 1990s with the push for deregulation. Influenced by successful reforms in the telecommunications and natural gas sectors, many U.S. states began to dismantle the traditional vertically integrated utility model. The National Energy Policy Act of 1992 initiated a transition toward a competitive wholesale electricity generation market, introducing new players like Exempt Wholesale Generators (EWGs) who faced fewer regulations.

This deregulation aimed to foster competition, lower costs, and encourage innovation by separating electricity generation from transmission and distribution. In deregulated markets, utilities were often required to sell their generating assets, becoming primarily transmission and distribution companies, while independent energy suppliers owned the power plants. Consumers in some states gained the ability to choose their electricity supplier, theoretically increasing competition and driving down rates.

By the late 1990s, states like California, Texas, Pennsylvania, and New York had at least partially deregulated their electricity markets. Regional Transmission Organizations (RTOs) were established to manage wholesale electricity markets and operate the transmission grid, replacing the previous state-level control.

However, the path to deregulation was not without its bumps and bruises. While some hoped for increased dynamism and lower costs, the actual impact on prices and innovation proved to be mixed. In some deregulated markets, prices for consumers even increased, largely due to higher markups by energy suppliers, outweighing any

efficiency gains. The California electricity crisis, which began in 2000, served as a stark example of the potential pitfalls of an inadequately structured deregulated market, leading to rolling blackouts and the bankruptcy of major utilities.

Thus, at the close of the 20th century, the American energy industry was a dynamic, sometimes volatile, environment. The foundational principles of centralized generation and regulated monopolies were giving way to a more complex, competitive, and often uncertain market. It was into this evolving and challenging landscape that Exelon Corporation was about to emerge, a new entity forged from the union of two long-standing players, ready to navigate the opportunities and complexities of the 21st-century energy world.

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