

An Exelon Leader Looks Ahead to 2024

Conversation with Exelon Executive Vice President,
Dave Velazquez,
with Guidehouse partner Ted Walker



xelon serves more than ten million customers through six fully regulated transmission and distribution utilities — BGE, ComEd, PECO, Atlantic City Electric, Delmarva Power, and Pepco. It also has a shared corporate services unit, Exelon Business Services Company. The utilities all focus on high performance, safety, reliability, and service, which means investing in the future, as reflected in capital investment of almost \$7.2 billion in 2022.

In 2023, Exelon continued making headway in the energy transformation toward a cleaner energy future with more investment. There are also IIJA grant funding and hydrogen hub awards to help decarbonization move forward in 2024.

Such a large utility has a lot going on as it looks ahead, which is why Public Utilities Fortnightly’s Steve Mitnick and Guidehouse partner Ted Walker spoke with Exelon Executive Vice President for Utilities Operations, Dave Velazquez. Listen in on this conversation about the future of Exelon.

PUF’s Steve Mitnick: What were the most important accomplishments in 2023 at Exelon’s utilities that you can leverage going into the new year?

Dave Velazquez: I continue to be very proud of what Exelon is doing to lead the energy transformation, and ’23 was no different than the prior years. As we think about how we’re trying to lead the energy transition, some of it is around building the infrastructure that we need for the clean energy future.

It’s been in the news, and we’ve announced that with PJM, we’ve been awarded several large transmission projects that first will help replace aging fossil generation. At the same time, this will provide and facilitate more clean energy options.

We continue to invest in our communities, and I’d like to talk about investments around workforce development. This past year, our spending with diverse businesses exceeded three billion dollars. Again, many of those are local businesses, so we have a real commitment to invest in the communities that we have the privilege of serving.

We’ve been awarded seven hundred million dollars through the federal IIJA grant applications, which again, is going to help us improve our infrastructure for our customers as we go forward at a lower price point.

Some of that is through the GRIP program, about a hundred eighty million dollars. We’ve got benefits in our jurisdictions of three hundred million in grants for electrification and transportation. There’re two Hydrogen Hub awards, one in the Midwest and one in the Mid-Atlantic that’ll also be supported.

At the end of a long process, we’ve begun the mass deployment of our Smart Energy Network in our Atlantic City territory in New Jersey. When that is done, all our utilities will have a Smart Energy Network with smart meters and related infrastructure in place, as well.

Regarding how our system is performing, our number one commitment is to provide great system performance and service to our customers, and 2023 was a great year for reliability. All of our utilities are top performers in the top quartile in the industry. Some of them are in the top decile.

A lot of what was going on in 2023 is going to continue

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in 2024. We’ve got a strong base for our customers and our communities to build on in ’24.

Ted Walker: When you look ahead, there are a lot of opportunities, but also a lot of challenges. What do you think are the most important challenges you’ll have in 2024?

Dave Velazquez:

As we look forward to 2024, I think everyone’s aware of the recent orders we had from the Illinois Commission, and that’s going to create a challenging environment as we try to meet the needs of our customers there and meet the policy goals of Illinois. But again, we’re working to make sure that when we file a revised plan in March, that it meets the needs of our customers. Clearly Illinois is going to be a challenge for us, something we need to make sure we’re focused on.

Generally, continuing to ensure affordability for all our customers as we continue to make needed investments to the grid. As we move forward for a clean energy future, affordability is critically important.

I’ve often used a quote that if it’s not affordable, it’s not sustainable. To make sure that we’re able to continue to sustain the improvements we’re making in the clean energy future, it has to be done in an affordable way.

Also, generation retirements and how we manage those. We’ve had two big announcements in the BGE territory near Baltimore. Both the Brandon Shores and Wagner units have announced retirements recently. What we’re doing to be able to meet the needs of the system as those units retire is also going to be a challenge.

PUF: Looking forward, how do you see Exelon’s corporate culture and workforce developing further into 2024?



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Dave Velazquez: I think Exelon is a fantastic place to work, but besides my just saying that, we've been ranked by The Wall Street Journal as one of the best companies for career growth. Newsweek named Exelon one of the greatest workplaces for diversity.

We've been ranked among the best employers for the veterans by the Military Times. Just Capital ranked us as a top seventy-five employer. I can safely say we are a great place to work, a diverse place to work, and a welcoming place to work.

Our workforce development programs are an important focus in helping our communities, many of them under-resourced communities. Across our six local utilities, we have eighty unique workforce development programs. They're designed to bring economic equity, empowerment, and employment opportunities.

They're more than employment opportunities. These are family supporting, generational-changing careers that we're offering people. Since 2019, we've helped more than seventeen hundred people, either internally or externally, with our contractors becoming employed. That's important.

Our corporate culture, like any company, is critical to our success. We have a culture that is mission-focused, very much focused on our customers and providing them with superior service. As we focus on that, essential for us, is we're moving back to a hybrid work environment.

People will be in the office three days a week. It's a big change for people, but it's important to maintain that culture, to help some of our less experienced employees develop, to instill in

everyone that sense of mission so that they understand what we're about.

Ted Walker: When you fast-forward to the end of 2024, how would it differ from today? What will look different? What will look the same?

Dave Velazquez: A lot will look the same. I've talked a lot about our customers and our focus on serving our customers. We know that's not going to change. We will continue to drive for top operating performance, which as you know, in a more electrified world, reliability and resiliency and the need for that only increases.

We will continue close collaboration with the policymakers and all our stakeholders around how do we enable those policy goals to happen? How do we enable the energy transformation? How do we enable the clean energy future in our communities? How do we make sure that transition is affordable and equitable?

That's going to continue to be a big focus this year. Also in 2024, we're going to continue to see increasing focus on clean energy and on affordability.

It's also going to be a year where technology's going to continue to be in the forefront. Everybody's been following generative AI and AI in general, and the opportunities that presents for our business to work more efficiently and serve our customers better. It's going to provide a lot of opportunity.

I think if we talk at the end of '24, we will be having a conversation about some of the great advancements we've been able to make or improvements in the way we serve our customers, in the way we work internally.

PUF: I like to ask about the value of electricity, which is the other side of the coin to affordability. How would you characterize the value of Exelon to the customer? What's special about Exelon's value?

Dave Velazquez: When you think about the value we provide to our customers, we have a basic mission to provide safe, reliable, affordable, sustainable power to our customers. There's a balance among all of those. It's something we don't decide, but rather that comes through public policy, through our engagement with stakeholders, and our engagement through the regulatory process.

One of the things that we've done in many of our jurisdictions is to move away from historic backward-looking ratemaking to multiyear forward-looking rate plans, which provide us and all the stakeholders and policymakers, a view toward the next three or four years into the future. There is a lot of discussion and conversation around what makes the most sense, and then we all agree on it through the Commission and have a plan going forward.

It's important as we balance those. From a value standpoint, cost affordability is important. We have always been focused on our cost structure, and I think we've done a good job of keeping

our operating and maintenance costs below the rate of inflation.

We do a lot for our customers around bill management, and community partnerships, making sure we're expanding efforts for our low-income customers, so they get the right solutions to improve their energy efficiency, but also to help manage their bills.

When you think about our bills and rates, our rates in our cities are twenty-three percent below the average of the largest cities in the U.S. So, value comes in many forms. I talked earlier about outstanding performance and reliability, which are important to our customers, and am now expanding on how we are also in the forefront of keeping our bills manageable for customers.

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Ted Walker: It's a great team at Exelon, but we want your perspective on what you are looking forward to in your role this year. What are you looking to learn? What are you looking to lean into?

Dave Velazquez: My role is operations and technology. From a technology standpoint, I talked already about how we leverage some of the new technology around generative AI to

help provide better service and higher efficiency.

We also continue to upgrade our existing technology. For example, later this year, we're going to be upgrading the customer systems that we use at both ComEd and PECO to new state-of-the-art systems. It's a huge change for us.

On the operations side, it's going to be another year of focus on how we continue the high level of reliability that we provide our customers, and also the high level of customer service that we provide them.

Then, a good place to end is what's at the forefront of our minds all the time, and that is the safety of our employees and our customers. We are focused on improving our internal safety record, which already is very good, but will continue to get better, then make sure that we're ensuring the safety of our customers, as well. **PUF**