



Political Transparency and Accountability Profile (2009)

Exelon Corporation

CUSIP: 30161N101 Stock Symbol: EXC Corporate Web Site: <http://www.exeloncorp.com/>

Exelon Corporation (Exelon) is one of the nation's largest electric utilities with annual revenues totaling approximately \$19 billion.¹ It serves more than 3.7 million electricity customers in Northern Illinois through Commonwealth Edison (ComEd) and 1.5 million electricity and 460,000 natural gas customers in Southeastern Pennsylvania through PECO Energy.²

Political Activity

Companies may financially support the political process in several ways. They may give direct contributions at the state and local level and to so-called 527s. These groups--named for the section of the tax code under which they are organized--may significantly impact federal, state and local elections. Companies also engage in political spending indirectly by supporting trade associations, organized as 501c6 organizations and other tax-exempt groups, which include social welfare organizations known as 501c4s. Trade associations and 501c4 groups gained popularity during the 2008 election cycle in the wake of the Federal Election Commission's crackdown on 527 groups for violating campaign finance law during 2004 elections.³ Another way companies can contribute to the political process is by supporting events such as Presidential inauguration celebrations and the Republican or Democratic Party conventions, a growing source of corporate support in recent years.⁴

Exelon's political spending over the past decade has been considerable. The company has contributed approximately \$2.8 million in corporate funds to political activities since 2002. The true figure is difficult to determine because reporting at the state-level is incomplete and can be misleading. This estimate also excludes payments Exelon has made to trade associations or other tax-exempt organizations that fund political activities. Exelon does not disclose its corporate political contributions or the payments it makes to trade associations and other tax-exempt groups that are used for political purposes.

¹ See "About Exelon," available at <http://www.exeloncorp.com/aboutus/>

² See "Exelon Companies," available from <http://www.exeloncorp.com/ourcompanies/>

³ See *Soft Money in the 2006 Election and the Outlook for 2008: The Changing Nonprofits Landscape*, Campaign Finance Institute, 2007. Approximately \$90 million in 501(c) spending on federal election activities was reported in 2006. T.W. Farnam & Brody Mullins, "Interest-Group Campaign Spending Nears Record", *Wall Street Journal*, February 5, 2008.

⁴ See *Inside Fundraising for the 2008 Party Conventions: Party Surrogates Gather Soft Money While Federal Regulators Turn a Blind Eye*, (The Campaign Finance Institute, 2008). See: *The Inauguration: Brought to you by the Few, the Wealthy* (Public Citizen; January 14, 2009 available at <http://www.citizen.org/pressroom/release.cfm?ID=2799>), and *Lawmakers and Lobbyists Celebrate Inauguration* (The Washington Independent; January 20, 2009 available at <http://washingtonindependent.com/26340/lawmakers-celebrate-inauguration-with-lobbyists>).

These gaps in transparency and accountability put shareholder value at risk.⁵ Several of Exelon's industry peers disclose the full range of their political spending, including American Electric Power, Devon Energy, FirstEnergy and Xcel Energy.

Election Cycle Trends

The company has given donations to 527 groups, contributing \$20,000 to 527s in the 2008 election, \$27,000 in the 2006 cycle, \$55,000 in the 2004 cycle and \$650,000 in the 2002 cycle. The Republican and Democratic Governors Associations are among the 527 groups receiving donations from the company. Exelon donated \$77,500 to the RGA and \$25,000 to the DGA since the 2002 election cycle. Other 527 groups which received significant donations from Exelon include the RNC Committee to Preserve the Dwight D. Eisenhower National Republican Center (\$175,000), the RNC Republican National State Elections Committee (\$62,000) and the Lincoln Fund, Inc (\$75,000). The RGA was criticized in mid-2008 for raising uncapped donations in the 2008 presidential election.⁶

Exelon also has contributed funds at the state level. It gave \$390,000 at the state-level in the 2008 election cycle, \$550,000 in the 2006 cycle, \$625,000 in the 2004 cycle, and \$1.2 million in the 2002 cycle. The amounts listed for the state-level giving are approximate figures because state campaign finance reporting is often incomplete and in many cases donations from the corporation and its political action committee (PAC) are combined, even though the latter are employee-funded. The Center for Political Accountability does not include donations that appear to come from a company PAC.⁷

Trade Association Activity

Trade associations serve a variety of purposes. Some engage in political activity through contributions at the state and local level, grassroots lobbying, and issue advocacy. These activities are funded by dues and other payments from member companies. While not all trade associations are politically active, several major industry groups carry significant political weight.

A complete list of the trade associations or related groups to which belongs is not publicly available. Most associations only disclose the companies represented on their board of directors, not their entire membership list. Shareholders also do not have access to the amount Exelon pays to trade associations annually or the portion used for the associations' political spending.

A CPA review of publicly available information shows Exelon is a member of the Edison Electric Institute (EEI),⁸ the Electric Power Generation Association (EPGA),⁹ and the Nuclear Energy Institute (NEI).¹⁰ In 2006, the Edison Electric Institute reported payments of \$57 million and

⁵ *The Green Canary: Alerting Shareholders and Protecting Their Investments*, Center for Political Accountability, February 2005. See also *Hidden Rivers: How Trade Associations Conceal Corporate Political Spending, Its Threat to Companies, and What Shareholders Can do*, Center for Political Accountability, May 2006.

⁶ Brody Mullins and T.W. Farnam, *The Wall Street Journal*, "McCain Allies Find Finance-Law Holes." Available at <http://www.politicalaccountability.net/files/CPA%20-%20Wall%20Street%20Journal%20-%20McCain%20Allies%20Find%20Finance-Law%20Holes%20-%202007-03-08.pdf>.

⁷ The Institute for Money in State Politics, www.followthemoney.org. The CPA used the Institute's database to conduct searches on the company's political giving. The search results do not distinguish contributions made with corporate funds from contributions made by the company PAC. Though the CPA made efforts to eliminate any PAC contributions, the figure cited in this report might include donations made with employee funds.

⁸ See "U.S. Member Company Links," available at <http://www.eei.org/whoweare/ourmembers/USElectricCompanies/Pages/USMemberCoLinks.aspx>

⁹ See <http://www.epga.org/>

¹⁰ See "NEI Member Roster," available at <http://www.nei.org/resourcesandstats/documentlibrary/aboutnei/memberinfo/neimemberroster>

lobbying and political expenditures of \$10.15 million.¹¹ In 2007, the EPGA reported payments of \$284,000 and political lobbying expenditures of \$14,000.¹²

A portion of the company's payments to these groups was likely used to underwrite some of this political spending. The company could face risks from the political activities of trade associations or groups to which it makes payments. Without disclosure by the company, shareholders cannot assess these risks.

Transparency and Accountability Checklist

Publicly Disclosed Standards & Procedures Governing Corporate Political Activity

The CPA derived the following checklist from existing legal standards, best practice standards among leading corporations and policies that ensure protection of shareholder value. A company that fulfills most of the criteria listed below likely has good governance of its corporate political spending. The CPA relied on information that is disclosed on the company website and therefore publicly available to all investors. A company will not get credit for policies or procedures that are not publicly available.

Industry Comparison

Exelon's industry competitors that disclose the full range of their political spending include American Electric Power, Devon Energy, FirstEnergy and Xcel Energy.

Positive Practices

The company discloses some political contributions policies in its Code of Conduct.¹³

Room for Improvement

Exelon does not disclose its political contributions or the payments it makes to trade associations and other tax-exempt groups that are used for political purposes. The board of directors does not appear to exercise oversight of the company's corporate political spending.

Basic Disclosure

Is this information disclosed on the company website?

Political contributions policies	yes ¹⁴	Political contributions	no	Trade association memberships and affiliations with other tax-exempt organization	no
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Standards & Oversight Procedures

Do company policies explicitly include the following items?

The use of corporate funds for political purposes is prohibited	no
Political contributions permitted only through voluntary employee funded PAC contributions	no

¹¹ EEI's Form 990 ("Return of Organization Exempt from Income Tax") for the tax year 2006 indicates that EEI received \$57,026,861 in dues, assessments and similar amounts from members (See line 3, 85c). Of that amount, \$10,149,739 – or nearly 18% - was spent on lobbying and political expenditures. (See line 85d)

¹² The EPGA's Form 990 ("Return of Organization Exempt from Income Tax") for the tax year 2007 indicates that the group received \$283,995 in dues, assessments and similar amounts from members (See line 3, 85c). Of that amount, \$14,200– or about 81% - was spent on lobbying and political expenditures. (See line 85d)

¹³ See Exelon "Code of Conduct," available at http://media.corporate-ir.net/media_files/irol/12/124298/corpgov/exc_codebusconduct_061013.pdf

¹⁴ See Exelon "Code of Conduct," available at http://media.corporate-ir.net/media_files/irol/12/124298/corpgov/exc_codebusconduct_061013.pdf

No contribution will be given in anticipation of, in recognition of, or in return for an official act	yes ¹⁵
Company will not reimburse employees directly or indirectly for political donations or expenses	yes ¹⁶
No employees will be pressured to make any personal political expenditures	yes ¹⁷
Political contribution policies are included in Code of Conduct	yes ¹⁸
Political contribution policies are disclosed elsewhere on the company website	no
Political contributions policies include specific criteria for approval of political donations	no
Prior approval required for political contributions	no
Officer or department must approve political contributions	no ¹⁹
General counsel or legal department must approve political contributions	no
An executive officer of the company must approve political contributions	no
Board of directors or board committee oversees political contributions	no
Board of directors or board committee must issue prior approval for political contributions	no
The same standards and oversight procedures apply to trade association payments	no
<i>This checklist relies on the company's publicly disclosed information and reflects only external company standards and procedures. It does not measure compliance with the company's expressed standards and procedures. Any clear violations of the company's standards and procedures of which the CPA is aware will be included in this report.</i>	

Data last updated on March 17, 2009

¹⁵ Ibid. The code states "Employees should not provide any gift to governmental officials, or contact a government official on behalf of the Company unless they are specifically authorized to do so by Government Affairs and have met any governmental registration or reporting requirements."

¹⁶ Ibid. The code states that "Employees may make personal political contributions, but will not be reimbursed for such contributions by the Company."

¹⁷ Ibid. The code states "(E)mployees may not solicit contributions from other employees for personal political purposes on Company time and may not require other employees, including secretarial or other support staff, to perform tasks in support of an employee's personal political activities."

¹⁸ Ibid.

¹⁹ Ibid. The code states "(C)ertain limited activities, including political action committees and lobbying, are allowed and should be coordinated by Governmental Affairs," and "decisions with respect to making corporate contributions and conducting activities to support state or local candidates or campaigns should be reviewed in advance with Government Affairs, the Legal Department or the Ethics and Compliance Office." However, the Code only suggests that Government Affairs should review these contributions; it does not stipulate that they must do so.