



**WHEREAS:** The long-term interests of shareholders are best served by companies that operate their businesses in a sustainable manner, focused on long-term value creation. This is particularly important in the context of climate change.

Methane is the main chemical component of natural gas. Methane emissions are a significant contributor to climate change, with a global warming impact roughly 86 times that of CO<sub>2</sub> over a 20 year period according to the IPCC. Methane leaks from Exelon's aging infrastructure create significant climate risk at a time when global warming concerns are growing among the public and regulators. Importantly, research indicates that methane leaks of only 3.2% across the entire natural gas supply chain -- from production through distribution -- could fully erase the climate benefits of replacing coal with gas. Leaked methane is also a loss of product, representing 30 billion dollars of lost revenue for industry (3 percent of gas produced) according to a 2015 Rhodium Group study.

Exelon's methane leaks expose the company to climate change related regulatory risk. In recent years state-level regulations on methane emissions have become increasingly stringent. States where Exelon operates like Pennsylvania are pressing forward with climate policies, including the Pennsylvania Governor's Methane Reduction Strategy.

Methane leaks are also a safety hazard. Exelon utilities' aging pipeline infrastructure puts its over 1.2 million gas customers across Maryland, Pennsylvania, and Delaware at risk of becoming victims of a catastrophic explosion. Exelon subsidiary PECO faced a \$900,000 fine for an explosion that destroyed a home in 2014. Between 2005 and 2015, the Pipeline and Hazardous Materials Safety Administration reports that the nation's natural gas distribution system was responsible for incidents resulting in 118 fatalities and 553 injuries.

Exelon's pipeline replacement plans run from 20 to 30 (BGE) years, depending on the subsidiary, falling far short of the urgent action needed to protect shareholders from material climate and regulatory risk and the risk of catastrophic explosions. Further, the company has not adequately disclosed information as to its leak detection, quantification, or mitigation practices to address shareholder concerns. Despite available, cost-effective technology allowing increased frequency and accuracy of monitoring, Exelon has not publicly disclosed any improvements in its leak detection and monitoring program. In fact, Exelon produces almost no information on this important issue.

**BE IT RESOLVED:** As You Sow requests the company report annually to shareholders (at reasonable cost, omitting proprietary information), and using quantitative indicators, the company's actions beyond regulatory requirements to monitor and minimize methane leakage, including adopting a quantitative methane intensity reduction target for its operations.

**SUPPORTING STATEMENT:** Investors request the report specifically include a description of its methane reduction program including:

<sup>1</sup> <https://corpgov.law.harvard.edu/2015/08/05/corporate-investment-in-esg-practices/>

<sup>2</sup> <https://feedingourselfthirsty.ceres.org>



AS YOU SOW

**2018 Shareholder Resolution**

**Exelon Corporation**

Request: Report on Methane Leaks

- Leak detection and repair, in terms of frequency and technology used
- Amount of methane emissions reduced annually (and how emissions are calculated)
- Company plans to replace leak prone pipeline or implement other emission reduction practices