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CORPORATE PARTICIPANTS

Dan Frederick Ford

Research Analyst, Barclays Capital, Inc.

William A. von Hoene

Executive Vice President-Finance & Legal, Exelon Corp.

MANAGEMENT DISCUSSION SECTION

Dan Frederick Ford

Research Analyst, Barclays Capital, Inc.

All right. Thank you everyone for joining us for the 2011 Barclays Capital Energy Conference. Our first presentation is going to be by Exelon Corporation. As you all are aware Exelon's in the process of merging with Constellation Energy Group. So there is a lot of talk about in terms of the calendar. The company is also a very exposed to what the EPA is about to do this year, because they are a largely nuclear generator.

Bill von Hoene, who is EVP of Finance and Legal, will present. Also on the podium is [ph] Dan Scobell (00:35) who is the Director of Portfolio Management. So without further ado, Bill?

William A. von Hoene

Executive Vice President-Finance & Legal, Exelon Corp.

Thanks very much, Dan. It's great to be here. As I'm sure a number of you know, this is the first time I've got to talk to Dan in a while because they suspended the ratings on us until the merger is over. So it's good to say hello and we always enjoy this conference. This is my third year speaking at the conference and it is well attended. It's well organized and we really appreciate the opportunity to interface with so many of you who are here.

In addition to [ph] Dan Scobell (01:08) I just wanted to introduce a couple of other folks who are here. On our team, Stacie Frank, our Vice President of Investor Relations is in the front row and we're – have the privilege today of sharing a room in our individual meetings with the Constellation team. So Jack Thayer, the Senior Vice President and CFO is in the back and Sandra Brummitt, who is the head of their investor relations and enjoy being with you today as well.

I'm going to make some initial remarks and afterwards we'll be happy to take your questions. Let me start, we have three pages here of cautionary statements. These get longer when you're involved in a merger but it will tell you where you can find additional information we don't cover today. We'll also remind you that this is not an offer to sell or a solicitation of an offer to buy any securities in connection with our merger.

Many of you undoubtedly heard our second-quarter earnings call and you heard our Chairman John Rowe discuss a couple of areas that Dan also focused in on as particularly important to the company currently. One is our proposed merger with Constellation, and I'm going to talk to you about where that stands today and we feel very strongly about that.

Two, our ability to take advantage of some of the improvement in the power markets and the EPA regulations that have been propounded or will be propounded and I'll talk a little bit in detail about that and about some of the events last week that bear on that. I'll also talk a little bit about activity this summer at FERC. And finally, I just want to make a few reflections before I conclude on operational performance in light of some of the weather and other challenges that we've all experienced in the industry.

So let me turn first to the merger with Constellation. We are now approaching a very critical stage in the merger. We've had a wonderful run from the date of announcement to this date, but essentially if you look at three different areas, and those are the ones I want to focus on, they are these: Number one, we'll have to secure shareholder approval for the merger. Last week we received a no further comment letter from the SEC which means we are free to solicit proxies and we expect the shareholder meetings will take place early in the fourth quarter and that is on schedule.

Two, in Maryland, where I think it's universally recognized, is the approval [ph] aside a switch (03:45) is potentially the most challenging, we believe things are moving along very, very well. The interveners, the next big date in Maryland is when the interveners, the 20 or so interveners, will file their testimony. They will file their testimony on September 16, at which time they will stake out their positions. The hearings in Maryland will begin on Halloween and will run through the middle of November. And under the Maryland schedule that the Utility Commission has established we expect a ruling no later than January 5.

As you might imagine, given the importance of Maryland to this transaction, we've spent an enormous amount of time on the ground in Maryland with Constellation and with Exelon personnel to try to connect with all of the key stakeholders there to make sure we understand what their concerns are to make sure we address them adequately and to make sure that they understand what they are bringing to the table. And we believe that process has been good. As the intervenor testimony comes in and we prepare for the hearings, we believe it will give us a very sound and solid basis for bringing the transaction to closure in Maryland successfully.

One other point I want to note, in Maryland, the – a couple of the pieces that we felt were particularly important to the stakeholders were the job situation in Maryland and we've committed to this being job positive in Maryland and also the headquarters situation with the corporate headquarters moving to Chicago. And with that in mind we embarked on a plan to establish to create and build or renovate a headquarters for the power trading organizations for the renewable business in Maryland and that process is proceeding as well. It will be jobs creative and it will reaffirm our commitment to Maryland as an indispensable part of the Exelon family.

The third part of the merger approval proceeding that I want to address briefly today are the FERC proceedings. As many of you know, we filed at FERC in May of this year and the FERC clock is a six-month clock, 180-day clock and then they can extend that for an additional 180 days if necessary. The key question there is the market power analysis and before we filed at FERC and before we approached the Department of Justice, we ran the models that they run to determine what mitigation would be necessary in order to satisfy the standards at FERC and the standards at the Department of Justice. And the divestiture package, which you have seen and are familiar with is one that we believe very comfortably meets those standards.

A wrinkle in the process that occurred over the course of the last month is in the interventions at FERC, the Market Monitor, the PJM Market Monitor intervened, which is not uncommon at all in these types of proceedings, but nonetheless is something we received a lot of questions from investors about. And what the Market Monitor said in his intervention was he believed additional mitigation beyond the 2,600 megawatts we proposed would be required to satisfy a standard that he articulated that is not the FERC standard, but is one of his own design. He did not specify the magnitude of what additionally was needed, nor did he specify location or type of additional mitigation.

We have a good relationship with the Market Monitor. We commenced meeting with the Market Monitor after receiving the intervention, looked at his methodology, which I want to emphasize again is not the FERC methodology that has been traditionally applied, and in mid-August, we obtained access to his analysis. With the access to that analysis, what we discovered were there were in fact some anomalies in the analysis and in the data and we shared that view with the Market Monitor and the Market Monitor agreed with us and we filed with FERC a short pleading on Thursday of last week indicating with the Market Monitor's authorization, that we found the anomaly in the data and the analysis, that he agreed, and that we would not further respond to the Market Monitor's intervention while he considered or reconsidered the analysis that he wanted to submit to FERC.

So in short, at FERC, two things; number one, we're very comfortable with where we are on the divestiture plan. We believe we satisfy the standard there. We do not believe there will be a hearing, nor do we believe there will be any delay and to the extent that the Market Monitor intervention raised issues, we believe that he will reconsider those in light of the anomaly that we were able to identify, share with him in the collaboration to look at his analysis.

The one other thing that I do want to address in connection which is not approval related, but in connection with the transaction, the successful consummation of the transaction, is the integration of the two companies. We have essentially divided the integration into three phases. And the first phase is a data collection phase, which we have now completed and we've commenced in the design phase. I think it's fair to say and if you ask anyone or almost anyone affiliated with the companies, the atmosphere has been terrific and positive, very collaborative, everyone at our companies understands the industrial logic of this transaction. Everyone understands the benefits that will inure to both sets of shareholders, to the employees, to the officers of the company and are enthusiastic about those aspects. So we really – and we've had some experience in this that you might discern was a little bit inconsistent with that what I have just described, I think, Jack, you would venture to say that you've had the same experience but this has really been a terrific collaboration between the companies.

I know a number of you are interested in that regard in when the executive announcements will be made. The first layer of executive announcements will be made within the next couple of weeks, that is the persons who will be direct reports to Chris Crane. And so you can look forward to that and we look forward to that as well.

I want to now turn my attention to the second item that Dan indicated, and obviously is near and dear to our hearts and that of Constellation and that is the pending EPA regulations. The chart that we have here is a chart that's been put on a bit of a diet relative to the charts we've shown you historically, where we've talked about a number of the other regulations but what we really have here are the three biggest pieces that are relevant to the Exelon fleet and are imminent either with regulations having been propounded and finalized or on their way.

The EPA has acted decisively on many fronts over the past few months by focusing on things that are well within their mandate and things that in fact are court ordered. They have finalized the Cross-State Air Pollution Rule, they have proposed a very stringent Mercury and Air Toxics Rule and the rule they have proposed for cooling water intake structures has offered significant flexibility by not mandating the installation of cooling towers as a one size fits all solution. And those are really the three pieces with which we are most concerned. I want to talk about each of those individually and then also talk about the ozone developments briefly last week with the President.

With respect to the Cross-State Air Pollution Rule, the EPA has provided some great and needed regulatory certainty by maintaining the compliance timelines as proposed in the draft last year. The rules use of market based emission allowance trading provides the industry with significant compliance flexibility and the environmental benefits that are intended behind the regulations. State budgets by the way, I think you know this,

were set using reductions achievable from existing technology, so we do not see any reliability issues emanating from the Cross-State Rule.

Of note, in the final version of the rule, the EPA added Texas to annual NOx and SOx programs. This came as a bit of a surprise to a number of folks, including folks in Texas, and there will be undoubtedly some litigation associated with that inclusion.

From the standpoint of the enforcement of the rule, it's important to focus however on what that litigation can and cannot do. We do not believe the litigation will suspend the operation or applicability of the rule, because the standard to be met to stay the rule itself is a very high standard that we don't believe would be satisfied here, especially with a rule that's already been through the courts twice. So we think that the rule is going to remain in effect and as those nuances are litigated, will continue to provide the benefits to the environment and also the impact on the marketplace with which all of you are very similar.

There has been a lot of talk about delaying this rule in Congress and I know you've heard all the various statements that have been made on both sides of the aisle about this, we would not be surprised at all were the House to pass some sort of legislation, in fact we expect some legislation passed in the House, to delay the implementation of this rule and also of the Toxics rule. So it looks like the numbers are lined up and the leaders there on one side of the aisle are lined up to do that. It is equally clear to us that that will not pass in the Senate. The Senate has been resolute about that and the president himself has also been extremely resolute about that and has indicated that he would veto any such legislation were it to pass the Senate.

Last week as you know, the president through the Office of Management and Budget, directed EPA to suspend the accelerated implementation of the ozone rules. And you will recall that those rules are on a five-year cycle of the revamping of the standards, the last was in 2008 now in 2013 and they were going to -intended to do it early.

A lot of folks are trying to read the tea leaves of what happened there. Is this the beginning of a retrenchment on the other environmental rules? And I would submit if you look at what happened last week the answer to that is resoundingly no. The best place in my view to look at that is to look at the letter that went from OMB to the EPA with respect to the rules and in essence what OMB said was the rules for ozone are a couple of years early, let them take their course and go on the regular course, no need to accelerate.

Some of the objectives behind the ozone rules will be served by the rules that will go – are in effect or will go into effect, namely the Cross-State Air Pollution Rule and the Toxics Rule. And then the OMB went on in the letter to articulate with specificity the benefits, the financial benefits of those two sets of rules that would inure from the rules and the deaths that would be avoided by the timely implementation of those rules and the numbers were significant. And in our view show that there is no equivocation whatsoever on the administration's part with regard to the implementation of the rules.

The Cross-State Rules we believe will have a modest impact on power prices in '12 and '13 and indeed we saw a dollar increase in '12 and '13 power prices immediately upon the finalization of the rules. I think you're all or most of you are aware that the ICE Exchange listed a few selected forward contracts for cross-state allowances last week, limited trading occurred, the transactions were small and there is not much to be read from those I suppose except if they are directionally significant. What you can – what you see from those is they were priced well above the prices predicted by the EPA in the EPA's Regulatory Impact Analysis.

So when the – we expect the allowances to be allocated in October and you'll get a better indication of that and we'll know more at that point in time. But so far the indication is that this will be a robust and significant marketplace.

Looking beyond 2013, the Toxics Rules, which I talked about briefly, we expect will have a more significant impact on prices than the Cross-State Rules. And as a result will be impactful on a longer term basis. The comment period for those rules ended earlier last month. We expect the EPA to issue those rules in their final form in November and we expect them to be as rigorous as they are in the draft form.

Finally, with respect to 316(b), which is referenced here as well, I think the significant thing here is again, if you're looking at what the political landscape is and you're looking at the package of things that are out there, the place where the administration has clearly been extremely and most resolute is on the Toxics Rule and on the Cross-State Air Pollution Rule, 316(b), the flexibility I alluded to a few minutes ago, the ozone rule, some of the other things that are happening, it looks like the package in terms of political viability is taking form and that the stronghold that the administration perceives to be in the Toxics Rule and in the Cross-States Rule will be sustained.

Let me turn briefly just a little bit to FERC transmission issues. As you know, FERC finalized its Transmission Planning and Cost Allocation Rule earlier this summer. It addressed a number of key issues related to the development of new transmission infrastructure. We supported the rule, we think it is a very positive step. Among other things, the rule recognizes that transmission planning is needed to accommodate the retirements that will be caused by the EPA regulations and it's part of this process. The real work obviously will come at PJM with the development of the tariff and we will be intimately involved in that process to ensure that it leads to a reliable system that addresses congestion problems in a rational basis.

On the transmission front from the company's standpoint, there are really three pieces of things – four things that are going on that I would cite too. One is our RITE Line application transmission project with FERC designed to address the development or the future development of wind resources and enable those to proceed east, as would be consistent with policy and otherwise. We have filed with FERC, our application for formula rates. We expect that to be ruled upon next month, after which time we would seek approval or seek inclusion in the RTEP at PJM.

ComEd continues in its transmission projects, \$100 million of transmission projects that have been approved, designed to address the potential retirement of coal plants within the Chicago area. PECO continues on transmission adjustments that will allow the timely retirement and early retirement of Eddystone and Cromby.

And lastly, on the generation side, we continue to look for opportunities to relieve congestion, such as the projects that we have going on at Clinton now to bring the whole system in a situation where it best serves both the public and the consumers, but also the generators trying to get their product to market.

I just want to turn without a slide to the last subject I alluded to a few minutes ago. And that is we've had so many weather and other challenges and seismic challenges in the United States recently after the challenges that were experienced in Japan. And I just wanted to talk a little bit about our performance during that period of time. We have been at the company an operational performance dog of the most rigid way. We chase operational performance with vigilance that is really hard to imagine. I shared with a number of you in smaller sessions, some of the anecdotal things that I have experienced as a non-operator in watching how we do this. And the response that the company has had to some of these challenges has reflected that commitment on our part, which of course has to be, along with safety, our absolute number one priority.

Our nuclear plants operated exactly as we expected them to operate during the earthquake on the East Coast, safely and reliably. I will tell you anecdotally that at the time of the earthquake, I happened to be at Oyster Creek in a conference room and thought somebody was shaking the table. And in fact it was the earthquake, so we experienced it in a very real basis. We walked down all the plants, looked at what had happened. Everything was

good, it was a reaffirmation I think of the safety of our plants in light of some of the challenges that – with which we can be confronted.

The storm brought enormous challenges to our utility in the East. PECO, which this last storm with Irene was one of the five worst that the company has ever faced. We had about 0.5 million customers impacted by the storm, but were able to restore power to the vast majority of them within two days. And I understand [ph] John Laing (21:13) may move into our jurisdiction as a result of this performance based on the conversation I just had with him. We've had new peak loads this summer at ComEd and PECO. We've been able to perform reliably. We had enormous storms at ComEd as well, 2.5 million customers out at one time or another and were able to restore them on a very, very timely basis.

On the ComEd side, the one other thing I just want to note is, we continue to pursue the formula rate legislation that you're familiar with that has passed the House and the Senate in Illinois that has the support of all four of the legislative leaders. While we expect the governor will veto that bill, we are gearing up for an override of that veto and are hopeful that we will be able to – we were very close to a veto proof vote at the time the bill was passed and are trying to garner extra support for that – for the veto sessions, which are late October and early November.

So to close and open up for a few questions, I just want to say this, we remain and this has been, I sound a little bit like a broken record on this, we are really in my view uniquely positioned in an ever-changing industry. We have the lowest marginal cost, cleanest generation operated as well or better than it's operated anywhere else in the world. We are continuing to protect our value and enhance our value through the excellence and the commitment to operational excellence that we have that's reflected in the performance of our generation company and in the performance of our utilities. We are in a position to significantly leverage power market recovery and future environmental regulations and build national scale in that regard.

And I am particularly enthusiastic about the partnership that we will develop, or the company that we will develop with Constellation for the reasons I alluded to at the beginning. It's pretty unique when you have a situation where a deal is announced and the stock prices of both companies go up upon the announcement of the deal and that's what happened here. And it happened here for a reason. The reason is that this deal, as many of you have reminded us over the last couple of years makes unmistakable industrial logic, and we believe we are going to build a platform and expand the Exelon story in a way that will enable us to leverage growth, to leverage the opportunities and the learnings we will get from Constellation, the way they operate their business and in the reverse to really step up to the next level in terms of performance both in the company and for our shareholders.

So with that, Dan, I will turn this back to you for questions. Thank you very much.

QUESTION AND ANSWER SECTION

Dan Frederick Ford

Research Analyst, Barclays Capital, Inc.

Q

Thank you very much, Bill. And there are some microphones that will be coming around the room, if you can wait for them for your questions. I'll actually – I'll lead off with the first one then. With the President now focusing on jobs, one of the things that's been asked of him is, is more time and he has the ability to extend the timeline on the Hazardous Air Pollutant Rule in particular. Do you see much of a chance that you'll see that two-year extension as opposed to a change in direction?

William A. von Hoene

Executive Vice President-Finance & Legal, Exelon Corp.

A

Yeah. I don't see any meaningful opportunity for the two-year extension for a couple of reasons, Dan. One is that – and I know what The Wall Street Journal editorial piece said last week about the extension, but if you bother to go look at the actual language of the statute in terms of the circumstances under which this extension can be invoked, they clearly do not apply to this circumstance. There are national security circumstances where there is an impossibility of compliance with the rule essentially. 60% of the plants, of the coal plants in this company have already complied with what will be required by the rule. There is no impossibility and there will be no national security issue raised with this.

So we think that in order to delay this other than the one-year delay for a plant that is in the process of complying that can be done on a plant-by-plant basis, there is no current statutory basis to extend the compliance period in the manner that The Wall Street Journal suggested.

We also look at that, Dan, in the context of the things I talked about a few minutes ago, namely what the president's commitment appears to be on these particular regulations relative to the whole menu of regulations that are out there. The statements that have been made, the OMB, where it is headed. So we do not envision there to be any realistic probability that there will be an extension other than extensions that could be made under the existing regulations on a plant-by-plant basis to achieve compliance for those that are intending to comply rather than retire.

Dan Frederick Ford

Research Analyst, Barclays Capital, Inc.

Q

Question in the crowd? Fair enough. I'll ask one more then. Can you give us a bit of an update on where the Nuclear Regulatory Commission is -

William A. von Hoene

Executive Vice President-Finance & Legal, Exelon Corp.

A

Yeah.

Dan Frederick Ford

Research Analyst, Barclays Capital, Inc.

Q

– with regards to their post-Fukushima review?

William A. von Hoene*Executive Vice President-Finance & Legal, Exelon Corp.*

A

Yes. As folks know, the – a 90-day report was issued post-Fukushima, which had 12 recommendations included. And at the time the report was publicly revealed, the chair of the NRC indicated that his expectation would be or his hope would be that all 12 of the recommendations would be implemented within an additional 90 days.

The NRC has now looked at that body of works and has really broken it down into three groups. One is, sometime this week or next, they will say – they will indicate or the staff will indicate it in its recommendation to the NRC, these are the things that can be done immediately.

Secondly, there will be a plan to prioritize the remaining pieces, and most importantly, what the NRC has said is with respect to the alteration of the regulatory framework for the plants, there will be an 18-month process with stakeholder involvement and hearings and the like.

So we don't think that there's anything immediate that is likely to transpire in that. And we think the NRC appropriately has taken a very measured and careful look at the issue. What they have said is this, they have said, number one, the United States plants are safe. Number two, as information has been more readily or more greatly available from what happened at Fukushima, the situation here for our plants is different from the situation with which those plants are faced both in terms of the conditions, but also in terms of the precautions and the systems and the other things. And third, what they have said is, we're going to take a rational basis to look at what is being required of the nuclear industry.

So our expectation is that – and we, like other companies have been very, very careful to try not to quantify or prognosticate about what the NRC will ultimately do or what Congress may ultimately do. But what we do think and I think this is also the consensus is the reaction to this has been measured, it's been rational. We think something will happen, there will be some things done, but we don't think that they will be things that will be material to our operations or material to the financial stability or health of the nuclear units.

Q

Just to follow up on that question. Maybe you could talk about long-term nuclear prognosis in the U.S., how do you view it now? Will we see more small modular reactors in the long term? How do you view investment over the long term?

William A. von Hoene*Executive Vice President-Finance & Legal, Exelon Corp.*

A

Yeah. Let me address it in a macro way and then the small modular reactor secondly. In a macro way, with the exception of what is currently on the table in regulated landscape, where you have that insulation, we don't think that there is going to be nuclear development in the United States for a long time. The gas prices have essentially made that financially very, very difficult to do, impossible to do. And with gas prices, and we think the mid cycle gas prices are \$5 to \$6.50, we don't see nuclear generation, new nuclear generation in that environment. So until that world changes, in our view, it's off the table and it's certainly from an Exelon standpoint, absent some very radical changes in conditions that's where we would be.

We've taken a look at over time over a number of years at the small nuclear reactor modules and some of the opportunities, and what we've concluded with regard to those doing the analysis and doing the economic analysis

is that they just don't make sense to do, they can't be economically justified. Even though the capital outlay obviously for lesser megawatts is less and you would think maybe that's a way to intervene, but given the cost there, they end up being actually more expensive relative to the appropriate measurement than even the larger nuclear, and that's why we haven't pursued that, and that's why we think it's unlikely absent some extraordinary developments in technology that it would be pursued.

Dan Frederick Ford

Research Analyst, Barclays Capital, Inc.

Okay. All right, if there are no final questions, I'd like to thank Bill von Hoene very much. Thank you.

William A. von Hoene

Executive Vice President-Finance & Legal, Exelon Corp.

Thanks, Dan, very much.

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