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*Ticker▲*Soleil Securities Group, Inc.
Diversified Utility & Energy
Conference
*Event Type▲*Apr. 1, 2010
*Date▲***MANAGEMENT DISCUSSION SECTION****Kit Konolige, Analyst, Soleil Securities LLC**

Okay, all right. Welcome back. Kit Konolige again, Soleil Securities Diversified Utility & Energy Conference.

We are moving along and we have a strong finishing presentation from, I guess, the largest market cap and largest in many ways company in the industry, Exelon. So, I think many of you are pretty familiar with Exelon, but certainly among their largest is the largest owner of nuclear production in the U.S.

So that's about all you need to know from me, but you need to know a lot more from Chaka Patterson, who's been kind enough to join us and will tell the Exelon story, and then we'll have Q&A after that.

Chaka M. Patterson, Vice President and Treasurer

All right. Good afternoon, Kit. Thank you for having us here this afternoon.

Let me take a second to introduce our team, we have Dan Scobel, Director of Portfolio Management at our Power Trading Organization; and then Stacie Frank, who is our newly appointed Vice President for Investor Relations.

Slide two is our obligatory forward-looking statements, I'll let you digest that on your own and go right to slide three, our key messages for today. For starters, as Kit mentioned, we are the largest operator and owner of nuclear power plants in the nation. We have – we are also the best operators of nuclear power plants in the nation. Our power plants are divided among Illinois and Pennsylvania, so we have a geographic diversity in the nuclear fleet.

We have achieved several successes in 2009, which I'll get into shortly, but just as by way of reminder, given our geographic diversity and our sheer size, we are levered to improve power market fundamentals including commodity prices, heat rates and capacity values. The RPM auction will be coming up in May in terms of capacity values and half of our capacity is in eastern PJM. So, we stand to benefit from any upside in the auction this year, which will be the '13, '14 planning year, so the upside benefit will show up in the second half of '13 for us.

Turning from our generation company to ComEd, which is one of the utilities that we own, covers Northern Illinois and is headquartered in Chicago, 3.5 or almost 4 million electric customers. They are executing very well in their regulatory recovery plan and producing a significant improvement in their earned returns and I'll talk about those in just a little bit. And they've also done a tremendous job on maintaining reliable operations, in fact 2009 was the best operating year that the company has had.

Staying with ComEd, it has a \$1 billion credit facility, which we recently financed. We have very strong bank representation and we had fair pricing. The pricing is higher than it was in previous years. As you all know, the bank market has been challenged over the past couple of years, but we were able to set new benchmark pricing for 6b credit both in our sector and in the investment grade sector generally.

Turning to the other utility that we own, PECO, which covers Southeastern Pennsylvania it's headquartered in Philadelphia about 500,000 gas customers, about a 1.5 million electric customers.

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Yesterday, we filed distribution electric and gas rate cases for PECO, which will pave the way for continued strong financial performance and allows them to manage the transition from capped rates and capped generation rates to market rates, which we believe will start January 1, 2011.

I'll also give you a preview of some of the significant events that are coming up for the remainder of the year, including procurement events in Illinois and Pennsylvania and the ComEd rate case filing, which we anticipate will occur in the second quarter and then as I mentioned the RPM auction.

And lastly I will talk about our solid platform and our ability to pursue significant value enhancing growth opportunities. The bottom line is that while we cannot control many things that affect our business like the commodity markets, we are disciplined and thoughtful about those things and most importantly we are managing the things that we can control.

So with that one of the main things that we can control and one of the things we do extremely well and from which all shareholder value starts is being a terrific operator. As I mentioned we are the largest and best operator of nuclear power plants in the nation, we have 17 units that we operate at industry-leading capacity factors, you can see on the slide that we have – in 2009, we operated at 93.6% capacity factor, the seventh year in which we've exceeded 93%. Our Clinton and Quad City plants established new continuous run records of 596 and 594 days respectively. Our TMI unit, Three Mile Island set a new PWR world record for 705 days continuous run and we have started on our uprate program by adding 70 megawatts of nuclear capacity to our fleet.

Moving to the bottom chart on the left, our refueling outage duration, we continue to outperform the industry, we do all refueling outages in 28 days compared to an industry average of approximately 40 days. And then moving to the right chart, although we are the largest operator of nuclear power plants in the country, we only have about 20% of the nuclear plants yet in terms of continuous runs in the 30 longest continuous runs in US history, we are over half, we have 16 of those 30 continuous runs. And so that demonstrates the value of our management model and our standardized operating excellence.

And all of this operating capacity and operating ability generates significant shareholder value because for Dan Scobel and his colleagues, it gives them a significant amount of certainty as to what they can sell into the marketplace. They know that the nuclear power plants are going to be there and they know that they can optimize the value of those plants.

Turning to slide five, I've mentioned that the next RPM capacity auction will take place in May. As you can see from the circle chart, our generation capacity is diverse. We have about 10,000 megawatts in the RTO region and then 9,000 in EMAAC and then another 1,500 in MAAC. So we have a very balanced portfolio, which gives us opportunity to take advantage of what many folks predict will be significant upside in the MAAC and EMAAC region and some upside in the RTO region, and this will be the auction for the '13, '14 planning year.

And I think when we look at it, we think that there are probably four drivers of upside in that capacity auction. First, is the rule change from FERC that allow – that will allow demand response to bid in above zero. You may recall in the last auction that demand response had to bid in at zero. That cap has been lifted through rule change.

PJM has increased its demand forecast.

First Energy has joined PJM and they have brought more load than they have brought supply.

And then we believe that the bidding behavior of some of the coal units is likely to change as they face a significant uncertainty around their environmental CapEx needs going forward.

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So the bottom line is because of our balanced portfolio, we are very well positioned to capture any upside in this '13, '14 planning year auction.

Turning from our generation company to ComEd, you can see that ComEd has significantly improved its earned ROEs going from about 5.5% in 2008 to 8.5% last year and they're targeting at least 10% this year and going forward.

We have executed on a strong legislative and regulatory strategy and cost-efficiency programs that allow ComEd to stay out of rate case last year during some of the worst economic times and we think that, that will drive significant goodwill in terms of how their rate case is received by regulators this year.

As I mentioned, ComEd has exceptional operating performance, they had their best year ever in terms of our outage duration and outage frequency. They also have formula rates at FERC for transmission, where they're getting 11.5% return on their transmission. And one of the most significant things we did this year, many of you are probably aware of the difficulties that we had with the regulators and legislators in 2006 and 2007.

And to show you how much times have changed, we were able to work closely with both the legislators and the regulators to create an uncollectibles expense rider, which was approved by the ICC in February of this year. And so that will significantly help ComEd collect its uncollectibles in real time. And I think that kind of demonstrates just how much the environment both on the regulatory side and the political side has changed in Illinois as it relates to ComEd.

We also have the smart meter pilot program underway and we have a rider for that. It's 131,000 meters that we'll install, we're about two thirds of the way there with 100,000 meters already in place and we'll finish out the pilot this summer.

So, all in and then last but not least I'll mention that we got credit upgrades from both S&P and Fitch at ComEd, which again demonstrates the financial strength that ComEd has demonstrated over the last couple of years. So, all in, this really shows that ComEd is sitting on a very strong financial footing as it moves forward into 2010 and beyond.

Similarly, I mentioned that ComEd had a \$1 billion revolving credit facility that we've recently renewed. It's a three-year facility, so it'll expire in 2013. It replaced a 952 million facility that was due to expire in 2011. Many of you've probably seen that Moody's in particular has really kind of pushed utilities to not let their facilities go too current and would like to see facilities renewed well with – well close – well far away from where they expire. So, we were able to take advantage of a terrific market, get great pricing which you see here on the screen an undrawn fee of 37 basis points and a fully drawn fee of 2.25%. Again we were able to move the market and that's the best 6b credit facility pricing that you've seen in over a year, both for our sector and for investment grade companies generally.

We have 22 banks in the facility, none of which has more than 6%. So we think that's significant, given some of the tumult that is still present in the bank community, just showing how strong ComEd's finances are and how far they've come in the last couple of years. The deal was 1.6 times over-subscribed, \$600 million more in commitments than we actually needed. And just about every bank that was in the previous facility stepped up their commitments significantly.

Turning to PECO. As I mentioned, yesterday PECO filed both electric and gas distribution rate cases. On the electric side, this is significant. It's the first electric rate case that PECO has filed in 21 years. The energy efficiency and smart meter cost will be recovered separately through a rider.

The gas rate case is a little more current. We filed our last one in 2008.

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You can see some of the particulars here on the slide. We have – we're using a 2010 test year for both, 3.2 billion in rate base for the electric, 1.1 in gas. And the common equity ratios are the same, 53% for both. Looking for ROEs of 11.75%, overall return of 8.95%. You can see the revenue requirement increased 316 million for electric, 44 for gas.

All in, as a percentage of increase in the overall customer bill, you see it's a little less than 7% for electric and around 5% for gas. One important thing to note is that the distribution piece is only about a third of the customer's overall bill.

We expect rates to take effect on January 1 of 2011, and we believe that this rate case strategy for PECO allows them to transition smoothly from generation caps to a competitive marketplace, and continue to deliver strong ROEs for shareholders.

Slide nine gives you a typical timeline for how we would expect a case to proceed. We will actually get a schedule from the PAPUC in May. It's a nine-month process, which is why we can expect rates to take effect January 1 of 2011.

Then in terms of events of interest, we have a lot of things going on in this second quarter. I mentioned the RPM auction in May, which is for the '13, '14 planning year. We have – the Illinois Power Agency will conduct another supply procurement for ComEd and for Ameren. It will be for the '10, '11 load and for a portion of the '12 load. Rates will reset on that supply June 1 of this year. ComEd, we expect to file a distribution rate case sometime this quarter, and that is an 11-month process.

PECO will hold the third of its four procurement processes for supply beginning in January of '11, and the results will be announced one month after the conclusion of the procurement process. So then, in the third quarter, September, we'll expect PECO to hold the fourth and final procurement for that '11 load.

So those are some of the big things that are coming up for our company over the next several months. Let me say this. In terms of our platform, I want to remind everybody that we're really looking at three ways to grow our business.

First is our nuclear uprate program. As the largest operator of nuclear power plants in the country, 17 units, we are uniquely positioned to increase the output of those plants to the equivalent size of creating another nuclear reactor. And we are the only company in the country positioned to do that.

We're looking at 13 to 1,500 megawatts across our fleet. We can do it at at least half the cost of a new nuclear plant and at substantially lower risk. We also have off ramps so that, if for some reason, the economics significantly deteriorate, we do not have to move forward, an option that you do not have with nuclear new build. And there is also no incremental O&M associated with these uprates.

So we like this project a lot. We have disclosed the IRRs previously. They are in the double digits. This is about a \$4.4 billion project over the next several years.

Second way for us to grow is investing in the smart grid and smart meters at the two utilities, approximately \$700 million allows us to grow rate base, allows us to update the electric system. And we think that those are also very solid investments, given where the ROEs are expected to be for both the utilities.

Lastly, transmission. As you know, we have formed Exelon Transmission Company, and we will be looking for three kinds of projects on the transmission front. PECO and ComEd will keep their

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traditional transmission projects for reliability within their service territories and earn those FERC rates of return, which as I mentioned, at ComEd, is about 11.5%. The generation company will look at transmission opportunities that will allow us to continue to move power from west to east and allow us to take advantage of some of the higher pricing in the east.

Third, the Exelon Transmission Company will have the ability to look at projects for reliability purposes, outside of our traditional utility territories, and look for – to get FERC rates of return, which if you look at ITC, Allegheny, the PATH and the TrAIL projects, are running anywhere between 12 and 14% ROE. So there is a excellent unique opportunity there for the Exelon Transmission Company.

So, let me close by saying this. That one of the things that make us particularly unique is that we are levered to almost any positive, good news that can happen to this industry, whether it be demand recovery, commodity price recovery, environmental legislation or regulation, or tightening reserve margins and increased capacity values. We stand to benefit from any or all of those things. So that is one of the things that makes us a very unique company in this sector.

So with that, I'll stop and open it up for questions.

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<Q>: [Question inaudible]

<A – Chaka Patterson>: So, we – in terms of the rate of return, we looked at – we use the actual cost of debt for the debt piece, we use the actual cost of the preferred securities, and then we used several different models to estimate the equity components. So we used CAPM, DCF, and looked at some of what our peers are doing in.

So, Paul Moul is our expert on that. His testimony is available on the PECO website, if you want to get into greater detail. But that is generally how we set, on a weighted average basis, we set the overall rate of return, and particularly the return on equity.

Depending on how this case turns out will sort of drive how often we go back in for rate cases, but we could expect something like every two to three years.

<Q>: [Question inaudible]

<A – Chaka Patterson>: Well, I think our Chairman, John Rowe, said it colorfully on our fourth quarter earnings call, that we are the hyena on the plains looking for any and everything that's there to be eaten.

In all seriousness, we have looked at three opportunities in the past and have not closed them because they did not generate the shareholder value that you've come to expect from us. And so we are very disciplined and very thoughtful when it comes to M&A. We are going to look for opportunities that really generate and drive a substantial shareholder value.

As we look out right now, we don't see anything that's better than what we can do organically, which is the – some of the things I mentioned. The uprates, smart grid, and transmission.

<Q>: [Question inaudible]

<A – Chaka Patterson>: We have. And in fact, the way we think about it is we sort of have three buckets. We have a strengthen the balance sheet or financial flexibility bucket, an invest in growth bucket, and buyback/increase dividend bucket.

You may recall that in sort of the '07, '08 timeframe we were heavily concentrated in the value return and – in the share buyback and increased dividend bucket. We bought back about \$1.75 billion worth of shares in that timeframe, and we had about a 12% CAGR on our dividend.

Now with the uprates, with smart grid, and with transmission, we've done an analysis of those projects relative to share buybacks, and we have found that those projects deliver substantially more value to shareholders than buybacks.

So we will, for the time being, be concentrated in the invest in organic growth bucket.

Any other questions? Kit, do you have a question?

<Q>: [Question inaudible]

<Q – Chaka Patterson>: We – I guess there is sort of two different ways we look at sort of overall environmental policy.

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The first is carbon, as you mentioned. Right now, what we see has the best chance at this point is the Graham, Kerry, Lieberman coalition that is trying to modify, I guess, the Waxman-Markey Bill that was passed by the House. And so they are working the carbon bill from that perspective.

And so we certainly encourage those efforts. John has spent a lot of time in DC meeting with those senators and other senators to try to get that moving. So that's sort of one piece of the environmental puzzle.

The other piece is the EPA. And given our low-cost, low-carbon, and low emitting overall fleet, we stand to benefit from either carbon regulation or legislation, or any other significant environmental legislation.

So we see the EPA likely issuing revised CARE rules sometime in the spring, we see them potentially issuing coal ash rules sometime this spring and then we see them moving on to other areas of interest like as hazardous air pollutants, particulate matter and mercury sometime this year for rules that will start perhaps as early as spring of 2011. Kit, found a question?

<Q>: [Question inaudible, off mike]

<A – Chaka Patterson>: Sure. So, in terms of – I will start with the demand, we've given a full-year forecast for load growth at the two utilities and ComEd is expecting about an 80 basis point increase overall in load this year, PECO's will still be negative by about 1.5%. But we are in both territories seeing some recovery in the second half of this year, particularly in ComEd, ComEd goes out and surveys all of its top C&I customers and they are seeing third shifts being added back, Ford announced that it will start building cars at the major plants located in ComEd's service territory. So, we are seeing some positive signs on that front in terms of demand for commodity prices I'll turn it over to Dan, who is at our Power Team to talk about what he and his colleagues are seeing.

<A>: And one other thing to mention on demand side, one of the things we watch very closely is the various manufacturing surveys out there and ISM is one of those and we kind of look at those both on a national basis and locally both at the Philly and Chicago area. And when we look at those over the past few months, those have all been positive indicating some modest recovery in load. So that's playing to what Chaka already said.

With regards to commodities, obviously, we saw the recent drop off of gas in the front end, less so in the back end. I think the fair value out there we're still seeing as a company in gas of long term still in that 5 to \$7 range. And obviously our hedging plan that we put in place obviously mitigates some of our exposure to these short term anomalies given that we're highly hedged in the front ends and less so in the back end which allows us to participate as the market rebounds and moves upward.

Chaka Patterson, Vice President and Treasurer

Okay. Unless there are any further questions, thank you very much, Kit.

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