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MANAGEMENT DISCUSSION SECTION

Christopher M. Crane

President & Chief Operating Officer, Exelon Corp.

Good morning, everybody. It's good to see everybody. We've had the opportunity to see many of you in the small groups over the last couple of days. Well, we appreciate the opportunity to provide all with an update on the merger progress on behalf of Exelon and Constellation. I'm Chris Crane, the President and Chief Operating Officer at Exelon, and I'm joined here today by a number of Constellation and Exelon executives. If we use the words improperly I announced myself as a Constellation employee yesterday and after so many meetings and hearings I kind of get it all crossed up, but we are here as one.

On the next two slides, again, we do take pride in having the longest Safe Harbor statements in the industry. You'll see the forward-looking information on slides two and three, and we see a couple others creeping up, so we'll probably expand ourselves to three slides next year just to make sure we've got everything fully covered.

Over the last several months, as I said, we met with many investors, a large number of investors over the pending merger, and we've been pleased with the feedback we've received over the transaction. It's been positive from both investors and analysts that are looking at both companies.

Our shareholder vote on the transaction is coming up next week and the votes thus far have been very favorable. All of the major proxy service firms have recommended for voting for the proposed merger – in favor of the proposed merger.

And importantly, this transaction that advances the strategy of both Exelon and Constellation that we are pursuing independently. Strategically, it creates a premier national competitive energy provider that has a platform for sustaining growth across all of our operating companies. Our competitive portfolio will have a diverse set of assets that maintain our clean profile and allow us to serve a full complement of retail, and wholesale products to our customers in the competitive markets across the United States.

It's a deal that has clear benefits from both the Exelon and Constellation shareholders. Both companies have outperformed the market in the peer group since our announcements in late April. And our three large utilities ComEd, PECO and BGE will benefit from sharing best practices that will drive strong operational performance and reliability for our customers.

This deal makes a lot of sense for both companies, our investors, our customers in the communities that we operate in. But, as all of you are aware, having a compelling business rationale particularly in the utilities sector is just one of the many considerations to accomplish a business combination like ours. We have a number of stakeholders, regulators, government bodies, and we have to clearly and carefully consider this transaction.

From the customers' standpoint, Maryland requires that utilities demonstrate a direct benefit to the customers, and we have put forth a fair proposal that meets the test in many ways. First, \$100 rebate per customer. The credits will go to the BGE residential customers. Second, through the opportunity to benefit from realized cost synergies as they are passed through to the consumer during the rate cases; and third, through programs totaling \$15 million that directly benefit the consumers in Maryland.

As I mentioned earlier, investors of both companies will benefit. Earnings accretion will begin in 2013. Increased cash flow and further enhancing the dividend stability for the Exelon shareholders. What we look at is a significant uplift for – on the dividend for the Constellation shareholders and a business mix that balances regulated cash flows with the upside of the unregulated business. We will continue to maintain a strong credit profile throughout this – with this combination.

We put a lot of work into developing a comprehensive set of benefits for the City of Baltimore in the State of Maryland, including building the new headquarters for our retail, wholesale and renewable business in Downtown Baltimore, developing 25 megawatts of renewable energy in the State of Maryland and are continuing with Exelon and Constellation's strong track record of charitable contributions in the community.

As in any utility merger we've got to balance the interests of all parties. And we're working to make sure that that can be accomplished in this. To that end, let me turn to the next slide. You all have no doubt – or you all, no doubt have been following the proceedings before the Maryland Commission and many of you've seen that we recently made several additional enhancements to our original proposal.

I won't go through all of these, but the key elements that you can see is our ring-fencing commitments to insulate BGE, our commitment to maintain clear levels of spending on the system at BGE and the corporate governance commitments ensures BGE remains a core part of the combined company. We're also in the midst of the hearings before the Maryland PUC right now or PSC right now, and we expect that the Commission will consider the position that we have taken to conclude on this proceeding early next year.

Another of the areas that we've been able to make significant progress in our merger is on the issue of market power. Prior to announcing the merger, Exelon and Constellation conducted extensive analyses through our expert advisors to develop what would be a divestiture plan that would address the market power concerns within PJM, using the FERC time tested methodology. That plan included asset sales of over 2,600 megawatts; as you can see those listed on the right-hand side of the slide. And it also created further commitments to sell a block of 500 megawatts of base load energy under firm commitments.

We since then have strengthened that proposal even further by working collaboratively with the PJM market monitor, the independent market monitor and filed a settlement agreement with FERC in the Maryland PSC last month. We've added structural commitments around the ultimate buyers of the assets that we do not believe that will constrain us from obtaining the value, and other behavioral commitments on how we bid the units into the PJM capacity market.

We see our settlement with the market monitors a good sign and hope FERC and Maryland will agree that this enhances the commitments appropriately and addresses the issues that have been put out by many interveners. In terms of asset sales themselves, we expect to kick that process off early next year, and have executed – and have an executed agreement within six months of the merger. These are good assets, and we expect the competitive bid process for the sales.

Brandon Shores, which is, excuse me, which is the largest of the three units recently had up to \$1 billion of environmental controls added. This puts it in compliance with the environmental regulations in the State of Maryland, and also, puts it in compliance with the pending EPA toxic rule.

I have everybody on the Exelon staff watching me as I go through the slide, last year I was at about this point and somehow hit the clicker twice and missed the big slide, so I know right now midway through they're all watching to see if I get the, excuse me.

Even after considering the divestiture of the assets in PJM, we're going to have a strong position across the value chain, from the upstream gas exploration and production activities to our customer centered businesses and utilities serving 6.6 million customers in three of the country's largest cities. A generation asset base will be unparalleled with over 35,000 gigawatts of mostly clean energy in our portfolio.

Over the course of this year, both Exelon and Constellation have continued to increase the generation portfolio through acquisitions and development opportunities, large and small, mostly outside of PJM, but in other attractive markets. This includes the expansion of ERCOT with Exelon's purchase of Wolf Hollow earlier this summer and Constellation's purchase earlier this year of Boston Gen, which they got it at a very good price.

It's about half of what we lost on it when we divested the assets years ago. It also includes various other renewable projects that we've developed under long-term PPAs either directly with customers or with other large utilities to assist them in meeting their RPS standards.

Many of you know Exelon is the largest nuclear operator in the U.S. We're proud that we have been able to operate our nuclear fleet with consistent best-in-class performance and increased the size of our fleet through our power upgrade program, which has economically advantaged the opportunity for Exelon to uniquely use its size and scale in pursuing the clean platform that we desire.

I wanted to also point out that while nuclear will continue to compromise the majority of our generating capacity, the merger of Exelon and Constellation creates a more diverse – more diversity in our fuel mix while maintaining our position as the largest clean merchant generator – generation fleet in the U.S. Because of that we have very low environmental CapEx requirements over the next several years with – excuse me, which is significant to advantage particularly us in the competitive market and our competitive position serving those markets.

We've already announced that we'll be retiring another 500 megawatts of coal and oil capacity, our Eddystone Unit II and our Cromby Unit II units coming offline in the next six months. The EPA cross state air pollution rules will not require any further capital commitments from any of our units. The owners group of our Conemaugh station, of which we have 31% of the combined interest, is currently evaluating the potential for the environment controls to comply with the air toxin rule. We expect our share to cost less than \$200 million, and we'll make the final decision with other owners later this year.

The EPA is moving forward with the implementation; excuse me, of the long expected regulations and our size, our scalability and low costs, low emissions fleet is unparalleled to benefit from these conditions.

Aside from being clean, one of the key benefits to the combination of Exelon and Constellation is our ability to match generation and load in key markets. Clearly, this will benefit us in PJM, and particularly in the Midwest where Exelon currently sells a significant amount of wholesale power into the wholesale market, but it also extends beyond our PJM footprint.

Take a look at Texas for an instance. Combined, our companies currently have over 5,300 megawatts of owned or contracted capacity to sell in Texas. The majority of our assets are located in the Dallas or Houston area, which are strong attractive markets in ERCOT. Our units have the dispatchability across the curve allowing us to pick up incremental margins when there is price volatility like was experienced last summer.

Combining a dispatchable generation position with the customer serving load obligation is a natural fit and one that will optimize the combined company through a combination of products, sales channels and hedging techniques.

Many of you have asked how we plan to manage the Exelon generation portfolio once the transaction's complete. While we're quite limited currently by anti-trust regulations from pursuing combining the business strategies before the merger close, we do believe there are certain broad principles reflecting the best practices from both companies that can be maintained once the merger's complete.

First, both Constellation and Exelon manage risk on a ratable basis over time and will continue to do that. We also expect that some amount of our open length would be kept in certain regions to manage unexpected event risk. We will exhibit flexibility in the timing and type of sales we make to incorporate our view of the markets and using different products to manage our risk.

In order to maintain access to capital so that we – so in critical times running a large generation fleet will be able to manage our financial position to protect the investment credit metrics that we do as of today. It will be very important in the future to maintain this as a portfolio strategy.

At some time we'll evaluate further growth opportunities. That might include growing in markets that we find attractive like ERCOT, we expect it could also include expanding the product offerings we have in the areas that we already have generation and customer penetration. We will also look for investments along the value chain such as transmission that will improve the value of the generation portfolio or the efficiency of the national transmission grid.

These are all things that we have evaluated in much great detail. Once we – today we evaluate them in great detail, and we'll evaluate them in much greater detail as we combine the companies. But balancing risk management and value creation is important and critical for us. We'll continue to evaluate it carefully and ensure we optimize the portfolio and execute our opportunities to grow. As I said earlier, the premise on us maintaining our ability to grow is positioned on a strong financial balance sheet. This will allow us to weather the cyclical nature of our competitive business.

On this slide, we show how the merger creates financially a stronger company on a number of levels. From a synergies perspective, we'll achieve an ongoing synergy of \$310 million a year beginning in the fourth full year of the combined company's operation. We'll see near term savings beginning as soon as next year. As we've discussed in length in our testimony before the Maryland Commission, a portion of these synergies goes back to the customers of all three utilities and a portion is directly attributed to the savings at the unregulated business.

One of the key components of the synergies is that – that flows directly from the unregulated business and is the savings associated with the reduction of our one of the issues is the savings of our combined credit facility requirements. We have a significant amount of credit capacity through a large number of banks, most of which is not drawn, but is available to support the collateral requirements of Exelon generation and Constellation's new energy.

We expect that as a result of combining the two portfolios we will – combining the two portfolios, as much as \$35 million to \$45 million in annual savings could be achieved by reducing the consolidated credit capacity by \$3 billion to \$4 billion. We will be looking at this carefully once we're able to combine the two portfolios. We need to balance the expected collateral needs while at the same time, protecting us against unexpected stress cases or liquidity events to maintain our investment grade ratings.

Before I finish up, I want to talk a little bit about the approach to integration. We're taking a lot of lessons learned for running the process not only from past transactions that didn't work, but also from ones that have been successful mergers in our sector. The merger of Unicom and PECO that created Exelon about 11 years ago is one good example of that. We want to get this one right, and we're on track to do so. Our approach to the integration starts with a detailed analysis of the two organizations that began shortly after we announced this deal in April.

What we found during the analysis phase is there are actually a great number of similarities on how we operate. Where there are differences, the teams from across the functional areas are now digging into those areas more carefully during the design phase to determine how we want to operate going forward. We'll start the implementation phase of those plans when we close the merger early next year in order to capture the synergies that are consistent with our plan.

In fact, all the integration efforts are intended to ensure that we successfully bring these two companies together, not only meeting the synergy requirements, but also maintaining the safety and reliability of all our assets. We're going to define success in multiple ways; first, we must stay on track to close the merger early in 2012. Second, through all of our efforts with the merger, we cannot take our eye off the ball on maintaining the day-to-day operations at our generating facilities or our wires companies.

Third, once we have completed the merger, we will work to achieve the merger synergies and benefits that we've identified, which include meeting the commitments we have made to all our stakeholders, including investors, regulators and the government. And finally, we will build our unique integrated platform in a position for ourselves to continue to grow.

I really am very optimistic about the future of us being able to put the companies together after achieving the regulatory approval, get the synergies that we've promised and continue to operate the company in a position that will be able to grow and be truly what is – what we think is the largest and most diverse energy portfolio that will be a nationally-based company.

So, with that, I thank you for being here and I think we have time for questions, open it up for that.

QUESTION AND ANSWER SECTION

Q

Could you just tell us what is expected after-tax proceeds from the divestitures that you plan to do, and what the use of those proceeds would be?

Christopher M. Crane

President & Chief Operating Officer, Exelon Corp.

Currently you're bidding on them.

[Laughter]

We model it under multiple scenarios, we probably wouldn't play our hand right now to say what we think, we'd rather see the bids come in, but, although meaningful – we think there's value in them, and we think that there'll be a lot of – it will be a competitive process with a lot of participants, but we'd hate to tip our hand on that one right now.

Q

[inaudible] (21:58) the use of proceeds?

Christopher M. Crane

President & Chief Operating Officer, Exelon Corp.

Well, we put the cash into the plan, we look at our credit metrics, we look at all our operating metrics, and we'll make the decision, is it retired debt, use in lieu of debt, what the investments are. We'll still be growing in the wind area. We'll still be looking at solar. We have other investments to be made. So, it will be weighed like everything else in which our baseline is against a share buyback, is the way we look at the use of cash or money. So, I don't think we have a specific plan, but it will be within the way we manage the business today.

Q

Can I just a follow-up, is that accretive or dilutive the way you have modeled it currently?

Christopher M. Crane

President & Chief Operating Officer, Exelon Corp.

It's definitely accretive. We don't have the assets in our portfolio, we divest the assets, it's a part of the valuation of the acquisition, and that is accretive across not only earnings, but free cash flow. How about any other questions? Yes.

Q

Are you [inaudible] (23:16)

Christopher M. Crane

President & Chief Operating Officer, Exelon Corp.

A

The question was, are we trying to convince the French to change their vote on the deal. All large shareholders, all shareholders have to take a look at this deal, and we're sure that they will also – we're not trying to over sell that one shareholder different than any others, we think this deal creates value. We'll continue to communicate as desired with any of the shareholders, but I think the way the process is proceeding now, the confidence that's being built and the dialogue with the regulators, the way the market has responded, surely is a signal for all shareholders that this is a good deal, and it'd be great for them to get board.

Right here in front?

Q

Would you comment on some recent political activity in the Maryland area relative to a potential spin-off of BG&E?

Christopher M. Crane

President & Chief Operating Officer, Exelon Corp.

A

Yes. There's been a lot in the press in the last couple of days of a couple of politicians in Maryland suggesting that there should be some spin-off of BGE, and I've been clear, not only in testimony, but also in editorial boards and other forums, it's a deal breaker. We value Constellation as the combined entity. We like the competitive integrated approach, the quality of revenues and the operational flexibility of having the wires company, and we like the competitive generation market. So, we would not proceed with the deal if that came to play.

That said, I think it is not a good thing for BGE, to say the least. BGE today is allowed to put a lot of capital to work without the stresses of a dividend. There'll be times that BGE doesn't have to pay a dividend to the parent and the parent can still continue to do business. The ownership of three utilities allows for that regulated diversity that we've talked about in our presentation that says if there's a lot of capital to go to work in one area at one time, that doesn't stress the company. We'll be able to continue to make our dividend commitments as a parent and manage our balance sheet as a parent.

So if they were to spin BGE next year, if that was something that were to pass, BGE in no way could have the capital spend plan that they have today, and in no way could they create or be able to obtain the credit, go to the market the way they can today, so. And also their cost bases would increase.

Being part of a bigger entity, spreading the overhead costs across three creates a lower cost base for the consumer. So, if they did that, they'd increase rates, they'd greatly damage the financial strength of the utility, and they wouldn't get the reliability of investments that they want. So, I'm fairly confident it's not going to go anywhere, but want to make sure it's clearly stated, if that happens, we're not doing the deal. How about anybody else?

Christopher M. Crane

President & Chief Operating Officer, Exelon Corp.

Well, we appreciate the time. Thank you very much and look forward to updating you after we close.

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